MARION TOWNSHIP
Lawrence, Kansas

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2018

...KL...

Karlin & Long, LLC
Certified Public Accountants

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MARION TOWNSHIP
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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marion Township
Overbrook, Kansas

We have audited the accompanying fund Summary of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash of the Marion Township, Lawrence, Kansas ("Township") as of and for the year ended December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. 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 statements 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are 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 the 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 statements.

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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 to meet the requirements of the State of 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 Township as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

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, 2018, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinion on the fund Summary statement of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash (basic financial statement) as a whole. Schedules 1 and 3 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statement. 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.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants
Lawrence, KS

February 25, 2019

MARION TOWNSHIP
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2018

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General	$ 231,893	$ -	$ 386,388	$ 318,815	$ 299,466	$ -	$ 299,466
Special Machinery	282,486	-	0	0	282,486	-	282,486
Total Reporting Entity	$ 514,379	$ 0	$ 386,388	$ 318,815	$ 581,952	$ 0	$ 581,952

Composition of Cash	
Checking Accounts	$ 581,952
Savings Accounts	-
Petty Cash	-
Certificates of Deposit	-
Total Reporting Entity	$ 581,952

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

MARION TOWNSHIP
Overbrook, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Marion Township (the Township) is a municipality that provides services to the residents of the township. The Marion Township is a municipal corporation governed by an elected council. The regulatory statement presents the Marion Township (the municipality) financial position. There are no organizations which meet the criteria for being combined in the Township's report.

The following types of funds comprise the financial activities of the Township for the year of 2018:

Regulatory Basis Fund Types

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

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 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.

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.

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenues and principal and interest payable, and reservations of fund balance are not presented.

Under the regulatory basis of accounting, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements.

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.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenues 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,

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the 2018 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 statements 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 revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds:

1) None.

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.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Income Taxes

The Township's payroll tax returns for the years ending 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of modified cash basis financial statements (see the supplemental information on schedules 1 through 3) requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows and summary of cash balances, (see the supplemental information on schedules 1 through 3) cash and cash equivalents are defined as demand deposits and certificates of deposit at banks with maturities of three months or less.

NOTE 2 – Stewardship, Compliance and Accountability

We noted a violation of the depository security law of the Kansas Statutes for the period under audit.

NOTE 3 – Deposits and Investments

Deposits

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.

K.S.A. 12-1675 limits the Township's investments 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.

NOTE 3 – Deposits and Investments(continued)

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 K.S.A. 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.

At December 31, 2018, the Township's carrying amount of deposits, including certificates of deposit, was $581,952 and the bank balance was $583,769 of which $250,000 was covered by FDIC insurance. The bank balances of the Township's deposits were not fully secured during the year.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Township 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.

NOTE 4 – Claims and Judgments

The Township is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The Township has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2017 to 2018 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the Township is a party to various claims, legal actions 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Concentration of Credit Risk

The Township currently has all of its demand deposits with one financial institution in an Overbrook, Kansas. This is a concentration of credit risk related to deposits.

NOTE 6 – Other Long Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

Compensated Absences

The Township pays for Sick and Vacation leave on a case by case basis.

NOTE 7 – Subsequent Events

Subsequent events for management's review have been evaluated through February 25, 2019. The date in the prior sentence is the date the financial statements were available to be issued.

Marion Township

Regulatory-Required

Supplementary Information

For the year ended December 31, 2018

Schedule 1

MARION TOWNSHIP
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2018

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds						
General	$ 594,421	$ -	$ -	$ 594,421	$ 318,815	$ (275,606)

Schedule 2

MARION TOWNSHIP
Schedule of Receipts and Expenditures - Actual and Budget
GENERAL FUND
Regulatory Basis
For the Year Ended December 31, 2018

	Actual	Budget	Variance-Over (Under)
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad Valorem property tax	$ 301,182	$ 308,407	$ (7,225)
Delinquent tax	6,363	1,500	4,863
Motor Vehicle tax	28,547	26,645	1,902
Recreational Vehicle tax	639	506	133
16/20 M Vehicle tax	2,224	2,200	24
Commercial Vehicle tax	1,004	927	77
Watercraft tax	277	284	(7)
Interest income	971	800	171
Special City County Highway - Gas Tax	42,292	30,500	11,792
Federal Flood Control	196	100	96
Miscellaneous	2,693	-	2,693
Total Cash Receipts	386,388	371,869	14,519
EXPENDITURES			
Officer pay	4,900	5,000	(100)
Salaries & wages	70,627	90,000	(19,373)
Employee benefits		35,000	(35,000)
Supplies and repairs	28,154	26,000	2,154
Equipment	4,539	150,000	(145,461)
Building maintenance		15,000	(15,000)
Utilities	2,637	5,000	(2,363)
Insurance	15,284	15,000	284
Fuel	21,616	14,500	7,116
Hired services	1,550	4,000	(2,450)
Road materials	169,508	234,921	(65,413)
Transfers out			0
Adjustment for qualifying budget credits	-	-	-
Total Expenditures	318,815	$ 594,421	$ (275,606)

Receipts Over (Under) Expenditures	67,573
Unencumbered Cash, Beginning	231,893
Prior Year Cancelled Encumbrances	-
Unencumbered Cash, Ending	$ 299,466

Schedule 3

MARION TOWNSHIP
Schedule of Receipts and Expenditures
ALL NONBUDGETED FUNDS
Regulatory Basis
For the Year Ended December 31, 2018

		Special Machinery
CASH RECEIPTS		
Taxes and Shared Revenue		
Ad Valorem property tax	$	0
Delinquent tax		0
Motor Vehicle tax		0
Recreational Vehicle tax		0
16/20 M Vehicle tax		0
Commercial Vehicle tax		0
Watercraft tax		0
Interest income		0
Special City County Highway - Gas Tax		0
Federal Flood Control		0
Miscellaneous		0
Total Cash Receipts		0
EXPENDITURES		
Officer pay		0
Salaries & wages		0
Employee benefits		0
Supplies and repairs		0
Equipment		0
Utilities		0
Insurance		0
Fuel		0
Hired services		0
Road materials		0
Transfers out		0
Adjustment for qualifying budget credits		-
Total Expenditures		0
Receipts Over (Under) Expenditures		0
Unencumbered Cash, Beginning		282,486
Prior Year Cancelled Encumbrances		-
Unencumbered Cash, Ending	$	282,486