

CITY OF RANTOUL

Rantoul, Kansas

**FINANCIAL STATEMENT
AND
INDEPENDENT AUDITOR'S REPORT**

December 31, 2017

CITY OF RANTOUL

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INDEPENDENT AUDITOR'S REPORT

City Council
City of Rantoul
Rantoul, Kansas

Report on the Financial Statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Rantoul, Kansas, as of and for the year ended December 31, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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 C; 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 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 entity'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 entity's internal controls. 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 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 C of the financial statement, the financial statement is prepared by the City of Rantoul, Kansas 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 C 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 of 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 City of Rantoul, Kansas as of December 31, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

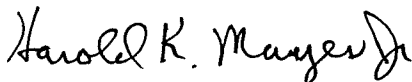
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Rantoul, Kansas as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note C.

Other Matters***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditure-actual and budget, and the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the 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 basic financial statement or to the 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 basic financial statement as a whole, on the basis of accounting described in Note C.

Prior Year Comparative

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Rantoul as of and for the year ended December 31, 2016 (not presented herein), and have issued our report dated May 20, 2019, which contained an unmodified opinion on the basic financial statement. The 2016 basic financial statement and accompanying report are not presented herein, but available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices//chief-financial-officer/municipal-services..> The 2016 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2017 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2016 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 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 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 2016 basic financial statement or to the 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 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note C.



Harold K Mayes Jr., CPA
Agler & Gaeddert, Chartered
August 26, 2019

City of Rantoul, Kansas

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2017

Fund	Unencumbered Cash Balance Beginning of Year	Cash Receipts
Governmental Fund Types		
General Fund	\$ 60,294	\$ 36,718
Special Revenue Funds		
Special Highway	0	4,852
Parks & Recreation	465	74
Business Funds		
Water & Sewer	40,330	55,563
Total Reporting Entity	\$ 101,089	97,207

Composition of Cash:

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Unencumbered Cash Balance End of Year</u>	<u>Outstanding Accounts Payable and Encumbrances</u>	<u>Cash Balance End of Year</u>
\$ 29,815	\$ 67,197	\$ 88	\$ 67,285
4,852	0	0	0
0	539	0	539
<u>50,244</u>	<u>45,649</u>	<u>0</u>	<u>45,649</u>
<u>84,911</u>	<u>113,385</u>	<u>88</u>	<u>113,473</u>
City - General			\$ 50,133
City - Water & Sewer			32,804
City - Parks & Rec			539
CD's			<u>29,997</u>
			<u>\$ 113,473</u>

The accompanying notes are an integral part of this statement.

CITY OF RANTOUL

NOTES TO FINANCIAL STATEMENT

December 31, 2017

NOTE A. MUNICIPAL REPORTING ENTITY

The City of Rantoul is incorporated under the laws of the State of Kansas and operates under an elected Mayor-Council form of government. This financial statement presents the City of Rantoul (the municipality).

NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the City are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The City potential could have the following types of funds.

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

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

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt. The City did not have any of these types of funds for the year presented.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment. The City did not have any of these types of funds for the year presented.

Business Fund – funds financed in whole or part by fees charged to users of goods or services (i.e. enterprise and internal service funds etc.).

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipality reporting entity scholarship funds, etc). The City did not have any trust funds for the year presented.

Agency Fund – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, tax collection accounts, etc.). The City did not have any of these types of funds for the year presented.

NOTE C. BASIS OF ACCOUNTING

Regulatory Basis of Accounting and departure from Accounting Principles Generally Accepted in the United States of America - The 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 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 revenues 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 obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

CITY OF RANTOUL

NOTES TO FINANCIAL STATEMENT

December 31, 2017

NOTE C. BASIS OF ACCOUNTING- continued

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

NOTE D. 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), bond and interest funds, and business funds. 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 revenue 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.

Adjustment for Qualifying Budget Credits – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality 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.

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing board. The following funds are not required to have a published budget. Parks and Recreation

CITY OF RANTOUL

NOTES TO FINANCIAL STATEMENT

December 31, 2017

NOTE E. DEPOSITS AND INVESTMENTS

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

K.S.A. 12-1675 limits the City'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 City has no investment policy that would further limit its investment choices.

Concentration of credit risk - State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City has no investments.

