CITY OF MEDICINE LODGE, KANSAS

FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Medicine Lodge, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of Medicine Lodge, Kansas, as of and for the year ended December 31, 2023 and the related notes to the financial statement.

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 and Unmodified Opinions section of our report, the accompanying 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 Medicine Lodge, Kansas, as of December 31, 2023, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Medicine Lodge, Kansas, as of December 31, 2023, 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 A.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City of Medicine Lodge, Kansas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note A of the financial statement, the financial statement is prepared by the City of Medicine Lodge, 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 A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management 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 A; 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City of Medicine Lodge, Kansas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 City of Medicine Lodge, Kansas' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the City of Medicine Lodge, Kansas' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 (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 (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 accompanying supplementary 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 A.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Medicine Lodge, Kansas as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated October 31, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the website of the Kansas Department of Administration at the following link: https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/municipal-audits. The 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures for the year ended December 31, 2023 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 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 2022 basic financial statement or to the 2022 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 2022 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2022, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

August 20, 2024

CITY OF MEDICINE LODGE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended December 31, 2023

Fund	Beginning unencumbered cash balance	Prior year canceled encumbrances
General fund:		
General	$ 178,446	$ -
Special purpose funds:		
Tourism	35,651	-
Library	-	-
Special highway	85,393	-
Special parks and recreation	40,760	-
Community improvement district	442,536	-
Municipal equipment reserve	366,766	-
ARPA	122,903	-
Capital improvements reserve	629,288	-
Public Building Commission	2,454	-
Total special purpose funds	1,725,751	-
Capital project funds:		
Daycare/CDBG	-	-
Sidewalk improvement	11,151	-
Total capital project funds	11,151	-
Business funds:		
Water utility	1,100,590	-
Sewer utility	162,693	-
Solid waste utility	15,101	-
Waterworks depreciation and maintenance reserve	924,529	-
Sewer plant O-M-R	39,841	-
Total business funds	2,242,754	-
Total	$ 4,158,102	$ -
Composition of cash balance:		
Demand deposits		
Certificates of deposit		
Total cash		

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

Receipts	Expenditures	Ending unencumbered cash balance (deficit)	Add encumbrances and accounts payable	Ending cash balance (deficit)
$ 1,865,757	$ 1,797,191	$ 247,012	$ 32,206	$ 279,218
13,662	651	48,662	-	48,662
131,591	131,591	-	-	-
46,722	-	132,115	-	132,115
1,046	3,500	38,306	-	38,306
255,884	209,580	488,840	8,090	496,930
32,000	27,975	370,791	-	370,791
-	42,456	80,447	-	80,447
117,500	457,714	289,074	35,831	324,905
115,463	115,499	2,418	-	2,418
713,868	988,966	1,450,653	43,921	1,494,574
36,478	443,940	(407,462)	347,989	(59,473)
33	-	11,184	-	11,184
36,511	443,940	(396,278)	347,989	(48,289)
1,109,775	1,134,601	1,075,764	33,798	1,109,562
505,538	455,883	212,348	4,899	217,247
380,963	354,482	41,582	29,205	70,787
59,111	30,465	953,175	134	953,309
5,500	-	45,341	-	45,341
2,060,887	1,975,431	2,328,210	68,036	2,396,246
$ 4,677,023	$ 5,205,528	$ 3,629,597	$ 492,152	$ 4,121,749
				$ 2,676,749
				1,445,000
				$ 4,121,749

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the City's financial statement. The financial statement, schedules, and notes are representations of the City's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

The City of Medicine Lodge is a municipal corporation governed by an elected mayor and five-member council. This regulatory financial statement presents the City of Medicine Lodge (the municipality) and the Public Building Commission (part of the municipality). The Lincoln Library, a related municipal entity, has not been included in the City's reporting entity.

