

**CITY OF BOGUE, KANSAS**

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

For the Year Ended December 31, 2017

MAPES & MILLER LLP  
Certified Public Accountants  
Quinter, Kansas

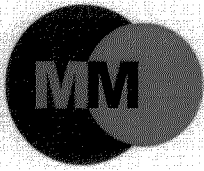
## CITY OF BOGUE, KANSAS

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

For the Year Ended December 31, 2017

#### Table of Contents

	<u>Page Numbers</u>
Independent Auditor's Report	1
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statement	5
<u>Regulatory-Required Supplementary Information</u>	
SCHEDULE 1	
Summary of Expenditures - Actual and Budget	13
SCHEDULE 2	
Schedule of Receipts and Expenditures - Actual and Budget	
General Fund	14
Special Purpose Funds	15
Capital Projects Fund	17
Business Fund	18
<u>Single Audit Section</u>	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Audit Standards</i>	20
Independent Auditor's Report On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	22
SCHEDULE 3	
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs	26



# Mapes & Miller LLP

Certified Public Accountants & Business Advisors

230 MAIN, PO BOX 412, QUINTER, KS 67752  
PHONE: 785-754-2111 EMAIL: [dtilton@mmcpas.net](mailto:dtilton@mmcpas.net)

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D MAPES, CPA, CHTD  
DENIS W. MILLER, CPA, PA  
THOMAS B. CARPENTER, CPA, PA  
DON E. TILTON, CPA, PA  
BRIAN S. THOMPSON, CPA, PA  
REBECCA A. LIX, CPA, PA  
STEPHANIE M. HEIER, CPA, PA

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statement

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, 2017, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2017, or changes in financial position and cash flows thereof for the year then ended.

#### **Basis for Qualified Opinion**

We were unable to obtain sufficient audit evidence from the accounting records to support the amount reported by the City of Bogue as receipts in the Water Utility Fund.

#### **Qualified Opinion on Regulatory Basis of Accounting**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, 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, 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 1.

**Other Matters**

#### **Supplementary Information**

Our audit was conducted for 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.

### *Other 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement.

The schedule of expenditures of federal awards is the responsibility of management, was derived from, and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such 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, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018, on our consideration of the City of Bogue's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Bogue's internal control over financial reporting and compliance.

***Mapes & Miller LLP***

Certified Public Accountants  
Quinter, Kansas

September 10, 2018

**CITY OF BOGUE, KANSAS**  
Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2017

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	\$ 5,383	0	43,416	38,364	10,435	0	10,435
Special Purpose Funds:							
Special Highway Fund	3,006	0	3,798	3,000	3,804	0	3,804
Capital Improvement Fund	42,386	0	23,000	0	65,386	0	65,386
Capital Projects Fund:							
Water Project Fund	643,655	7,882	1,984,278	2,800,992	(165,177)	158,138	(7,039)
Business Fund:							
Water Utility Fund	98,207	0	71,774	36,008	133,973	0	133,973
Total Reporting Entity	<u>\$ 792,637</u>	<u>7,882</u>	<u>2,126,266</u>	<u>2,878,364</u>	<u>48,421</u>	<u>158,138</u>	<u>206,559</u>

**Composition of Cash:**

Solutions North Bank, Bogue, KS	
Checking Account	\$ 166,559
Certificate of Deposits	<u>40,000</u>
Total Reporting Entity	<u>\$ 206,559</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, 2017

**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, 2017:

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:

- a) Preparation of the budget for the succeeding calendar year on or before August 1<sup>st</sup>.
- b) Publication in local newspaper on or before August 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
- c) Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
- d) Adoption of the final budget on or before August 25<sup>th</sup>.

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, 2017.

At December 31, 2017, the City's carrying amount of deposits was \$206,559, and the bank balance was \$263,720. 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 balance of \$13,720 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*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, 2017, 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) Substantial Interests Disclosures**

K.S.A. 75-4302a states that elected officers, appointed public officers, and certain employees filed written reports disclosing substantial interests. This was not done for a council member who was elected by write-in. This is a violation of this statute.

**(c) Cash Basis Violation**

K.S.A. 10-1113 states that expenditures are to be made in compliance with the cash basis law, which requires no indebtedness be created for a fund in excess of available monies in that fund. The Water Project Fund unencumbered cash balance was \$(165,177) on December 31, 2017. However, K.S.A. 12-1663 allows a deficit unencumbered cash balance for federal aid funds. The deficit is expected to be eliminated when the federal grant proceeds are received.