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City'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, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2017.

At December 31, 2017, the carrying amount of the City's bank deposits was \$113,473 and the bank balance was \$115,884. The bank balance was held by one bank resulting in a concentration of credit risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$115,884 was covered by federal depository insurance coverage. None of the bank balances were covered by pledged securities.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The City had no such investments at year end.

NOTE F. INTERFUND TRANSFERS

There were no operating transfers for the year end December 31, 2017.

NOTE G. OTHER LONG-TERM OBLIGATIONS FROM OPEARTIONS

Compensated Absences: Employees of the City are entitled to paid vacation and paid sick days off, depending on job classification, length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The City's policy is to recognize the costs of compensated absences when actually paid to employees.

NOTE H. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

CITY OF RANTOUL

NOTES TO FINANCIAL STATEMENT

December 31, 2017

NOTE I. LONG-TERM DEBT

There was no long-term debt as of December 31, 2017.

NOTE J. OTHER INFORMATION

Ad Valorem Tax Revenue: The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's office annually determines assessed valuation and the County Clerk spreads the annual assessment to the taxing units. One-half of the property taxes are due December 20 and distributed to the City by January 20 to finance a portion of the current year's budget. The second half is due May 20 and distributed to the City by June 5. The City draws available funds from the County Treasurer's office at designated times throughout the year.

Reimbursed Expenses: The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as receipts in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

Compliance with Kansas Statutes: References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Management is not aware of any other statutory violations in the period covered by this audit.

NOTE K. SUBSEQUENT EVENTS

Subsequent Events: The City evaluated subsequent events through August 26, 2019, the date the financial statements were available to be issued. No subsequent events were identified which require disclosure.

**REGULATORY BASIS
SUPPLEMENTARY INFORMATION**

City of Rantoul, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2017

Fund	Certified Budget	Adjustments for Qualifying Budget Credits
Governmental Type Funds		
General Fund	\$ 42,121	\$ 0
Special Revenue Funds		
Specail Highway	31,215	0
Business Funds		
Water & Sewer	81,628	0

See Independent Auditor's Report.

Schedule 1

	Total Budget for Comparison		Expenditures Chargeable to Current Year		Variance Over (Under)
\$	42,121	\$	29,815	\$	(12,306)
	31,215		4,852		(26,363)
	81,628		50,244		(31,384)

See Independent Auditor's Report.

City of Rantoul, Kansas

Schedule 2a

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2017
(With comparative actual totals for the prior year ended December 31, 2016)

		<u>2017</u>		Variance Over (Under)	
	<u>2016 Actual</u>	<u>Actual</u>	<u>Budget</u>		
Receipts					
Tax Collected	\$ 16,398	\$ 9,764	\$ 42,121	\$ (32,357)	
Franchise Income	12,998	7,101	0	7,101	
Insurance Dividend	804	982	0	982	
Interest - General	7	574	0	574	
Miscellaneous Income - General	2,525	1,371	0	1,371	
State of KS - Compensating	13,253	13,776	0	13,776	
Rental Income	0	3,150	0	3,150	
Transfers in	6,829	0	0	0	
Total receipts	<u>52,814</u>	<u>36,718</u>	<u>\$ 42,121</u>	<u>\$ (5,403)</u>	
Expenditures					
Advertising & Promotion - Gen	1,430	260	\$ 42,121	\$ (41,861)	
Contract Services	0	866	0	866	
Dues & Subscriptions - Gen	2,134	50	0	50	
GAS/FUEL - General	1,187	313	0	313	
Insurance Expense: Gen Liability Ins	6,377	6,910	0	6,910	
Insurance Expenses	0	103	0	103	
Meals & Entertainment	2,416	3,084	0	3,084	
Meeting Expense	1,020	880	0	880	
Mileage - General	698	682	0	682	
Misc. Expense - General	6,987	1,048	0	1,048	
Office Supplies - General	1,968	900	0	900	
Payroll Expenses - General	0	6,461	0	6,461	
Postage & Delivery - General	1,099	392	0	392	
Professional Fees - General	2,062	2,525	0	2,525	
Repairs & Maintenance - Gen	906	(184)	0	(184)	
Sand/Salt	66	66	0	66	
Telephone Expense	867	854	0	854	
Tractor/Mower Expense - Gen	17,843	107	0	107	
Trash Pickup	614	564	0	564	
Utilities - General	6,868	3,678	0	3,678	
City Hall Expenses	0	256	0	256	
Total expenditures	<u>54,542</u>	<u>29,815</u>	<u>\$ 42,121</u>	<u>\$ (12,306)</u>	
Receipts over (under) expenditures	(1,728)	6,903			
Unencumbered Cash, beginning of year	<u>62,022</u>	<u>60,294</u>			
Unencumbered Cash, end of year	\$ <u>60,294</u>	\$ <u>67,197</u>			

See Independent Auditor's Report.

