

CITY OF GRIDLEY, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2019

CITY OF GRIDLEY, KANSAS

December 31, 2019

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Gridley, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Gridley, 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 City'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 Gridley, 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 Gridley, Kansas 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 City of Gridley, Kansas 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 summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

May 26, 2020
Chanute, Kansas

CITY OF GRIDLEY, KANSAS

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

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Encumbrances and Accounts Payable	Cash Balance December 31, 2019
General	\$ 140,499.01	\$ 200,220.55	\$ 248,236.23	\$ 92,483.33	\$ 8,062.51	\$ 100,545.84
Special Purpose Funds:						
Special Highway	154,447.06	8,955.96	8,287.71	155,115.31	-	155,115.31
Infrastructure	-	84,862.00	-	84,862.00	-	84,862.00
Multi Year Capital Improvements	329,782.95	3,780.83	-	333,563.78	-	333,563.78
Equipment Reserve	703.00	10,500.00	-	11,203.00	-	11,203.00
Business Funds:						
Water Utility	(6,624.83)	119,908.68	86,902.14	26,381.71	4,247.83	30,629.54
Water Bond and Interest Reserve	90,384.00	16,604.76	15,945.00	91,043.76	-	91,043.76
Sewer Utility	17,079.86	50,291.72	18,848.87	48,522.71	507.00	49,029.71
Trust Funds:						
Cemetery Endowment	1,640.98	1,176.99	-	2,817.97	-	2,817.97
Total Reporting Entity	\$ 727,912.03	\$ 496,301.49	\$ 378,219.95	\$ 845,993.57	\$ 12,817.34	\$ 858,810.91
Composition of Cash:						
Cash on Hand				\$		200.00
Checking Accounts						
General						270,794.63
4th July General						6,826.93
Certificates of Deposit						600,129.28
Total Cash						877,950.84
Agency Funds Per Schedule 3						(19,139.93)
Total Reporting Entity						\$ 858,810.91

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

CITY OF GRIDLEY, KANSAS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and the schedules of the City of Gridley, Kansas have been prepared in order to show compliance with the cash basis and budget 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 City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting principles generally accepted in the United States of America.

Financial Reporting Entity

The City of Gridley, Kansas, is a municipal corporation governed by an elected five-member council. This financial statement presents the City of Gridley.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, 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 City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the City did not have any 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 City of Gridley, Kansas, 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.

Special Purpose fund – 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.

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.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (meter deposit funds, donation funds, etc.).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one-half or the full amounts of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes commencing in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

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 as revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the city 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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 revenue 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 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. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds.

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.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

As shown in Statement 1 and Schedule 1, the City was in compliance with Kansas cash basis and budget laws.

3. 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 branch or branch bank in the county in which the City is located, or in an adjoining county if such 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. All deposits were legally secured at December 31, 2019.

At year-end, the City's carrying amount of deposits was \$877,750.84 and the bank balance was \$884,780.83. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$256,826.93 was covered by FDIC insurance and \$627,953.90 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

4. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The (non-school municipality) participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

4. DEFINED BENEFIT PENSION PLAN (Continued)

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City were \$6,590.22 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$50,725.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

5. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2019, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Paid with Utility Receipts Series 2003	4.50%	June 3, 2003	\$ 330,900.00	June 12, 2041	\$ 221,000.00	\$ -	\$ 6,000.00	\$ 215,000.00	\$ 9,945.00
Total Contractual Agreements					\$ 221,000.00	\$ -	\$ 6,000.00	\$ 215,000.00	\$ 9,945.00

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

Issue	2020	2021	2022	2023	2024	2025-2029
Principal						
General Obligation Series 2003	\$ 6,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 8,000.00	\$ 43,000.00
Total Principal	6,000.00	7,000.00	7,000.00	7,000.00	8,000.00	43,000.00
Interest						
General Obligation Series 2003	9,675.00	9,405.00	9,090.00	8,775.00	8,460.00	36,765.00
Total Interest	9,675.00	9,405.00	9,090.00	8,775.00	8,460.00	36,765.00
Total Payments	\$ 15,675.00	\$ 16,405.00	\$ 16,090.00	\$ 15,775.00	\$ 16,460.00	\$ 79,765.00
Issue	2030-2034	2035-2039	2040-2041	Totals		
Principal						
General Obligation Series 2003	\$ 54,000.00	\$ 67,000.00	\$ 16,000.00	\$ 215,000.00		
Total Principal	54,000.00	67,000.00	16,000.00	215,000.00		
Interest						
General Obligation Series 2003	26,190.00	12,960.00	765.00	122,085.00		
Total Interest	26,190.00	12,960.00	765.00	122,085.00		
Total Payments	\$ 80,190.00	\$ 79,960.00	\$ 16,765.00	\$ 337,085.00		

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2019.