**(d) Designate Depositories**

K.S.A. 9-1401 requires the City to designate depositories for all public monies whenever the governing body changes. The designation of a depository was not completed. This is a violation of this statute.

**(e) Bond Payments**

K.S.A. 10-130 requires the City Treasurer to remit at least 20 days prior to maturity of the bonds the amount necessary to pay the interest and principal due. The City Treasurer did not timely remit the May 1, 2017, payment for the 2016 General Obligation Bonds. This is a violation of this statute.

**5. Subsequent Event**

On January 8, 2018, and February 19, 2018, the City authorized change orders in the amount of \$14,917 and \$271,294, respectively, to the contract with Midlands Contracting, Inc. for the Water Project.

**6. 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	\$ 18,000
Water Utility Fund	Capital Improvement Fund	12-825d	3,000
Special Highway Fund	Capital Improvement Fund	12-1,118	2,000

**7. Capital Projects**

Capital project authorization with approved change orders compared with expenditures for the improvements to the public water supply system from inception is as follows:

<u>Project Authorization</u>	<u>Expenditures to Date</u>
\$2,600,000	\$2,385,803

**8. Long-term Debt**

Changes in long-term liabilities for the City for the year ended December 31, 2017, 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 2016 Temporary Note	1.10%	05/03/16	\$ 869,000	05/01/18	\$ 869,000	-	869,000	-	12,692
Series 2017	2.25%	08/28/17	881,000	08/28/57	-	881,000	-	881,000	-
Total contractual indebtedness					\$ 869,000	881,000	869,000	881,000	12,692

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

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Principal:					
General Obligation Bonds	\$ <u>13,812</u>	<u>14,123</u>	<u>14,440</u>	<u>14,765</u>	<u>15,097</u>
Interest:					
General Obligation Bonds	<u>19,822</u>	<u>19,511</u>	<u>19,194</u>	<u>18,869</u>	<u>18,537</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>2023-2027</u>	<u>2028-2032</u>	<u>2033-2037</u>	<u>2038-2042</u>	<u>2043-2047</u>
Principal:					
General Obligation Bonds	\$ <u>80,738</u>	<u>90,239</u>	<u>100,858</u>	<u>112,727</u>	<u>125,992</u>
Interest:					
General Obligation Bonds	<u>87,433</u>	<u>77,932</u>	<u>67,313</u>	<u>55,444</u>	<u>42,179</u>
Total principal and interest	\$ <u><u>168,171</u></u>	<u><u>168,171</u></u>	<u><u>168,171</u></u>	<u><u>168,171</u></u>	<u><u>168,171</u></u>
	<u>2048-2052</u>	<u>2053-2057</u>	<u>Total</u>		
Principal:					
General Obligation Bonds	\$ <u>140,819</u>	<u>157,390</u>	<u>881,000</u>		
Interest:					
General Obligation Bonds	<u>27,352</u>	<u>10,781</u>	<u>464,367</u>		
Total principal and interest	\$ <u><u>168,171</u></u>	<u><u>168,171</u></u>	<u><u>1,345,367</u></u>		

Regulatory-Required  
Supplementary Information

**CITY OF BOGUE, KANSAS**  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2017

SCHEDULE 1

<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	\$ 52,450	0	52,450	38,364	(14,086)
Special Purpose Funds:					
Special Highway Fund	3,750	0	3,750	3,000	(750)
Business Fund:					
Water Utility Fund	160,861	0	160,861	36,008	(124,853)