Public Building Commission. The Commission was authorized by City Ordinance No. 818, pursuant to K.S.A. 12-1757 et. seq., and all amendments thereto, and as amended, supplemented, and limited by the City of Medicine Lodge, Kansas Charter Ordinance No. 17 establishing the composition thereof and purposes for which established. For financial reporting, the financial activities of the Public Building Commission are accounted for within a non-budgeted special purpose fund.

Lincoln Library. The members of the governing board of the Library are approved by the City Council. The Library is fiscally dependent on the City because the City provides substantial financial support in the form of appropriations. In addition, the Library is prohibited from issuing bonded debt without the approval of the City Council.

2. Basis of Presentation – Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2023:

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 fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than capital project and tax levies for long-term debt) that are intended for specified purposes.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation – Fund Accounting (Continued)

REGULATORY BASIS FUND TYPES (CONTINUED)

Capital project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

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

3. 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.

4. 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), 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:

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

b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

d. Adoption of the final budget on or before August 25th.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did hold a revenue neutral rate hearing for this year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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 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 receipts 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 the utility reserve funds, capital project funds, or the Municipal Equipment Reserve, ARPA, Capital Improvements Reserve, and Public Building Commission special purpose 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.

B. COMPLIANCE WITH KANSAS STATUTES

References made herein to the statutes are not intended as interpretations of law but are offered for consideration of the Director of Accounts and Reports, the Kansas Department of Administration, and legal representatives of the City.

The cash basis law provided by K.S.A. 10-1113 prohibits the creation of indebtedness in available monies in a fund. Although the Daycare/CDBG fund overspent the available cash balance, according to K.S.A. 12-1664, the City is not prohibited from financing the federal share of a local program from current funds, if available.

C. 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 or branch bank in the county in which the City 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 City has no other policies that would further limit interest rate risk.

C. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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, 2023.

At December 31, 2023, the City's carrying amount of deposits was $4,121,749 and the bank balance was $4,154,841. Of the bank balance, $252,415 was covered by federal depository insurance and $3,902,426 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

D. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project authorization	Cash disbursements and accounts payable to date
Carrie Nation Home Roof	$ 41,318	$ 41,318
Sidewalk Expansion	80,900	64,720
Sewer Line Replacement	17,750	13,313
Daycare	1,105,890	533,574
Airport AWOS	25,000	1,500
Airport Obstruction Removal	266,745	253,961
Total	$ 1,537,603	$ 908,386

E. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2023, were as follows:

Issue	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest paid
General obligation bonds:					
Refunding and improvement Issued April 1, 2013 In the amount of $1,130,000 At interest rates of 0.80% to 2.70% Maturing September 1, 2024	$ 60,000	$ -	$ 45,000	$ 15,000	$ 1,530
CID sales tax Issued May 23, 2017 In the amount of $1,930,000 At interest rate of 3.00% Maturing September 1, 2030	1,280,000	-	155,000	1,125,000	38,400

E. LONG-TERM DEBT (CONTINUED)

Issue	Balance beginning of year	Additions	Reductions/ payments	Balance end of year	Interest paid
General obligation bonds (continued):					
Water system improvements					
Issued September 26, 2017					
In the amount of $3,732,000					
At interest rate of 2.625%					
Maturing September 26, 2057	$3,448,236	$ -	$ 61,299	$3,386,937	$ 90,516
Subtotal general obligation bonds	4,788,236	-	261,299	4,526,937	130,446
Revenue bonds:					
Swimming pool improvements refunding					
Issued October 15, 2015					
In the amount of $1,035,000					
At interest rates of 1.50% to 2.50%					
Maturing September 1, 2026	440,000	-	105,000	335,000	10,463
Revolving loans:					
Sewer plant					
Issued March 1, 2003					
In the amount of $2,946,766					
At interest rate of 2.94%					
Maturing September 1, 2024	370,774	-	182,682	188,092	9,568
Total long-term debt	$5,599,010	$ -	$ 548,981	$5,050,029	$ 150,477

