**LECOMPTON TOWNSHIP**
Lecompton, Kansas

REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2019

And

INDEPENDENT AUDITOR'S REPORT

...KL...

*Karlin & Long, LLC*
*Certified Public Accountants*

**LECOMPTON TOWNSHIP**
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Karlin & Long, LLC
Certified Public Accountants

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lecompton Township
Lecompton, Kansas 66050

We have audited the accompanying fund Summary of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash of the Lecompton Township, Lecompton Kansas ("Township") as of and for the year ended December 31, 2019, 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; 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 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

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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.

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 opinion on the fund Summary Statement of Regulatory Basis Receipts, Expenditures, and Unencumbered Cash (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, (Schedules 1 through 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.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants
Lawrence, KS

May 30, 2020

LECOMPTON TOWNSHIP
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2019

| Funds | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|---|---|---|---|---|---|---|---|
| Governmental Type Funds | | | | | | | |
| General | $ 118,668 | $ 0 | $ 32,445 | $ 17,425 | $ 133,688 | $ - | $ 133,688 |
| Special Revenue | | | | | | | |
| Road Fund | 159,394 | 0 | 317,211 | 448,272 | 28,333 | 8,829 | 37,162 |
| Total Reporting Entity | $ 278,062 | $ 0 | $ 349,656 | $ 465,697 | $ 162,021 | $ 8,829 | $ 170,850 |

| Composition of Cash | |
|---|---|
| Checking Accounts | $ 145,838 |
| Savings Accounts | 25,012 |
| Petty Cash | |
| Certificates of Deposit | |
| Total Reporting Entity | $ 170,850 |

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

**LECOMPTON TOWNSHIP**
Lecompton, Kansas

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – Summary of Significant Accounting Policies

#### Financial Reporting Entity

The Lecompton Township (the Township) is a municipality that provides services to the residents of the township. The Lecompton Township is a municipal corporation governed by an elected council. The regulatory statements present the financial condition of the Lecompton Township (the municipality). 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 2019:

#### 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.

**Special Purpose Funds** - Used to account for the proceeds of specific tax levies and other specific revenue sources (other than major capital projects 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 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, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the 2019 year.

## NOTE 1 – Summary of Significant Accounting Policies (Continued)

### Budgetary Information (continued)

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.

### Use of Estimates

The preparation of modified cash basis financial statements (see the supplemental information on schedules 1 through 2) 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.

### Income Taxes

The Township's payroll tax returns for the years ending 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

## NOTE 2 – Stewardship, Compliance and Accountability

We noted a violation of K.S.A 79-2935, the budget law, 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.

### 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, 2019, the Township's carrying amount of deposits, including certificates of deposit, was $170,850 and the bank balance was $261,944 of which up to $250,000 is covered by FDIC insurance.

## NOTE 3 – Deposits and Investments(continued)

### 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 2018 to 2019 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.

## NOTE 5 – Concentration of Credit Risk

The Township currently has all of its demand deposits and reserves with one financial institution in a Perry, Kansas bank. 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.

## NOTE 6 – Other Long Term Obligations from Operations (continued)

### Compensated Absences

The Township pays for Vacation leave to only full-time employees. Vacation leave is accrued as follows: one to three years of service – five days per year, four to nine years of service – 10 days per year, and ten years of service and more – 15 days per year. No unused vacation leave can be carried over to the following year. As of December 31 of each year, any earned but unused vacation is eliminated. No payment is made of unused vacation leave upon termination.

Sick leave is only granted to full-time employees. After six months of service, the employee is allowed five days of paid sick leave. No unused sick leave can be carried over to the following year. As of December 31 of each year, any earned but unused sick leave is eliminated. No payment is made of unused sick leave upon termination.

## NOTE 7 – Subsequent Events

Subsequent events for management's review have been evaluated through the date of the Auditor's Report. The date in the prior sentence is the date the financial statements were available to be issued.

