

KECHI TOWNSHIP  
SEDGWICK COUNTY, KANSAS  
Financial Statement  
For the Year Ended December 31, 2020

Kechi Township  
For the Year Ended December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Kechi Township  
Sedgwick County, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Kechi Township, Sedgwick County, Kansas (Township), as of and for the year ended December 31, 2020, and the related disclosures 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 Township'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 Township'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 Township 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 Township as of December 31, 2020, 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 Township as of December 31, 2020, 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 2020 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 2020 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 2020 basic financial statement. The 2020 information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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 Township as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated May 29, 2020, which contained an unmodified opinion on the basic financial statement. The 2019 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 2019 actual column (2019 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2020 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2020 basic financial statement. Such 2019 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 2019 basic financial statement. The 2019 comparative information was 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 2019 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, 2019, on the basis of accounting described in Note 1.

*Krudsen, Monroe & Company, LLC*

Certified Public Accountants  
Newton, Kansas  
April 20, 2021

Kechi Township  
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH  
Regulatory Basis  
For the Year Ended December 31, 2020

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
<b>General Fund</b>	\$ 7,878	51,697	57,500	2,075	771	2,846
<b>Special Purpose Funds</b>						
Road	105,869	157,567	112,791	150,645	658	151,303
Cemetery	624,669	200,029	118,471	706,227	-	706,227
Special Machinery	<u>342,835</u>	<u>64,861</u>	<u>-</u>	<u>407,696</u>	<u>-</u>	<u>407,696</u>
<b>Total Reporting Entity</b>	<u>\$ 1,081,251</u>	<u>474,154</u>	<u>288,762</u>	<u>1,266,643</u>	<u>1,429</u>	<u>1,268,072</u>

**Composition of Cash**

Intrust Bank	
Checking	\$ 1,012,924
Certificates of Deposit	<u>255,148</u>
<b>Total Reporting Entity</b>	<u>\$ 1,268,072</u>

Kechi Township  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

Kechi Township (Township) is a municipal corporation governed by an elected three-member board. This regulatory financial statement presents the Kechi Township, a municipality.

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.

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 Township 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 Township to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund and Special Purpose Funds (unless specifically exempted by statute). 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.

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.

Kechi Township  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Township 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 the Special Machinery Fund.

Spending in funds which 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 Township 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. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township 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 Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Township 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 Township's deposits may not be returned to it. State statutes require the Township'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, 2020.

Kechi Township  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

2. DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2020, the Township's carrying amount of deposits was \$1,268,072 and the bank balance was \$1,271,125. 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 \$1,021,125 was collateralized with securities held by the pledging financial institution's agents in the Township's name.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violation incurred in the year ended December 31, 2020.

4. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	Special Machinery	K.S.A. 80-122	\$ 11,318
Road	Special Machinery	K.S.A. 68-141g	48,955

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2020.

Compensated Absences

Full-time employees earn one week of vacation after the completion of one year of service and two weeks of vacation after two years of service. Unused vacation time must be used within 2 months of the following year. Accrued vacation time has not been recorded as a liability in the accompanying financial statement.

Full-time employees earn five days of sick leave at the beginning of the year. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded as a liability in the accompanying financial statement.

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The Township participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law



Kechi Township  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

6. DEFINED BENEFIT PENSION PLAN (Continued)

establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from the Township were \$7,283 for the year ended December 31, 2020.

Net Pension Liability

At December 31, 2020, the Township's proportionate share of the collective net pension liability reported by KPERS was \$69,121. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The Township's proportion of the net pension liability was based on the ratio of the Township's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

7. RISK MANAGEMENT

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

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

Kechi Township  
NOTES TO FINANCIAL STATEMENT  
December 31, 2020

8. CORONAVIRUS PANDEMIC

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (“the COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Township’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Township is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2020.

9. DATE OF MANAGEMENT’S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through April 20, 2021, which is the date at which the financial statement was available to be issued.