Current maturities of general obligation bonds and interest for the next five years and in five-year increments through maturity are as follows:

	Principal due	Interest due	Total due
2024	$ 237,908	$ 123,062	$ 360,970
2025	229,560	116,206	345,766
2026	231,254	109,561	340,815
2027	242,994	102,872	345,866
2028	249,778	95,837	345,615
2029-2033	657,348	392,979	1,050,327
2034-2038	429,544	329,533	759,077
2039-2043	488,960	270,117	759,077
2044-2048	556,595	202,482	759,077
2049-2053	633,586	125,491	759,077
2054-2057	569,410	37,852	607,262
Total	$ 4,526,937	$ 1,905,992	$ 6,432,929

Current maturities of revenue bonds and interest through maturity are as follows:

	Principal due	Interest due	Total due
2024	$ 110,000	$ 8,100	$ 118,100
2025	115,000	5,625	120,625
2026	110,000	2,750	112,750
Total	$ 335,000	$ 16,475	$ 351,475

E. LONG-TERM DEBT (CONTINUED)

Current maturities of revolving loans and interest through maturity are as follows:

	Principal due	Interest due	Total due
2024	$ 188,092	$ 4,158	$ 192,250

F. OPERATING LEASE

In 2021 the City converted the capital lease on the caterpillar motor grader with Caterpillar Financial to an operating lease. The agreement calls for annual payments of $20,227 for the remaining thirty-six months. Payments totaling $20,227 were made in 2023.

Future minimum rental payments under the operating lease are as follows.

	Caterpillar Financial
2024	$ 16,392

G. INTERFUND TRANSFERS

From	To	Regulatory authority	Amount
Operating transfers:			
General	Municipal equipment reserve	K.S.A. 12-1,117	$ 12,000
General	Capital improvements reserve	K.S.A. 12-1,118	117,500
General	Public Building Commission	Resolution	115,463
Water utility	General	K.S.A. 12-825d	135,750
Water utility	Municipal equipment reserve	K.S.A. 12-825d	20,000
Water utility	Waterworks depreciation and maintenance res.	K.S.A. 12-825d	59,111
Water utility	Sewer utility	K.S.A. 12-825d	145,000
Sewer utility	Sewer plant O-M-R	K.S.A. 12-825d	5,500
			$ 610,324
Transfer to related municipal entity:			
Library	Lincoln Library		$ 131,591

H. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other post-employment benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City 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 this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits 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.

H. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONTINUED)

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 was set at 1% and contributions were $6,879 for the year ended December 31, 2022.

Section 457 deferred compensation plan. The City offers a Section 457 deferred compensation plan to all employees on a voluntary basis. The City does not contribute to the plan, which is administered by a third party.

Section 125 plan. The City offers Section 125 plans to all eligible employees electing to participate. It is used for accident and cancer insurance. The City withholds the amounts from the employee's paychecks and remits the withholding to the plan administrator.

Compensated absences. The City's policy allows vacation time to accumulate to 160 hours. However, the number of hours of unused vacation that can be carried over without written authorization from the City Council varies depending on the number of continuous years of employment. The maximum number of hours eligible to be carried over is as follows: 40 hours, 0-5 years; 80 hours, 6-10 years; 120 hours, 11-15 years; 140 hours, 16-20 years; and, 160 hours, over 20 years. Sick leave may be accumulated up to 720 hours but is not paid upon termination or resignation.

I. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The City 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.

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 the City and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that employer contribution rates for KPERS 1, 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 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the City were $57,995 for the year ended December 31, 2023.

I. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability

At December 31, 2023, the City's proportionate share of the collective net pension liability reported by KPERS was $816,358. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. 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 non-employer 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 the 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.

J. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

The City pays an annual premium to KMIT for workers' compensation insurance coverage. The agreement to participate provides that the KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

The City continues to carry commercial insurance for all other risks of loss, including property, liability, and fidelity bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there have been no significant reductions in coverage.