Compensated Absences:

All full-time employees of the City up to one year of employment are eligible for 10 days of vacation benefits full-time employees of the City after five years of employment are eligible for 12 days of vacation benefits, full-time employees of the City after ten years of employment are eligible for 15 days of vacation benefits, full time employees of the City after fifteen years of employment are eligible for 20 days of vacation benefits. Vacation is not earned for partial months worked. Vacation time may be accumulated and carried over any calendar year at a maximum hours based on years of service. In the event of termination, unused accrued vacation time is paid.

Sick leave accrues to all full-time employees at the rate of one day per month starting from the first day of employments has been accrued. Upon termination and employee shall not be eligible to receive pay for any accrued sick leave.

The City determines a liability for compensated absences when the following conditions are met:

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

In accordance with the above criteria, the City has an unfunded liability for vacation benefits at December 31, 2019 of \$7,210.71, and has not estimated a liability for sick pay which has been earned, but not taken by City employees, in as much as the amount cannot be reasonably estimated.

7. OTHER COMMITMENTS

In 2002, the City entered into a 40-year agreement with the City of Burlington, Kansas to purchase water up to 1,500,000 gallons of water per month and a guaranteed minimum of 600,000 gallons per month. During the year ended December 31, 2019 the City purchased 100% of its water sold from the City of Burlington, Kansas.

8. RISK MANAGEMENT

The City 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 City manages these risks of loss through the purchase of various insurance policies.

9. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From:</u>	<u>To:</u>	<u>Statutory Authority</u>	<u>Amount</u>
Water Utility	Water Debt Service Reserve	K.S.A. 12-825d	\$ 16,604.76
General	Equipment Reserve	K.S.A. 12-1,117	10,500.00

10. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Since year end the City has been awarded a CDBG grant and a USDA loan to complete a sewer improvement project that has an estimated cost of \$2,729,000. The project was in the initial planning stages at year end, but will start in 2020.

SUPPLEMENTARY INFORMATION

CITY OF GRIDLEY, KANSAS
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2019

Funds	Total Certified Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General	\$ 277,062.00	\$ 248,236.23	\$ (28,825.77)
Special Purpose Funds:			
Special Highway	101,455.00	8,287.71	(93,167.29)
Infrastructure	-	-	-
Multi Year Capital Improvements	136,005.00	-	(136,005.00)
Equipment Reserve	15,825.00	-	(15,825.00)
Business Funds:			
Water Utility	141,067.00	86,902.14	(54,164.86)
Sewer Utility	37,879.00	18,848.87	(19,030.13)

CITY OF GRIDLEY, KANSAS
GENERAL FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Ad Valorem Property Tax	\$ 72,680.66	\$ 73,782.00	\$ (1,101.34)
Delinquent Tax	656.28	-	656.28
Motor Vehicle Tax	9,962.65	10,439.00	(476.35)
Recreational Vehicle Tax	329.41	304.00	25.41
16/20M Tax	401.40	212.00	189.40
Commercial Vehicle Tax	5,720.64	889.00	4,831.64
Watercraft Tax	-	73.00	(73.00)
Special Assessments - Parks	14,580.00	12,466.00	2,114.00
Franchise Tax	12,376.19	11,665.00	711.19
Licenses and Permits			
Other Licenses and Permits	1,449.70	4,278.00	(2,828.30)
Use of Money and Property			
Interest	15,531.19	790.00	14,741.19
Rental Fees	7,480.00	1,026.00	6,454.00
Charges for Services			
Solid Waste Fees	34,798.84	22,886.00	11,912.84
Other Receipts			
Donations	12,500.00	-	12,500.00
Miscellaneous	7,928.74	-	7,928.74
Reimbursements	3,824.85	-	3,824.85
Operating Transfers from:			
Multi Year Capital Improvement Fund	-	27,000.00	(27,000.00)
Total Receipts	200,220.55	\$ 165,810.00	\$ 34,410.55