KECHI TOWNSHIP  
REGULATORY – REQUIRED  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2020

Kechi Township  
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET  
Regulatory Basis  
For the Year Ended December 31, 2020

<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>
<b>GENERAL FUND</b>	\$ 57,500	-	57,500	57,500	-
<b>SPECIAL PURPOSE FUNDS</b>					
Road	220,985	-	220,985	112,791	(108,194)
Cemetery	299,000	-	299,000	118,471	(180,529)

## Kechi Township

**General Fund**

## SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

## Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

		Current Year		
	Prior Year			Variance
	Actual	Actual	Budget	Over (Under)
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 38,636	47,701	47,977	(276)
Delinquent tax	139	119	-	119
Vehicle tax	862	3,599	3,568	31
Recreational vehicle tax	12	60	49	11
16/20M vehicle tax	5	5	9	(4)
Commercial vehicle tax	45	194	204	(10)
Watercraft tax	5	19	7	12
Miscellaneous income	665	-	-	-
Total receipts	40,369	51,697	51,814	(117)
<b>EXPENDITURES</b>				
Officer pay	4,600	4,800	4,500	300
Salaries & wages	1,923	17,465	16,000	1,465
Employee benefits	154	1,703	7,000	(5,297)
Insurance	2,675	2,624	8,000	(5,376)
Operating expenses	18,727	19,590	21,000	(1,410)
Materials and supplies	-	-	1,000	(1,000)
Transfer to Special Machinery	10,092	11,318	-	11,318
Total expenditures	38,171	57,500	57,500	-
Receipts over (under) expenditures	2,198	(5,803)		
UNENCUMBERED CASH, beginning	5,680	7,878		
UNENCUMBERED CASH, ending	\$ 7,878	2,075		

## Kechi Township

## Special Purpose Funds

## SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

## Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
ROAD				
RECEIPTS				
Ad valorem property tax	\$ 96,443	94,435	94,967	(532)
Delinquent tax	497	328	100	228
Motor vehicle tax	5,104	3,756	3,558	198
Recreational vehicle tax	34	73	52	21
16/20M vehicle tax	29	108	45	63
Commercial vehicle tax	396	424	290	134
Watercraft tax	25	20	35	(15)
County gasoline tax	61,975	58,423	61,000	(2,577)
Other income	869	-	-	-
Total receipts	165,372	157,567	160,047	(2,480)
EXPENDITURES				
Officer pay	-	-	300	(300)
Salaries & wages	43,264	25,184	20,000	5,184
Employee benefits	7,303	3,522	15,000	(11,478)
Insurance	10,249	8,536	15,000	(6,464)
Operating expenses	1,371	14,780	40,000	(25,220)
Materials and supplies	15,429	11,814	80,685	(68,871)
Machines and equipment	-	-	50,000	(50,000)
Transfer to Special Machinery	41,343	48,955	-	48,955
Total expenditures	118,959	112,791	220,985	(108,194)
Receipts over (under) expenditures	46,413	44,776		
UNENCUMBERED CASH, beginning	59,456	105,869		
UNENCUMBERED CASH, ending	\$ 105,869	150,645		

## Kechi Township

## Special Purpose Funds

## SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET

## Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
CEMETERY				
RECEIPTS				
Charges for services	\$ 83,100	89,100	80,000	9,100
Rent income	3,816	1,715	2,500	(785)
Lot sales	79,850	103,251	100,000	3,251
Permits	2,275	1,850	2,500	(650)
Interest income	7,545	3,877	-	3,877
Other income	731	236	-	236
Total receipts	177,317	200,029	185,000	15,029
EXPENDITURES				
Salaries & wages	50,956	57,565	80,000	(22,435)
Employee benefits	8,496	7,967	-	7,967
Insurance	10,249	12,805	8,000	4,805
Operating expenses	29,729	30,385	14,000	16,385
Materials and supplies	11,940	9,046	45,000	(35,954)
Machines and equipment	-	703	15,000	(14,297)
Capital improvements	-	-	137,000	(137,000)
Total expenditures	111,370	118,471	299,000	(180,529)
Receipts over (under) expenditures	65,947	81,558		
UNENCUMBERED CASH, beginning	558,722	624,669		
UNENCUMBERED CASH, ending	\$ 624,669	706,227		

## Kechi Township

**Special Purpose Funds****SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**

## Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	<u>2019</u>	<u>2020</u>
<b>SPECIAL MACHINERY</b>		
<b>RECEIPTS</b>		
Interest income	\$ 7,737	4,514
Other income	-	74
Transfer from General	10,092	11,318
Transfer from Road	<u>41,343</u>	<u>48,955</u>
Total receipts	59,172	64,861
<b>EXPENDITURES</b>		
Machinery and equipment	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	59,172	64,861
UNENCUMBERED CASH, beginning	<u>283,663</u>	<u>342,835</u>
UNENCUMBERED CASH, ending	<u>\$ 342,835</u>	<u>407,696</u>