# Lecompton Township

## Regulatory-Required

## Supplementary Information

## For the year ended December 31, 2019

Schedule 1

LECOMPTON TOWNSHIP
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2019

| 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 | $ 146,716 | $ 0 | $ 0 | $ 146,716 | $ 17,425 | $ (129,291) |
| Special Purpose Funds | | | | | | |
| Road | 385,411 | 0 | 0 | 385,411 | 448,272 | 62,861 |

LECOMPTON TOWNSHIP
Schedule of Receipts and Expenditures - Actual and Budget
GENERAL FUND
Regulatory Basis
For the Year Ended December 31, 2019

| | Actual | Budget | Variance-Over (Under) |
|---|---|---|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad Valorem property tax | $ 27,556 | $ 27,971 | $ (415) |
| Delinquent tax | 365 | 50 | 315 |
| Motor Vehicle tax | 3,340 | 2,214 | 1,126 |
| Recreational Vehicle tax | 69 | 62 | 7 |
| 16/20 M Vehicle tax | 65 | 49 | 16 |
| Commercial vehicle | 101 | 55 | 46 |
| Watercraft Tax | 60 | 110 | (50) |
| Interest income | 889 | 250 | 639 |
| Miscellaneous revenues | 0 | 0 | 0 |
| Refunds/reimbursements | 0 | 0 | 0 |
| Operating transfers | 0 | 0 | 0 |
| Total Cash Receipts | 32,445 | 30,761 | 1,684 |
| EXPENDITURES | | | |
| Officer pay | 8,220 | 8,220 | 0 |
| Salaries & wages | 0 | 0 | 0 |
| Employee benefits | 0 | 0 | 0 |
| Supplies and repairs | 4,070 | 56,855 | (52,785) |
| Equipment | 0 | 53,141 | (53,141) |
| Building maintenance | 0 | 24,750 | (24,750) |
| Insurance | 239 | 250 | (11) |
| Legal and accounting | 1,950 | 3,500 | (1,550) |
| Utilities | 2,946 | 0 | 2,946 |
| Operating transfers | 0 | 0 | 0 |
| Adjustment for qualifying budget credits | 0 | 0 | 0 |
| Total Expenditures | 17,425 | $ 146,716 | $ (129,291) |
| Receipts Over (Under) Expenditures | 15,020 | | |
| Unencumbered Cash, Beginning | 118,668 | | |
| Prior Year Cancelled Encumbrances | 0 | | |
| Unencumbered Cash, Ending | $ 133,688 | | |

LECOMPTON TOWNSHIP
Schedule of Cash Receipts and Expenditures - Actual and Budget
ROAD FUND
Regulatory Basis
For the Year Ended December 31, 2019

| | Actual | Budget | Variance-Over (Under) |
|---|---|---|---|
| CASH RECEIPTS | | | |
| Taxes and Shared Revenue | | | |
| Ad Valorem property tax | $ 256,780 | $ 260,593 | $ (3,813) |
| Delinquent tax | 2,270 | 250 | 2,020 |
| Motor Vehicle tax | 28,704 | 26,135 | 2,569 |
| Recreational Vehicle tax | 643 | 726 | (83) |
| 16/20 M Vehicle tax | 627 | 581 | 46 |
| Commercial vehicle | 1,153 | 850 | 303 |
| Watercraft tax | 617 | 1,296 | (679) |
| Special Highway/Gasoline tax | 25,749 | 23,956 | 1,793 |
| Interest income | 0 | 0 | 0 |
| Miscellaneous revenues | 668 | 0 | 668 |
| Refunds/reimbursements | 0 | 0 | 0 |
| Operating transfers | 0 | 0 | 0 |
| Total Cash Receipts | 317,211 | 314,387 | 2,824 |
| EXPENDITURES | | | |
| Officer pay | 0 | 0 | 0 |
| Salaries and payroll taxes | 118,952 | 70,000 | 48,952 |
| Employee benefits | 0 | 3,500 | (3,500) |
| Road maintenance | 18,775 | 160,000 | (141,225) |
| Road materials | 142,956 | 107,661 | 35,295 |
| Equipment | 99,237 | 17,000 | 82,237 |
| Supplies | 31,375 | 0 | 31,375 |
| Insurance | 13,365 | 12,250 | 1,115 |
| Fuel | 23,612 | 15,000 | 8,612 |
| Operating transfers | 0 | 0 | 0 |
| Adjustment for qualifying budget credits | 0 | 0 | 0 |
| Total Expenditures | 448,272 | $ 385,411 | $ 62,861 |
| Receipts Over (Under) Expenditures | (131,061) | | |
| Unencumbered Cash, Beginning | 159,394 | | |
| Prior Year Cancelled Encumbrances | 0 | | |
| Unencumbered Cash, Ending | $ 28,333 | | |