## CITY OF BOGUE, KANSAS

Schedule 2

General Fund

Page 1

## Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2017

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes and Shared Revenue:			
Ad Valorem Property Tax	\$ 30,852	33,935	(3,083)
Delinquent Tax	391	250	141
Motor Vehicle Tax	5,838	4,600	1,238
Recreational Vehicle Tax	102	154	(52)
16/20M Vehicle Tax	179	227	(48)
Commercial Vehicle Tax	986	0	986
Franchise Tax	714	650	64
Miscellaneous	2,500	2,647	(147)
Reimbursements	1,854	0	1,854
Interest on Idle Funds	0	80	(80)
Total Receipts	<u>43,416</u>	<u>42,543</u>	<u>873</u>
Expenditures			
Personal Services	0	5,000	(5,000)
Supplies/Utilities/Repairs	7,625	20,000	(12,375)
Contractual	6,784	7,800	(1,016)
Capital Outlay	0	5,000	(5,000)
Fire Department - Commodities	90	300	(210)
Parks Allocation	348	1,600	(1,252)
Legal and Publications	72	250	(178)
Office Expense	764	1,000	(236)
Insurance	3,889	5,000	(1,111)
Miscellaneous	792	500	292
Transfer to Capital Improvement Fund	18,000	6,000	12,000
Total Expenditures	<u>38,364</u>	<u>52,450</u>	<u>(14,086)</u>
Receipts over (under) Expenditures	5,052		
Unencumbered Cash, Beginning	5,383		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 10,435</u>		

**CITY OF BOGUE, KANSAS**  
 Special Purpose Funds  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2017

Schedule 2  
 Page 2

	Actual	Budget	Variance Over (Under)
<b>Special Highway Fund</b>			
Receipts			
State of Kansas	\$ 3,798	3,700	98
Expenditures			
Contractual	1,000	3,750	(2,750)
Transfer to Capital Improvement Fund	2,000	0	2,000
Total Expenditures	3,000	3,750	(750)
Receipts over (under) Expenditures	798		
Unencumbered Cash, Beginning	3,006		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Ending	\$ 3,804		

**CITY OF BOGUE, KANSAS**  
 Special Purpose Funds  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017

Schedule 2  
 Page 3

	<u>Actual</u>
<b>Capital Improvement Fund</b>	
Receipts	
Transfer from Water Utility Fund	\$ 3,000
Transfer from Special Highway Fund	2,000
Transfer from General Fund	<u>18,000</u>
Total Receipts	<u>23,000</u>
 Expenditures	 <u>0</u>
Receipts over (under) Expenditures	23,000
Unencumbered Cash, Beginning	42,386
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 65,386</u></u>

CITY OF BOGUE, KANSAS  
 Capital Projects Fund  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017

Schedule 2  
 Page 4

	<u>Actual</u>
<b>Water Project Fund</b>	
Receipts	
Federal Aid - USDA Grant	\$ 865,611
Federal Aid - Department of Commerce	237,667
Federal Aid - USDA	12,000
2017 General Obligation Bonds	<u>869,000</u>
Total Receipts	<u>1,984,278</u>
Expenditures	
Project Expenses	1,912,300
Temporary Note - Principal	869,000
Temporary Note - Interest	12,692
Cost of Issuance - 2017 Series	<u>7,000</u>
Total Expenditures	<u>2,800,992</u>
Receipts over (under) Expenditures	(816,714)
Unencumbered Cash, Beginning	643,655
Prior year cancelled Encumbrances	<u>7,882</u>
Unencumbered Cash, Ending	<u>\$ (165,177)</u>

## CITY OF BOGUE, KANSAS

## Business Fund

Schedule 2

Page 5

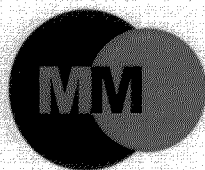
## Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended December 31, 2017

	Actual	Budget	Variance Over (Under)
<b>Water Utility Fund</b>			
Receipts			
Charges to Customers	\$ 71,482	75,880	(4,398)
Miscellaneous	92	0	92
Interest on Idle Funds	200	200	0
Total Receipts	<u>71,774</u>	<u>76,080</u>	<u>(4,306)</u>
Expenditures			
Contractual	16,802	20,000	(3,198)
Plant Operating Expenses	9,733	22,000	(12,267)
Capital Outlay	1,277	108,761	(107,484)
Sales Tax	929	1,600	(671)
Insurance	3,889	5,500	(1,611)
Miscellaneous	15	0	15
Water Purchases	363	0	363
Transfer to Capital Improvement Fund	3,000	3,000	0
Total Expenditures	<u>36,008</u>	<u>160,861</u>	<u>(124,853)</u>
Receipts over (under) Expenditures	35,766		
Unencumbered Cash, Beginning	98,207		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 133,973</u>		