City of Rantoul, Kansas

Schedule 2b

SPECIAL REVENUE
SPECIAL HIGHWAY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With comparative actual totals for the prior year ended December 31, 2016)

		2017		Variance
	2016	Actual	Budget	Over
	Actual			(Under)
Receipts				
State of KS disbursement - HWY	\$ 4,829	\$ 4,852	\$ 31,215	\$ (26,363)
Total receipts	4,829	4,852	\$ 31,215	\$ (26,363)
Expenditures				
Repairs & maintenance	4,829	4,852	\$ 31,215	\$ (26,363)
Total expenditures	4,829	4,852	\$ 31,215	\$ (26,363)
Receipts over (under) expenditures	0	0		
Unencumbered Cash, beginning of year	0	0		
Unencumbered Cash, end of year	\$ 0	\$ 0		

See Independent Auditor's Report.

City of Rantoul, KansasSchedule 2c

SPECIAL REVENUE
PARKS AND RECREATION
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS

For the Year Ended December 31, 2017

(With comparative actual totals for the prior year ended December 31, 2016)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts		
Other	\$ 0	\$ 74
Total receipts	<u>0</u>	<u>74</u>
Expenditures		
Maintenance Supplies	0	0
Transfers out	<u>2,000</u>	<u>0</u>
Total expenditures	<u>2,000</u>	<u>0</u>
Receipts over (under) expenditures	(2,000)	74
Unencumbered Cash, beginning of year	<u>2,465</u>	<u>465</u>
Unencumbered Cash, end of year	<u>\$ 465</u>	<u>\$ 539</u>

See Independent Auditor's Report.

City of Rantoul, Kansas

Schedule 2d

BUSINESS FUNDS
WATER & SEWER
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2017

(With comparative actual totals for the prior year ended December 31, 2016)

		<u>2017</u>		Variance Over (Under)	
	2016 Actual	Actual	Budget		
Receipts					
Customer Payments	\$ 55,957	\$ 55,365	\$ 81,682	\$ (26,317)	
Interest Income	<u>0</u>	<u>198</u>	<u>0</u>	<u>198</u>	
 Total receipts	 <u>55,957</u>	 <u>55,563</u>	 <u><u>81,682</u></u>	 <u><u>(26,119)</u></u>	
Expenditures					
Chemicals	1,357	0	\$ 81,628	\$ (81,628)	
Contracted Services - W/S	2,349	2,666	0	2,666	
Dues & Subscriptions	0	361	0	361	
Gas & Fuel	0	63	0	63	
Office Supplies	0	328	0	328	
Payroll Expenses - W/S	39,388	17,214	0	17,214	
Postage & Delivery - W/S	0	878	0	878	
Repairs & Maintenance W/S	11,294	18,094	0	18,094	
Sales Tax	477	572	0	572	
Tractor/Mower Expenses	0	64	0	64	
Utilities W/S	0	3,991	0	3,991	
Water Protection Fee	190	183	0	183	
Water Purchase	4,007	4,757	0	4,757	
Water Sample Testing	<u>1,173</u>	<u>1,073</u>	<u>0</u>	<u>1,073</u>	
 Total expenditures	 <u>60,235</u>	 <u>50,244</u>	 <u><u>81,628</u></u>	 <u><u>(31,384)</u></u>	
 Receipts over (under) expenditures	 (4,278)	 5,319			
 Unencumbered Cash, beginning of year	 <u>44,608</u>	 <u>40,330</u>			
 Unencumbered Cash, end of year	 <u><u>\$ 40,330</u></u>	 <u><u>\$ 45,649</u></u>			

See Independent Auditor's Report.