CITY OF GRIDLEY, KANSAS
GENERAL FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Expenditures			
General Government			
Personal Services	\$ 52,647.73	\$ 61,658.00	\$ (9,010.27)
Contractual Services	71,251.58	63,754.00	7,497.58
Commodities	27,619.00	22,560.00	5,059.00
Capital Outlay	18,160.21	23,961.00	(5,800.79)
Parks and Recreation			
Contractual Services	15,099.97	12,606.00	2,493.97
Cemetery			
Contractual Services	10,103.33	-	10,103.33
Solid Waste			
Contractual Services	42,854.41	43,055.00	(200.59)
Street Lights			
Contractual Services	-	1,505.00	(1,505.00)
Community and You			
Contractual Services	-	7,963.00	(7,963.00)
Operating Transfer to:			
Water Utility Fund	-	11,000.00	(11,000.00)
Multi Year Capital Improvement Fund	-	5,500.00	(5,500.00)
Equipment Reserve Fund	10,500.00	10,500.00	-
Cemetery Endowment Fund	-	13,000.00	(13,000.00)
Total Expenditures	248,236.23	\$ 277,062.00	\$ (28,825.77)
Receipts Over (Under) Expenditures	(48,015.68)		
Unencumbered Cash, Beginning	140,499.01		
Unencumbered Cash, Ending	\$ 92,483.33		

CITY OF GRIDLEY, KANSAS
SPECIAL HIGHWAY FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Intergovernmental			
State Highway Payment	\$ 8,955.96	\$ 9,220.00	\$ (264.04)
Special Assessments	-	42,431.00	(42,431.00)
Total Receipts	8,955.96	\$ 51,651.00	\$ (42,695.04)
Expenditures			
Street Maintenance			
Personal Services	6,530.71	\$ 10,362.00	\$ (3,831.29)
Contractual Services	-	8,170.00	(8,170.00)
Commodities	1,757.00	10,268.00	(8,511.00)
Capital Outlay	-	72,655.00	(72,655.00)
Total Expenditures	8,287.71	\$ 101,455.00	\$ (93,167.29)
Receipts Over (Under) Expenditures	668.25		
Unencumbered Cash, Beginning	154,447.06		
Unencumbered Cash, Ending	\$ 189,602.65		

CITY OF GRIDLEY, KANSAS
INFRASTRUCTURE FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
County Appropriations	\$ 84,862.00	\$ -	\$ 84,862.00
Total Receipts	84,862.00	\$ -	\$ 84,862.00
Expenditures			
Street Maintenance			
Capital Outlay	-	\$ -	\$ -
Total Expenditures	-	\$ -	\$ -
Receipts Over (Under) Expenditures	84,862.00		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	\$ 84,862.00		

CITY OF GRIDLEY, KANSAS
MULTI YEAR CAPITAL IMPROVEMENTS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Taxes and Shared Receipts			
Ad Valorem Property Tax	\$ 3,060.52	\$ 3,106.00	\$ (45.48)
Delinquent Tax	26.04	-	26.04
Motor Vehicle Tax	421.51	442.00	(20.49)
Recreational Vehicle Tax	13.93	13.00	0.93
16/20M Tax	16.80	9.00	7.80
Commercial Vehicle Tax	242.03	38.00	204.03
Watercraft Tax	-	3.00	(3.00)
Operating Transfer from Reimbursed Expense	-	5,500.00	(5,500.00)
Total Receipts	<u>3,780.83</u>	<u>\$ 9,111.00</u>	<u>\$ (5,330.17)</u>
Expenditures			
Capital Improvements			
Contractual Services	-	\$ 9,605.00	\$ (9,605.00)
Capital Outlay	-	99,400.00	(99,400.00)
Operating Transfer to: General Fund	-	27,000.00	(27,000.00)
Total Expenditures	<u>-</u>	<u>\$ 136,005.00</u>	<u>\$ (136,005.00)</u>
Receipts Over (Under) Expenditures	3,780.83		
Unencumbered Cash, Beginning	<u>329,782.95</u>		
Unencumbered Cash, Ending	<u>\$ 333,563.78</u>		

CITY OF GRIDLEY, KANSAS
EQUIPMENT RESERVE FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Operating Transfers from:			
General Fund	\$ 10,500.00	\$ 10,500.00	\$ -
Total Receipts	10,500.00	\$ 10,500.00	\$ -
Expenditures			
General Government			
Capital Outlay	-	\$ 15,825.00	\$ (15,825.00)
Total Expenditures	-	\$ 15,825.00	\$ (15,825.00)
Receipts Over (Under) Expenditures	10,500.00		
Unencumbered Cash, Beginning	703.00		
Unencumbered Cash, Ending	\$ 11,203.00		