## SINGLE AUDIT SECTION



# Mapes & Miller LLP

Certified Public Accountants & Business Advisors

230 MAIN, PO BOX 412, QUINTER, KS 67752  
PHONE: 785-754-2111 EMAIL: [dtilton@mmcpas.net](mailto:dtilton@mmcpas.net)

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D MAPES, CPA, CHTD  
DENIS W. MILLER, CPA, PA  
THOMAS B. CARPENTER, CPA, PA  
DON E. TILTON, CPA, PA  
BRIAN S. THOMPSON, CPA, PA  
REBECCA A. LIX, CPA, PA  
STEPHANIE M. HEIER, CPA, PA

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Bogue, Kansas, as of and for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated September 10, 2018. In our report on the financial statement, we expressed an adverse opinion on the financial statement as a whole because, as discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph in the report on the financial statement, the financial statement was prepared on the regulatory basis of accounting to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Bogue, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Bogue, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bogue, Kansas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2017-001).

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bogue, Kansas' financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain other matters that we reported to management of the City of Bogue, Kansas in a separate letter dated September 10, 2018.

#### **The City of Bogue, Kansas' Response to Findings**

The City of Bogue, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bogue, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

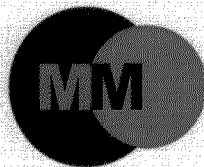
#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The City of Bogue, Kansas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The City of Bogue, Kansas' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mapes & Miller LLP*

Certified Public Accountants  
Quinter, Kansas

September 10, 2018



## Mapes & Miller LLP

Certified Public Accountants & Business Advisors

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### INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

#### Report on Compliance for Each Major Federal Program

We have audited the City of Bogue, Kansas' compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of the City of Bogue, Kansas' major federal programs for the year ended December 31, 2017. The City of Bogue, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Bogue, Kansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Bogue, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Bogue, Kansas' compliance.

## Opinion on Each Major Federal Program

In our opinion, the City of Bogue complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

Management of the City of Bogue is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered the City of Bogue, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Bogue, Kansas' internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mapes & Miller LLP*

Certified Public Accountants  
Quinter, Kansas

September 10, 2018

**CITY OF BOGUE, KANSAS**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

Schedule 3

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Passed through the Kansas Department of Commerce: Community Development Block Grant-Water	14.228	B16-DC-20-0001	\$ <u>237,667</u>
Total U.S Department of Housing and Urban Development			<u>237,667</u>
<b>U.S. Department of Agriculture</b>			
Direct Aid:			
Water and Waste Disposal Systems for Rural Communities	10.760	n/a	<u>1,694,326</u>
Total U.S. Department of Agriculture			<u>1,694,326</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,931,993</u></u>

**CITY OF BOGUE, KANSAS**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2017

**Note A - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Bogue, Kansas (the City), under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are prepared using the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

**Note C – Indirect Cost Rate**

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance

**Note D – Loan and Loan Guarantee Programs**

The City received a loan commitment from USDA in 2016 in the amount of \$881,000. As part of this loan, the City obtained interim financing of \$869,000. Expenditures from this temporary financing are included as federal expenditures as incurred in accordance with federal program guidelines. On August 28, 2017, general obligation bonds were issued by the City and purchased by USDA in the amount of \$881,000. The City's interim financing was subsequently paid off on August 30, 2017.

**Note E – Sub-recipients**

No federal awards were passed through to sub-recipients.

CITY OF BOGUE, KANSAS  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2017

**SECTION 1 – SUMMARY OF AUDITORS' RESULTS**

FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with Generally Accepted Accounting Principles

Adverse

In accordance with the statutory basis of accounting described in Note 1

Qualified

Internal control over financial reporting:

• Material weaknesses identified?

☐ Yes ☒ No

Significant deficiencies identified?

☒ Yes ☐ None Reported

• Noncompliance material to financial statement noted?

☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

• Material weaknesses identified?

☐ Yes ☒ No

• Significant deficiencies identified?

☐ Yes ☒ None Reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a)?

☐ Yes ☒ No

Identification of major programs:

CFDA NUMBER

NAME OF FEDERAL PROGRAM

10.760

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and  
type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☐ Yes ☒ No



CITY OF BOGUE, KANSAS  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2017

**SECTION II – FINANCIAL STATEMENT FINDINGS**

2017-1 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

UNITED STATES DEPARTMENT OF AGRICULTURE

Water and Waste Disposal Systems for Rural Communities – CFDA No. 10.760. No reportable findings or questioned costs for the year ended December 31, 2017.

**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None