

CITY OF BOGUE, KANSAS

Financial Statement and Regulatory-Required
Supplementary Information with Independent Auditor's Report

For the Year Ended December 31, 2019

MAPES & MILLER LLP
Certified Public Accountants
Quinter, Kansas

CITY OF BOGUE, KANSAS

**Financial Statement and Regulatory-Required
Supplementary Information with Independent Auditor's Report**

For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Bogue
Bogue, Kansas 67625

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Bogue, Kansas, 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 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 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 City of Bogue, 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 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 City of Bogue, Kansas, 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 City of Bogue, Kansas, 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 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 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 1.

Mapes & Miller LLP

Certified Public Accountants
Quinter, Kansas

September 29, 2020

CITY OF BOGUE, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2019

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 9,761	0	43,952	46,549	7,164	0	7,164
Special Purpose Funds:							
Special Highway Fund	4,070	0	3,725	3,648	4,147	0	4,147
Capital Improvement Fund	72,966	0	9,000	7,855	74,111	3,347	77,458
Capital Project Funds:							
Park Project Fund	10,427	0	863	8,601	2,689	0	2,689
Business Fund:							
Water Utility Fund	<u>130,721</u>	<u>0</u>	<u>79,791</u>	<u>88,397</u>	<u>122,115</u>	<u>0</u>	<u>122,115</u>
Total Reporting Entity	<u>\$ 227,945</u>	<u>0</u>	<u>137,331</u>	<u>155,050</u>	<u>210,226</u>	<u>3,347</u>	<u>213,573</u>

Composition of Cash:

Solutions North Bank, Bogue, KS	
Checking Account	\$ 173,573
Certificates of Deposit	<u>40,000</u>
Total Reporting Entity	<u>\$ 213,573</u>

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

CITY OF BOGUE, KANSAS
Notes to the Financial Statement
December 31, 2019

1. Summary of Significant Accounting Policies

(a) Municipal Financial Reporting Entity

The City of Bogue, Kansas, is a municipal corporation governed by an elected mayor and an elected five-member council. The regulatory financial statement presents only the City of Bogue, Kansas.

(b) 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 City 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 City to use the regulatory basis of accounting.

(c) Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2019:

General Fund – the chief operating 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 receipts sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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.

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

(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 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, Schedule 2 as listed in the table of contents, 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 prior year's accounts payable and encumbrances. Encumbrances are commitments by the City 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 capital projects funds and the following the special purpose fund: Capital Improvement 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.

(e) Reimbursements

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

2. 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 banks 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.

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%. All deposits were legally secured at December 31, 2019.

At December 31, 2019, the City's carrying amount of deposits was \$213,573 and the bank balance was \$213,643. The bank balance was held by one bank resulting in a concentration of credit risk. The bank balance was covered by federal depository insurance.

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 to be adequately secured. At December 31, 2019, the City held no investments.

3. 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; injuries to employees; and natural disasters. The City purchased commercial insurance for these potential risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past three fiscal years.

4. Stewardship, Compliance and Accountability

(a) Encumbrances

K.S.A. 10-1117 requires that the City Treasurer maintain a record of each fund's indebtedness. The City Treasurer did not maintain a listing of encumbrances and record such encumbrances for each fund. This is a violation of this statute.

(b) Deposits adequately secured

K.S.A. 9-1402 and K.S.A. 9-1405 require the City's deposits in financial institutions to be covered entirely, at any given time, by federal depository insurance or by collateral held under a joint custody receipt. The bank balance was not adequately secured from February 7, 2019 to April 12, 2019 and June 10, 2019 to July 11, 2019. This is a violation of this statute.

5. Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	12-1,118	\$ 6,000
Water Utility Fund	Capital Improvement Fund	12-825d	3,000

6. Capital Projects

The City received a \$10,000 grant from Dane G. Hansen Foundation for playground equipment for the city park. As of December 31, 2019, the City had expended \$9,110.

7. Subsequent Events

On March 11, 2020, the Novel Coronavirus Disease, COVID-19, was declared a pandemic by the World Health Organization. On March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 Outbreak. The economic uncertainties related to the pandemic could potentially have a negative impact on the City but management currently is unable to reasonably determine the effects it may have on the City's financial conditions and operations. Management has evaluated subsequent events through September 29, 2020, which is the date the financial statement is available to be issued.

8. Long-term Debt

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

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds: Series 2017	2.25%	08/28/17	\$ 881,000	08/28/57	\$ <u>867,188</u>	<u>-</u>	<u>14,122</u>	<u>853,066</u>	<u>19,512</u>
Total contractual indebtedness					\$ <u>867,188</u>	<u>-</u>	<u>14,122</u>	<u>853,066</u>	<u>19,512</u>