CITY OF GRIDLEY, KANSAS
WATER UTILITY FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Water Sales	\$ 93,083.97	\$ 103,453.00	\$ (10,369.03)
Debt Service Charges	21,975.55	25,538.00	(3,562.45)
Penalties	2,779.16	2,719.00	60.16
Connection Fees	2,070.00	1,738.00	332.00
Other Receipts			
Miscellaneous	-	8,079.00	(8,079.00)
Total Receipts	119,908.68	\$ 141,527.00	\$ (21,618.32)
Expenditures			
Production and Distribution			
Personal Services	21,089.38	\$ 36,341.00	\$ (15,251.62)
Contractual Services	5,426.45	21,555.00	(16,128.55)
Commodities	43,781.55	56,189.00	(12,407.45)
Capital Outlay	-	3,097.00	(3,097.00)
Operating Transfers to:			
Water Debt Service Reserve Fund	16,604.76	23,885.00	(7,280.24)
Total Expenditures	86,902.14	\$ 141,067.00	\$ (54,164.86)
Receipts Over (Under) Expenditures	33,006.54		
Unencumbered Cash, Beginning	(6,624.83)		
Unencumbered Cash, Ending	\$ 26,381.71		

CITY OF GRIDLEY, KANSAS
WATER DEBT SERVICE RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2019

	Current Year Actual
Receipts	
Operating Transfer from Water Utility Fund	\$ 16,604.76
Total Receipts	16,604.76
Expenditures	
Debt Service	
Principal Payments	6,000.00
Interest Payments	9,945.00
Total Expenditures	15,945.00
Receipts Over (Under) Expenditures	659.76
Unencumbered Cash, Beginning	90,384.00
Unencumbered Cash, Ending	\$ 91,043.76

CITY OF GRIDLEY, KANSAS
SEWER UTILITY FUND

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

	Current Year		Variance - Over (Under)
	Actual	Budget	
Receipts			
Charges for Services			
Sewer Charges	\$ 50,272.06	\$ 34,461.00	\$ 15,811.06
Use of Money and Property			
Interest	19.66	857.00	(837.34)
Total Receipts	50,291.72	\$ 35,318.00	\$ 14,973.72
Expenditures			
Treatment and Distribution			
Personal Services	12,207.47	\$ 18,883.00	\$ (6,675.53)
Contractual Services	5,431.40	10,938.00	(5,506.60)
Commodities	1,210.00	3,073.00	(1,863.00)
Capital Outlay	-	4,985.00	(4,985.00)
Total Expenditures	18,848.87	\$ 37,879.00	\$ (19,030.13)
Receipts Over (Under) Expenditures	31,442.85		
Unencumbered Cash, Beginning	17,079.86		
Unencumbered Cash, Ending	\$ 48,522.71		

CITY OF GRIDLEY, KANSAS
CEMETERY ENDOWMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2019

	Current Year Actual
Receipts	
Charges for Services	
Sale of Lots	\$ 770.00
Use of Money and Property	
Interest	406.99
Total Receipts	1,176.99
Expenditures	
Perpetual Care	
Contractual Services	-
Total Expenditures	-
Receipts Over (Under) Expenditures	1,176.99
Unencumbered Cash, Beginning	1,640.98
Unencumbered Cash, Ending	\$ 2,817.97

CITY OF GRIDLEY, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2019

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Meter Deposits Fund	\$ 10,973.00	\$ 1,540.00	\$ 200.00	\$ 12,313.00
4th of July Celebration	-	16,763.37	9,936.44	6,826.93
	<u>\$ 10,973.00</u>	<u>\$ 18,303.37</u>	<u>\$ 10,136.44</u>	<u>\$ 19,139.93</u>



The Honorable Mayor and City Council
City of Gridley, Kansas

In planning and performing our audit of the financial statement of City of Gridley, Kansas 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 City of Gridley, Kansas' 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 City of Gridley, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Gridley, Kansas' 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:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the City Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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Payroll Benefits

During our testing of payroll we noted the City Council is being paid monthly without including that amount on an annual W-2. Internal Revenue Service (IRS) guidelines require any payment made as compensation for employment be included and processed through the payroll system. We recommend all payments made to council be processed through the payroll process to properly account for the payments within IRS guidelines.

Also noted during our testing of payroll, the City is paying an employee's health insurance directly as a benefit. Health insurance paid on behalf of any employee not under an IRS approved plan is no longer allowed compensation. We recommend the City check into getting a qualified plan in place and properly process the payment of health insurance through the payroll system.

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
May 26, 2020