

KECHI TOWNSHIP

WICHITA, KANSAS

Financial Statement

For the Year Ended December 31, 2019

Kechi Township
For the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Kechi Township
Wichita, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Kechi Township, Wichita, Kansas (Township), 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 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, 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 Township 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 Township as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated August 9, 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
May 29, 2020

Kechi Township
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	\$ 5,680	40,369	38,171	7,878	-	7,878
Special Purpose Funds						
Road	59,456	165,372	118,959	105,869	1,741	107,610
Cemetery	558,722	177,317	111,370	624,669	2,401	627,070
Special Machinery	283,663	59,172	-	342,835	-	342,835
Total Reporting Entity	<u>\$ 907,521</u>	<u>442,230</u>	<u>268,500</u>	<u>1,081,251</u>	<u>4,142</u>	<u>1,085,393</u>

Composition of Cash

Intrust Bank	
Checking	\$ 725,072
Certificates of Deposit	<u>360,321</u>
Total Reporting Entity	<u>\$ 1,085,393</u>

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

Kechi Township
NOTES TO FINANCIAL STATEMENT
December 31, 2019

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.

Kechi Township
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 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 certain Special Purpose Funds.

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. 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 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.

Kechi Township
NOTES TO FINANCIAL STATEMENT
December 31, 2019

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2019.

At December 31, 2019, the Township's carrying amount of deposits was \$1,085,393 and the bank balance was \$1,086,865. 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 \$836,865 was collateralized with securities held by the pledging financial institution's agents in the Township's name.

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	\$ 10,092
Road	Special Machinery	K.S.A. 68-141g	41,343
Total			<u>\$ 51,435</u>

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, 2019.

Kechi Township
NOTES TO FINANCIAL STATEMENT
December 31, 2019

5. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

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 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 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 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the Township were \$7,791 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the Township's proportionate share of the collective net pension liability reported by KPERS was \$58,145. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The Township's proportion of the net

Kechi Township
NOTES TO FINANCIAL STATEMENT
December 31, 2019

6. DEFINED BENEFIT PENSION PLAN (Continued)

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 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 commercial 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.

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 May 29, 2020, 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, 2019

Kechi Township
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	\$ 40,500	-	40,500	38,171	(2,329)
SPECIAL PURPOSE FUNDS					
Road	195,541	-	195,541	118,959	(76,582)
Cemetery	274,000	-	274,000	111,370	(162,630)

Kechi Township

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		Variance
	Prior Year			Over
	Actual	Actual	Budget	(Under)
RECEIPTS				
Ad valorem property tax	\$ 8,245	38,636	38,900	(264)
Delinquent tax	285	139	-	139
Vehicle tax	829	862	778	84
Recreational vehicle tax	12	12	9	3
16/20M vehicle tax	25	5	761	(756)
Commercial vehicle tax	50	45	50	(5)
Watercraft tax	3	5	1	4
Interest Income	226	-	-	-
Miscellaneous income	543	665	-	665
Total receipts	10,218	40,369	40,499	(130)
EXPENDITURES				
Personnel services	11,759	6,677	15,500	(8,823)
Insurance	939	2,675	10,000	(7,325)
Operating expenses	16,602	18,727	10,000	8,727
Materials and supplies	-	-	5,000	(5,000)
Transfer to Special Machinery	-	10,092	-	10,092
Total expenditures	29,300	38,171	40,500	(2,329)
Receipts over (under) expenditures	(19,082)	2,198		
UNENCUMBERED CASH, beginning	24,762	5,680		
UNENCUMBERED CASH, ending	\$ 5,680	7,878		

Kechi Township

Special Purpose Funds

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	Actual	Budget	Variance Over (Under)
ROAD				
RECEIPTS				
Ad valorem property tax	\$ 121,450	96,443	97,008	(565)
Delinquent tax	643	497	-	497
Motor vehicle tax	3,456	5,104	4,807	297
Recreational vehicle tax	50	34	28	6
16/20M vehicle tax	16	29	32	(3)
Commercial vehicle tax	296	396	531	(135)
Watercraft tax	14	25	25	-
County gasoline tax	61,431	61,975	58,000	3,975
Interest income	4	-	-	-
Other income	109	869	-	869
Total receipts	187,469	165,372	160,431	4,941
EXPENDITURES				
Personnel services	44,955	50,567	46,000	4,567
Insurance	11,408	10,249	10,000	249
Operating expenses	9,638	1,371	40,000	(38,629)
Materials and supplies	36,031	15,429	49,541	(34,112)
Machines and equipment	-	-	50,000	(50,000)
Interest expense	2,034	-	-	-
Lease-purchase equipment	89,515	-	-	-
Transfer to Special Machinery	1,140	41,343	-	41,343
Total expenditures	194,721	118,959	195,541	(76,582)
Receipts over (under) expenditures	(7,252)	46,413		
UNENCUMBERED CASH, beginning	66,368	59,456		
Prior year cancelled encumbrances	340	-		
UNENCUMBERED CASH, ending	\$ 59,456	105,869		

Kechi Township

Special Purpose Funds**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	Actual	Budget	Variance Over (Under)
CEMETERY				
RECEIPTS				
Charges for services	\$ 103,964	83,100	80,000	3,100
Rent income	3,816	3,816	2,500	1,316
Lot sales	92,500	79,850	100,000	(20,150)
Permits	2,525	2,275	2,500	(225)
Interest income	4,988	7,545	-	7,545
Other income	780	731	-	731
Total receipts	208,573	177,317	185,000	(7,683)
EXPENDITURES				
Personnel services	57,866	59,452	75,000	(15,548)
Insurance	11,407	10,249	8,000	2,249
Operating expenses	30,149	29,729	14,000	15,729
Materials and supplies	9,617	11,940	30,000	(18,060)
Machines and equipment	-	-	10,000	(10,000)
Capital improvements	-	-	137,000	(137,000)
Total expenditures	109,039	111,370	274,000	(162,630)
Receipts over (under) expenditures	99,534	65,947		
UNENCUMBERED CASH, beginning	456,352	558,722		
Prior year cancelled encumbrances	2,836	-		
UNENCUMBERED CASH, ending	\$ 558,722	624,669		

Kechi Township

Special Purpose Funds**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>
SPECIAL MACHINERY		
RECEIPTS		
Interest income	\$ 3,614	7,737
Other income	6,239	-
Transfer from General	-	10,092
Transfer from Road	<u>1,140</u>	<u>41,343</u>
Total receipts	10,993	59,172
EXPENDITURES		
Machinery and equipment	<u>20,718</u>	<u>-</u>
Receipts over (under) expenditures	(9,725)	59,172
UNENCUMBERED CASH, beginning	<u>293,388</u>	<u>283,663</u>
UNENCUMBERED CASH, ending	<u><u>\$ 283,663</u></u>	<u><u>342,835</u></u>