
...*KL*...

Karlin & Long, LLC
Certified Public Accountants

10115 Cherry Lane
Lenexa, Kansas 66220
(913) 829-7676

2200 Kentucky Avenue
Platte City, Missouri 64079
(816) 858-3791

901 Kentucky Street, Suite 104
Lawrence, Kansas 66044
(785) 312-9091

CITY OF OVERBROOK, KANSAS
REGULATORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2020

And
INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS

CITY OF OVERBROOK, KANSAS

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on Financial Statements	1-3
Statement 1	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statements	5-13
Schedule 1	
Summary of Expenditures - Actual and Budget	14
Schedule 2	
Schedule of Receipts and Expenditures - Actual and Budget	
General Fund	15
Law Fund	16
Street Maintenance Fund	17
Library Fund	18
Parks and Recreation Fund	19
Special Highway Fund	20
Water Utility Fund	21
Sewer Utility Fund	22
Pool Fund	23
Bond and Interest Fund	24
Non Budgeted Funds	25-26

...KL...

Karlin & Long, LLC
Certified Public Accountants

The Honorable Mayor and City Council
P.O. Box 325
Overbrook, Kansas 66524

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Overbrook, Kansas ("Municipal Financial Reporting Entity") as of and for the year ended December 31, 2020, 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 financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that 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 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.

10115 Cherry Lane
Lenexa, Kansas 66220
(913) 829-7676

2200 Kentucky Avenue
Platte City, Missouri 64079
(816) 858-3791

901 Kentucky Street, Suite 104
Lawrence, Kansas 66044
(785) 312-9091

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 Overbrook, 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 Overbrook, Kansas as of December 31, 2020, 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 City of Overbrook, Kansas as of December 31, 2020, 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 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 purposes of additional 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

Lenexa, KS
June 30, 2021

CITY OF OVERBROOK, KANSAS
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2020

Statement I

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
General Fund	\$ 276,910	\$ 0	\$ 472,436	\$ 488,788	\$ 260,558	\$ 0	\$ 260,558
Special Purpose Funds							
Public Safety	60,786	0	159,475	175,380	44,881	0	44,881
Street maintenance	19,750	0	39,507	45,666	13,591	0	13,591
Library	0	0	83,190	83,190	0	0	0
Parks and Recreation	23,501	0	34,331	30,223	27,609	0	27,609
Special highway	117,241	0	26,601	12,710	131,132	0	131,132
Water reserve	152,735	0	29,868	39,151	143,452	0	143,452
Sewer reserve	0	0	3,132	0	3,132	0	3,132
Law Equipment Reserve	0	0	7,750	0	7,750	0	7,750
Equipment reserve	22,980	0	45,138	21,753	46,365	0	46,365
Employee benefit reserve	23,521	0	0	0	23,521	0	23,521
Bond and Interest Fund:							
Bond & Interest	8,167	0	89,169	86,187	11,149	0	11,149
Business Funds:							
Water Utility	31,911	0	336,223	311,562	56,572	0	56,572
Sewer Utility	0	0	139,772	125,000	14,772	0	14,772
Pool	3,315	0	61,609	59,362	5,562	0	5,562
Capital projects							
Park/Lake Fund	3,261	0	28,179	22,319	9,121	0	9,121
Water Distribution Project	0	0	48,300	23,235	25,065	0	25,065
Water/Sewer Debt Reserve	18,766	0	117,251	115,393	20,624	0	20,624
Subtotal	<u>762,844</u>	<u>0</u>	<u>1,721,931</u>	<u>1,639,919</u>	<u>844,856</u>	<u>0</u>	<u>844,856</u>
Component Unit:							
Library	<u>54,212</u>	<u>0</u>	<u>129,623</u>	<u>118,944</u>	<u>64,891</u>	<u>0</u>	<u>64,891</u>
Total Reporting Entity	<u>\$ 817,056</u>	<u>\$ 0</u>	<u>\$ 1,851,554</u>	<u>\$ 1,758,863</u>	<u>\$ 909,747</u>	<u>\$ 0</u>	<u>\$ 909,747</u>
Composition of Cash							
					Checking Accounts		\$ 287,034
					Savings Accounts		
					Petty Cash		
					Municipal Investment Pool		
					Certificates of Deposit		557,822
					Total Component Unit		<u>64,891</u>
					Total Reporting Entity		<u>\$ 909,747</u>

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

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Overbrook, Kansas is a municipal corporation governed by an elected seven member council. This financial statement presents the City of Overbrook (the municipality) and its related municipal entities. The related municipal entities are included in the City's reporting entity because they were established to benefit the City and/or its constituents.

Overbrook Community Library

The Overbrook Community Library operates the City's public library. Acquisition or disposition of real property by the board must be approved by the city. Bond issuances must also be approved by the city.

Overbrook Recreation Commission

The Overbrook Recreation Commission oversees recreation activities. The City council appoints members to the commission. The recreation commission operates as a separate governing body but the city levies taxes for the recreation commission and the recreation commissions has only the powers granted by statute K.S.A. 12-1928

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 Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Business Funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. water fund, sewer fund, etc.)

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (continued)

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.

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

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:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Budgetary Information (continued)

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 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 budget amendments for this year.

The statutes permit transferring budgeted amounts between accounts within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality 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, trust funds and the following special purpose funds:

- 1) Capital Improvement Fund,
- 2) Equipment Reserve Fund.
- 3) Law Equipment Reserve 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.