K. CONTINGINCIES

The City has received $280,038 from the Department of Treasury through the American Rescue Plan Act of 2021 to cover lost revenue. As of December 31, 2023, $80,447 remains in the ARPA fund. These funds must be obligated by December 31, 2024 and expended by December 31, 2026.

L. SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through August 20, 2024 and does not believe any events have occurred which affect the financial statement as presented.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF MEDICINE LODGE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2023

Fund	Certified budget	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance favorable (unfavorable)
General fund:					
General	$ 2,063,666	$ -	$ 2,063,666	$ 1,797,191	$ 266,475
Special purpose funds:					
Tourism	16,000	-	16,000	651	15,349
Library	135,721	-	135,721	131,591	4,130
Special highway	66,515	-	66,515	-	66,515
Special parks and recreation	48,000	-	48,000	3,500	44,500
Community improvement district	284,663	-	284,663	209,580	75,083
Business funds:					
Water utility	1,134,601	-	1,134,601	1,134,601	-
Sewer utility	491,078	-	491,078	455,883	35,195
Solid waste utility	374,780	-	374,780	354,482	20,298
Total	$ 4,615,024	$ -	$ 4,615,024	$ 4,087,479	$ 527,545

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	$ 602,407	$ 633,524	$ 650,503	$ (16,979)
Delinquent tax	33,269	31,923	11,500	20,423
Motor vehicle tax	118,817	118,225	129,132	(10,907)
Recreational vehicle tax	1,846	1,822	1,425	397
16/20M tax	5,571	5,197	5,520	(323)
Special assessments	2,945	220	3,500	(3,280)
Local alcoholic liquor tax	2,909	1,046	6,500	(5,454)
Sales and use tax	629,975	637,459	549,700	87,759
License, permits and fees	4,545	6,320	7,000	(680)
Franchise fees	170,236	159,474	154,100	5,374
Fines, forfeitures and penalties	4,980	15,037	4,350	10,687
Charges for services	12,868	14,520	36,500	(21,980)
Interest	12,062	39,797	13,250	26,547
Use of property	100	-	-	-
Miscellaneous	61,776	71,698	33,000	38,698
Reimbursements	-	-	18,500	(18,500)
Transfers:				
Water utility	134,500	135,750	139,000	(3,250)
Solid waste utility	-	-	10,000	(10,000)
Neighborhood revitalization rebate	(13,983)	(6,255)	(7,908)	1,653
Total receipts	1,784,823	1,865,757	$ 1,765,572	$ 100,185
Expenditures:				
Administration:				
Personnel	140,445	175,189	$ 144,284	$ (30,905)
Contractual services	80,443	92,015	65,950	(26,065)
Commodities	5,173	7,423	18,350	10,927
Capital outlay	898	110	1,910	1,800
General government	-	-	12,500	12,500
Miscellaneous	14,769	15,934	1,000	(14,934)
	241,728	290,671	243,994	(46,677)

CITY OF MEDICINE LODGE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Police department:				
Personnel	$ 351,103	$ 319,126	$ 404,045	$ 84,919
Contractual services	36,195	39,555	35,600	(3,955)
Commodities	23,421	20,641	25,000	4,359
Capital outlay	7,511	18,385	8,500	(9,885)
Miscellaneous	858	3,711	2,000	(1,711)
	419,088	401,418	475,145	73,727
Fire department:				
Personnel	205	562	350	(212)
Contractual services	15,947	16,211	7,000	(9,211)
Commodities	1,398	62	8,400	8,338
Capital outlay	2,584	13,830	16,500	2,670
Debt service:				
Principal	14,400	-	-	-
Interest	607	-	-	-
	35,141	30,665	32,250	1,585
Street department:				
Personnel	153,256	162,138	170,045	7,907
Contractual services	35,994	19,799	18,302	(1,497)
Commodities	27,669	38,949	37,400	(1,549)
Capital outlay	8,309	1,516	103,750	102,234
Miscellaneous	6,460	2,876	-	(2,876)
	231,688	225,278	329,497	104,219
Swimming pool:				
Personnel	31,580	39,682	41,954	2,272
Contractual services	24,048	20,323	9,324	(10,999)
Commodities	7,978	6,965	10,950	3,985
Capital outlay	2,851	12,847	120,100	107,253
Miscellaneous	352	705	550	(155)
	66,809	80,522	182,878	102,356

