

BUTLER COUNTY FIRE DISTRICT #10

BURNS, KANSAS

Financial Statement

For the Year Ended December 31, 2019

Butler County Fire District #10
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Butler County Fire District #10
Burns, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Butler County Fire District #10, Burns, Kansas (District), as of and for the year ended December 31, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the District on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2019 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the 2019 basic financial statement, but are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statement. The 2019 information has been subjected to the auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2019 basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the District as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated August 12, 2019, which contained an unmodified opinion on the basic financial statement. The 2018 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipal-services>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2019 basic financial statement. Such 2018 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Krudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
June 9, 2020

Butler County Fire District #10
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2019

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 39,339	52,784	75,920	16,203	201	16,404
Special Purpose Fund						
Fire Protection Reserve	166,910	13,196	-	180,106	-	180,106
Bond and Interest Fund	49,314	60,586	34,927	74,973	-	74,973
Total Reporting Entity	<u>\$ 255,563</u>	<u>126,566</u>	<u>110,847</u>	<u>271,282</u>	<u>201</u>	<u>271,483</u>

Composition of Cash

Community National Bank	
Checking Account	\$ 244,985
Certificates of Deposit	<u>26,498</u>
Total Reporting Entity	<u>\$ 271,483</u>

The notes to the financial statement are an integral part of this statement.

Butler County Fire District #10
NOTES TO FINANCIAL STATEMENT
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

Butler County Fire District #10 (District) is a municipality governed by an elected five-member board. The District's territory includes parts of Marion and Butler counties. The financial statement presents funds that are administered and controlled by the Board.

Regulatory Basis Fund Types

General Fund – used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the District to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute) and Bond and Interest Fund. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

Butler County Fire District #10
NOTES TO FINANCIAL STATEMENT
December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for certain Special Purpose Funds.

Spending in funds that are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Reimbursements

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis of accounting.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violations incurred in the year ended December 31, 2019.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes;

Butler County Fire District #10
NOTES TO FINANCIAL STATEMENT
December 31, 2019

3. DEPOSITS AND INVESTMENTS (Continued)

no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2019.

At December 31, 2019, the District's carrying amount of deposits was \$271,483 and the bank balance was \$273,841. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance of \$23,841 was collateralized with securities held by the pledging financial institution's agents in the District's name.

4. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended December 31, 2019 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions /Payments	Balance End of Year	Interest Paid
General Obligation Bond Series 2013	3.125%	03/28/13	\$ 689,400	03/28/43	\$ 587,405	-	16,570	570,835	18,357

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Year ending December 31									
	2020	2021	2022	2023	2024	2025 - 2029	2030 - 2034	2035 - 2039	2040 - 2043	Total
General Obligation Bond Series 2013										
Principal	\$ 17,037	17,621	18,171	18,739	19,280	106,022	123,663	144,241	106,061	570,835
Interest	18,716	18,132	17,581	17,014	16,473	72,742	55,100	34,523	10,522	260,803
Total principal and interest	\$ 35,753	35,753	35,752	35,753	35,753	178,764	178,763	178,764	116,583	831,638

Butler County Fire District #10
NOTES TO FINANCIAL STATEMENT
December 31, 2019

5. INTERFUND TRANSFERS

Operating transfer was as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	Fire Protection Reserve	K.S.A. 19-3612c	<u>\$ 13,196</u>

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to volunteers; and natural disasters. The District has purchased commercial insurance for these potential risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

During the ordinary course of its operations the District is a party to various claims, legal actions and complaints. It is the opinion of the District's management that these matters are not anticipated to have a material financial impact on the District.

7. RELATED PARTIES

The District contracted with Goodwin Industries, a company owned by the District clerk's family, for construction of fencing and gates to secure the District's fuel tanks and pumps. The amount paid to Goodwin Industries during the year ended December 31, 2019 was \$3,865.

8. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2019, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through June 9, 2020, which is the date the financial statement was available to be issued.

BUTLER COUNTY FIRE DISTRICT #10
REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Butler County Fire District #10
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2019

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
GENERAL FUND	\$ 90,900	-	90,900	75,920	(14,980)
BOND AND INTEREST FUND	120,000	-	120,000	34,927	(85,073)

Butler County Fire District #10

General Fund**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
RECEIPTS				
Ad valorem property tax	\$ 56,424	45,805	46,715	(910)
Delinquent tax	1,750	1,998	1,500	498
Vehicle tax	6,353	3,883	2,806	1,077
Recreational vehicle tax	99	65	62	3
16/20M vehicle tax	1,077	398	480	(82)
Commercial vehicle tax	-	385	316	69
Watercraft tax	-	4	181	(177)
Interest income	84	246	100	146
Miscellaneous income	5,021	-	500	(500)
Donations and other income	25	-	-	-
Total receipts	<u>70,833</u>	<u>52,784</u>	<u>52,660</u>	<u>124</u>
EXPENDITURES				
Contractual services	28,536	26,425	30,000	(3,575)
Commodities and supplies	12,825	8,643	10,000	(1,357)
Vehicle maintenance	7,016	6,990	15,000	(8,010)
Capital outlay	30,875	20,666	15,900	4,766
Transfer to Fire Protection Reserve	<u>15,994</u>	<u>13,196</u>	<u>20,000</u>	<u>(6,804)</u>
Total expenditures	<u>95,246</u>	<u>75,920</u>	<u>90,900</u>	<u>(14,980)</u>
Receipts over (under) expenditures	(24,413)	(23,136)		
UNENCUMBERED CASH, beginning	<u>63,752</u>	<u>39,339</u>		
UNENCUMBERED CASH, ending	<u>\$ 39,339</u>	<u>16,203</u>		

Butler County Fire District #10

Special Purpose Fund

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	<u>2018</u>	<u>2019</u>
FIRE PROTECTION RESERVE		
RECEIPTS		
Transfer from General	\$ 15,994	13,196
EXPENDITURES	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	15,994	13,196
UNENCUMBERED CASH, beginning	<u>150,916</u>	<u>166,910</u>
UNENCUMBERED CASH, ending	<u>\$ 166,910</u>	<u>180,106</u>

Butler County Fire District #10

Bond and Interest Fund

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		Current Year		
	Prior Year	Actual	Budget	Variance
	Actual			Over
				(Under)
RECEIPTS				
Ad valorem property tax	\$ 37,688	55,559	56,659	(1,100)
Delinquent tax	951	1,439	-	1,439
Vehicle tax	912	3,043	1,875	1,168
Recreational vehicle tax	24	57	41	16
16/20M vehicle tax	354	204	321	(117)
Commercial vehicle tax	-	278	211	67
Watercraft tax	-	6	121	(115)
Total receipts	<u>39,929</u>	<u>60,586</u>	<u>59,228</u>	<u>1,358</u>
EXPENDITURES				
Bond principal	29,962	16,570	16,570	-
Bond interest	19,684	18,357	19,182	(825)
Cash basis reserve	-	-	84,248	(84,248)
Total expenditures	<u>49,646</u>	<u>34,927</u>	<u>120,000</u>	<u>(85,073)</u>
Receipts over (under) expenditures	(9,717)	25,659		
UNENCUMBERED CASH, beginning	<u>59,031</u>	<u>49,314</u>		
UNENCUMBERED CASH, ending	<u>\$ 49,314</u>	<u>74,973</u>		