

**COFFEY COUNTY
TRANSPORTATION, INC.**
Burlington, Kansas

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2019

COFFEY COUNTY TRANSPORTATION, INC.
Burlington, Kansas

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Independent Auditors' Report	1-3
<u>Statement 1</u>	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash-Regulatory Basis.....	4
Notes to the Financial Statement	5-8
 SUPPLEMENTARY INFORMATION	
<u>Schedule 1</u>	
Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis - (with Comparative Actual Amounts for the Prior Year):	
General Fund	9

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Coffey County Transportation, Inc.
Burlington, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Coffey County Transportation, Inc., Burlington, Kansas, a related municipal entity of Coffey County, 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.

Auditors' 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 Organization'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 Organization'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 Coffey County Transportation, Inc. 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 Coffey County Transportation, Inc. 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 Coffey County Transportation, Inc. 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 individual fund schedule of regulatory basis receipts and expenditures-actual and budget (Schedule 1 as listed in the table of contents) is presented for analysis and is 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the Coffey County Transportation, Inc. as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated April 25, 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 <http://admin.ks.gov/offices/chief-financial-officer/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 1 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 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.

A handwritten signature in cursive script that reads "Jarred, Gilmore & Phillips, PA".

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

September 11, 2020
Chanute, Kansas

COFFEY COUNTY TRANSPORTATION, INC.

Burlington, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis

For the Year Ended December 31, 2019

Funds	Beginning		Ending		Add Encumbrances and Accounts Payable	Cash Balances December 31, 2019
	Unencumbered Cash Balance	Receipts	Expenditures	Unencumbered Cash Balance		
General	\$ 148,023.01	\$ 604,424.32	\$ 586,154.65	\$ 166,292.68	\$ 33,616.77	\$ 199,909.45
Total Reporting Entity	\$ 148,023.01	\$ 604,424.32	\$ 586,154.65	\$ 166,292.68	\$ 33,616.77	\$ 199,909.45
Composition of Cash						
			Petty Cash.....			\$ 100.00
			Operating Account.....			24,054.30
			Money Market.....			175,755.15
			Total Cash			\$ 199,909.45

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

COFFEY COUNTY TRANSPORTATION, INC.

Burlington, Kansas

Notes to Financial Statement
For the Year Ended December 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the Coffey County Transportation, Inc., Burlington, Kansas, have been prepared in order to show compliance with the cash basis laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Organization's accounting policies follow. Note 1 describes how the Organization's accounting policies differ from generally accepted accounting policies.

Financial Reporting Entity

The Coffey County Transportation, Inc. (Organization) is a municipality of the State of Kansas organized under K.S.A. 12-1219, with an elected four-member Board of Directors. The Organization is a related municipal entity of Coffey County, Kansas.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the Organization exercises oversight responsibility on financial interdependency, selection of governing Organization, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the Organization. Related municipal entities are not required to be included in the Organization's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, there were not such related municipal entities.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the Coffey County Transportation, Inc., for the year of 2019:

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

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments 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 revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The municipality 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 municipality to use the regulatory basis of accounting.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than revenues. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as receipts when received by the Organization treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Budgetary Information

The Organization is not subject to the Kansas budget laws as they are not the primary taxing Organization for the Organization. Coffey County, Kansas holds the taxing Organization for the Organization. The Organization adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Schedule 1 reflects this internal managerial budget.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the Organization was in compliance with the cash basis laws of Kansas.

3. DEPOSITS AND INVESTMENTS

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

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

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

3. DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits: Custodial credit risk is the risk that in the event of a bank failure, the Organization's deposits may not be returned to it. State statutes require the Organization'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 year-end, the Organization's carrying amount of deposits was \$199,809.45 and the bank balance was \$204,369.49. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$204,369.49 was covered by FDIC insurance.

4. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Organization manages these risks of loss through the purchase of various insurance policies.

5. RESTRICTED ASSETS

KDOT Vehicles

Certain vehicles were purchased through a matching grant from the Kansas Department of Transportation. Title does not pass to the Organization. If the Organization disposes of these vehicles, 70% - 80% of the proceeds go back to the State and 20% - 30% remains in the Organization, unless the vehicles are five years old or have 100,000 miles usage. The Organization had five vehicles that were considered restricted at year end.

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Compensated Absences:

Regular employees earn and accumulate vacation based on years of service. Earned vacation ranges from 0.02-0.04 hours per hour worked, increasing after one year of service, for each eligible employee.

Employees may carry over vacation time from one calendar year to the next but shall not carry over more than 200 hours to any subsequent calendar year, depending on years of service.

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

Compensated Absences (Continued):

The Organization accrues a liability for compensated absences which meet the following criteria:

1. The Organization's obligation relating to employees rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the Organization has estimated a liability for paid time off pay, which has been earned, but not taken by Organization employees of \$16,518.92.

7. SUBSEQUENT EVENTS

The Organization evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

COFFEY COUNTY TRANSPORTATION, INC.

Burlington, Kansas

GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Amounts For the Year Ended December 31, 2018)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Receipts				
Coffey County Appropriation	\$ 210,405.00	\$ 210,000.00	\$ 210,000.00	\$ -
Intergovernmental				
Federal Grant - KDOT	-	62,552.00	-	62,552.00
KDOT/CTD5 Subsidy	237,779.85	272,787.71	582,260.80	(309,473.09)
Kancare Medicaid	37,131.50	11,983.62	-	11,983.62
Charges for Services				
Operating Receipts	42,175.50	39,949.25	50,000.00	(10,050.75)
Use of Money and Property				
Sale of Equipment	-	4,720.00	8,000.00	(3,280.00)
Reimbursed Expense	15,874.91	481.44	-	481.44
Interest Income	1,813.22	1,950.30	400.00	1,550.30
Total Receipts	545,179.98	604,424.32	\$ 850,660.80	\$ (246,236.48)
Expenditures				
Culture and Recreation				
Personal Services	334,406.09	356,965.07	\$ 370,000.00	\$ (13,034.93)
Contractual Services	90,412.23	85,797.27	99,050.00	(13,252.73)
Commodities	72,771.14	58,556.15	70,000.00	(11,443.85)
Capital Outlay	5,469.55	84,836.16	419,455.00	(334,618.84)
Total Expenditures	503,059.01	586,154.65	\$ 958,505.00	\$ (372,350.35)
Receipts Over(Under) Expenditures	42,120.97	18,269.67		
Unencumbered Cash, Beginning	105,902.04	148,023.01		
Unencumbered Cash, Ending	\$ 148,023.01	\$ 166,292.68		



Board of Directors
Coffey County Transportation, Inc.
Burlington, Kansas

In planning and performing our audit of the financial statement of Coffey County Transportation, Inc. as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Coffey County Transportation, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Coffey County Transportation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Coffey County Transportation, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be material weaknesses:

Segregation of Duties

Due to the small staff size of the Organization, weakness in internal control results from the Organization's personnel performing billings, receipting cash, making deposits, and having access to all books and records of the Organization. We noted no misappropriation or evidence of wrong doing, but believe the lack of controls should be reported to you. We would remind the Board of Directors responsible for approval and the signing of checks to be diligent in his/her responsibilities. All disbursements approved should have original invoices attached, including credit card charges, and should be thoroughly reviewed before approval.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
September 11, 2020

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

412 W. MAIN, P.O. BOX 97
NEODESHA, KANSAS 66757
(620) 325-3430

1815 S. SANTA FE, P.O. BOX 779
CHANUTE, KANSAS 66720
(620) 431-6342

16 W. JACKSON
IOLA, KANSAS 66749
(620) 365-3125

www.jgppa.com