CITY OF MEDICINE LODGE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Airport:				
Contractual services	$ 23,681	$ 17,072	$ 22,180	$ 5,108
Commodities	-	-	3,300	3,300
Capital outlay	-	400	200	(200)
	23,681	17,472	25,680	8,208
Municipal court:				
Contractual services	25,490	28,982	26,000	(2,982)
Commodities	-	-	150	150
Central Government	-	-	1,000	1,000
	25,490	28,982	27,150	(1,832)
Code enforcement/animal control:				
Contractual services	18,621	9,845	36,975	27,130
Commodities	184	101	1,250	1,149
Miscellaneous	523	8	500	492
	19,328	9,954	38,725	28,771
Park department:				
Personnel	122,923	143,761	132,795	(10,966)
Contractual services	24,175	37,546	11,100	(26,446)
Commodities	15,741	14,568	22,000	7,432
Capital outlay	4,011	-	3,000	3,000
	166,850	195,875	168,895	(26,980)
Carrie Nation Memorial:				
Appropriation	15,000	15,000	16,500	1,500
Contractual services	5,829	4,986	3,100	(1,886)
Commodities	-	42	2,400	2,358
Capital outlay	-	-	500	500
	20,829	20,028	22,500	2,472

CITY OF MEDICINE LODGE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Street lights	$ 39,007	$ 38,292	$ 43,452	$ 5,160
Emergency preparedness	8	-	4,500	4,500
Recycling program	2,520	2,571	-	(2,571)
Economic development	5,000	-	25,000	25,000
Transfers:				
Municipal equipment reserve	10,000	12,000	12,000	-
Capital improvements reserve	134,500	117,500	161,000	43,500
Public Building Commission	117,563	115,463	-	(115,463)
Hospital appropriation	229,052	210,500	256,000	45,500
Miscellaneous	-	-	15,000	15,000
Total expenditures	1,788,282	1,797,191	$ 2,063,666	$ 266,475
Receipts over (under) expenditures	(3,459)	68,566		
Unencumbered cash, beginning of year	163,871	178,446	$ 298,094	$ (119,648)
Residual equity transfer	18,034	-		
Unencumbered cash, end of year	$ 178,446	$ 247,012		

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

TOURISM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Guest tax	$ 15,380	$ 13,662	$ 12,700	$ 962
Expenditures:				
Contractual services	-	651	$ -	$ (651)
Commodities	-	-	1,000	1,000
Donations	-	-	15,000	15,000
Total expenditures	-	651	$ 16,000	$ 15,349
Receipts over (under) expenditures	15,380	13,011		
Unencumbered cash, beginning of year	20,271	35,651	$ 4,770	$ 30,881
Unencumbered cash, end of year	$ 35,651	$ 48,662	$ 1,470	$ 47,192

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	$ 102,642	$ 106,190	$ 109,006	$ (2,816)
Delinquent tax	5,164	5,138	3,800	1,338
Motor vehicle tax	19,599	20,144	22,002	(1,858)
Recreational vehicle tax	305	310	243	67
16/20M vehicle tax	880	857	940	(83)
Neighborhood revitalization rebate	(2,383)	(1,048)	(1,325)	277
Total receipts	126,207	131,591	$ 134,666	$ (3,075)
Expenditures:				
Transfer to related municipal entity	126,207	131,591	$ 135,721	$ 4,130
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-	$ 1,055	$ (1,055)
Unencumbered cash, end of year	$ -	$ -		