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

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Principal:					
General Obligation Bonds	\$ <u>14,440</u>	<u>14,765</u>	<u>15,097</u>	<u>15,437</u>	<u>15,784</u>
Interest:					
General Obligation Bonds	<u>19,194</u>	<u>18,869</u>	<u>18,537</u>	<u>18,197</u>	<u>17,850</u>
Total principal and interest	\$ <u><u>33,634</u></u>	<u><u>33,634</u></u>	<u><u>33,634</u></u>	<u><u>33,634</u></u>	<u><u>33,634</u></u>
	<u>2025-2029</u>	<u>2030-2034</u>	<u>2035-2039</u>	<u>2040-2044</u>	<u>2045-2049</u>
Principal:					
General Obligation Bonds	<u>84,412</u>	<u>94,345</u>	<u>105,448</u>	<u>117,857</u>	<u>131,726</u>
Interest:					
General Obligation Bonds	<u>83,758</u>	<u>73,826</u>	<u>62,724</u>	<u>50,315</u>	<u>36,446</u>
Total principal and interest	<u><u>168,170</u></u>	<u><u>168,171</u></u>	<u><u>168,172</u></u>	<u><u>168,172</u></u>	<u><u>168,172</u></u>
	<u>2050-2054</u>	<u>2055-2059</u>	<u>Total</u>		
Principal:					
General Obligation Bonds	<u>147,227</u>	<u>96,528</u>	<u>853,066</u>		
Interest:					
General Obligation Bonds	<u>20,944</u>	<u>4,376</u>	<u>425,036</u>		
Total principal and interest	<u><u>168,171</u></u>	<u><u>100,904</u></u>	<u><u>1,278,102</u></u>		

Regulatory-Required
Supplementary Information

CITY OF BOGUE, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

SCHEDULE 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 53,000	0	53,000	46,549	(6,451)
Special Purpose Funds:					
Special Highway Fund	4,497	0	4,497	3,648	(849)
Business Fund:					
Water Utility Fund	202,943	0	202,943	88,397	(114,546)

CITY OF BOGUE, KANSAS

General Fund

Schedule 2

Page 1

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 32,600	33,973	(1,373)
Delinquent Tax	1,561	250	1,311
Motor Vehicle Tax	5,580	5,244	336
Recreational Vehicle Tax	76	89	(13)
16/20M Vehicle Tax	144	170	(26)
Commercial Vehicle Tax	0	1,000	(1,000)
Franchise Tax	2,761	650	2,111
Miscellaneous	0	2,960	(2,960)
Reimbursements	1,230	0	1,230
Total Receipts	<u>43,952</u>	<u>44,336</u>	<u>(384)</u>
Expenditures			
Personal Services	0	5,000	(5,000)
Supplies/Utilities/Repairs	10,688	8,500	2,188
Contractual	21,611	25,000	(3,389)
Capital Outlay	280	0	280
Fire Department - Commodities	0	300	(300)
Parks Allocation	0	1,000	(1,000)
Legal and Publications	132	100	32
Office Expense	467	600	(133)
Insurance	5,549	6,000	(451)
Audit Expense	1,117	0	1,117
Miscellaneous	705	500	205
Transfer to Capital Improvement Fund	6,000	6,000	0
Total Expenditures	<u>46,549</u>	<u>53,000</u>	<u>(6,451)</u>
Receipts over (under) Expenditures	(2,597)		
Unencumbered Cash, Beginning	9,761		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 7,164</u>		

CITY OF BOGUE, KANSAS
 Special Purpose Funds
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2019

Schedule 2
 Page 2

	Actual	Budget	Variance Over (Under)
Special Highway Fund			
Receipts			
State of Kansas	\$ 3,725	3,700	25
Expenditures			
Contractual	3,648	3,700	(52)
Reserve	0	797	(797)
Total Expenditures	3,648	4,497	(849)
Receipts over (under) Expenditures	77		
Unencumbered Cash, Beginning	4,070		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 4,147		

CITY OF BOGUE, KANSAS
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2019

Schedule 2
Page 3

	<u>Actual</u>
Capital Improvement Fund	
Receipts	
Transfer from Water Utility Fund	\$ 3,000
Transfer from General Fund	<u>6,000</u>
Total Receipts	<u>9,000</u>
Expenditures	
Sewer Repairs	<u>7,855</u>
Receipts over (under) Expenditures	1,145
Unencumbered Cash, Beginning	72,966
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 74,111</u></u>

CITY OF BOGUE, KANSAS
 Capital Project Funds
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2019

Schedule 2
 Page 4

	<u>Actual</u>
Park Project Fund	
Receipts	
Donations	\$ <u>863</u>
Expenditures	
Project Expenses	<u>8,601</u>
Receipts over (under) Expenditures	(7,738)
Unencumbered Cash, Beginning	10,427
Prior year cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>2,689</u></u>

CITY OF BOGUE, KANSAS

Business Fund

Schedule 2

Page 5

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Water Utility Fund			
Receipts			
Charges to Customers	\$ 78,056	85,000	(6,944)
Miscellaneous	1,230	0	1,230
Interest on Idle Funds	505	250	255
Total Receipts	79,791	85,250	(5,459)
Expenditures			
Contractual	15,662	15,000	662
Plant Operating Expenses	14,923	11,500	3,423
Sales Tax	694	900	(206)
Insurance	5,549	5,500	49
Miscellaneous	70	600	(530)
Water Purchase	7,957	20,000	(12,043)
Audit Expense	6,908	0	6,908
Debt Service	33,634	149,443	(115,809)
Transfer to Capital Improvement Fund	3,000	0	3,000
Total Expenditures	88,397	202,943	(114,546)
Receipts over (under) Expenditures	(8,606)		
Unencumbered Cash, Beginning	130,721		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 122,115		