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
State of Kansas gas tax	$ 47,670	$ 46,722	$ 51,020	$ (4,298)
Expenditures:				
Capital outlay	62,063	-	$ 66,515	$ 66,515
Receipts over (under) expenditures	(14,393)	46,722		
Unencumbered cash, beginning of year	99,786	85,393	$ 15,496	$ 69,897
Unencumbered cash, end of year	$ 85,393	$ 132,115	$ 1	$ 132,114

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Local alcoholic liquor tax	$ 2,909	$ 1,046	$ 5,500	$ (4,454)
Expenditures:				
Capital outlay	-	3,500	$ 48,000	$ 44,500
Receipts over (under) expenditures	2,909	(2,454)		
Unencumbered cash, beginning of year	37,851	40,760	$ 42,850	$ (2,090)
Unencumbered cash, end of year	$ 40,760	$ 38,306	$ 350	$ 37,956

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

COMMUNITY IMPROVEMENT DISTRICT

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Sales and use tax	$ 260,003	$ 255,884	$ 242,200	$ 13,684
Expenditures:				
Contractual services	23,960	16,180	$ 5,000	$ (11,180)
Capital outlay	-	-	105,463	105,463
Debt service:				
Principal	150,000	155,000	155,000	-
Interest	42,900	38,400	19,200	(19,200)
Total expenditures	216,860	209,580	$ 284,663	$ 75,083
Receipts over (under) expenditures	43,143	46,304		
Unencumbered cash, beginning of year	399,393	442,536	$ 42,463	$ 400,073
Unencumbered cash, end of year	$ 442,536	$ 488,840		

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

NON-BUDGETED SPECIAL PURPOSE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2023

	Municipal equipment reserve	ARPA	Capital improvements reserve	Public Building Commission	Total
Receipts:					
Transfers:					
General	$ 12,000	$ -	$ 117,500	$ 115,463	$ 244,963
Water utility	20,000	-	-	-	20,000
Total receipts	32,000	-	117,500	115,463	264,963
Expenditures:					
Personnel	-	40,456	-	-	40,456
Contractual services	-	2,000	169,663	36	171,699
Capital outlay	27,975	-	288,051	-	316,026
Debt service:					
Principal	-	-	-	105,000	105,000
Interest	-	-	-	10,463	10,463
Total expenditures	27,975	42,456	457,714	115,499	643,644
Receipts over (under) expenditures	4,025	(42,456)	(340,214)	(36)	(378,681)
Unencumbered cash, beginning of year	366,766	122,903	629,288	2,454	1,121,411
Unencumbered cash, end of year	$ 370,791	$ 80,447	$ 289,074	$ 2,418	$ 742,730

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

DAYCARE/CDBG FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

	2022	2023
Receipts:		
Federal aid	$ -	$ 36,478
Local funding	31,961	-
Total receipts	31,961	36,478
Expenditures:		
Contractual services	31,949	99,054
Capital outlay	-	344,586
Miscellaneous	12	300
Total expenditures	31,961	443,940
Receipts over (under) expenditures	-	(407,462)
Unencumbered cash, beginning of year	-	-
Unencumbered cash (deficit), end of year	$ -	$ (407,462)

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

SIDEWALK IMPROVEMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

	2022	2023
Receipts:		
Miscellaneous	$ 401	$ 33
Expenditures:		
Contractual services	-	-
Receipts over (under) expenditures	401	33
Unencumbered cash, beginning of year	10,750	11,151
Unencumbered cash, end of year	$ 11,151	$ 11,184

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

WATER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Water sales	$ 1,038,622	$ 1,023,588	$ 996,000	$ 27,588
New services	8,800	7,700	4,000	3,700
Reconnects	6,200	4,250	2,840	1,410
Bulk sales	843	1,590	1,000	590
Miscellaneous sales	-	2,232	-	2,232
Swimming pool fee	55,268	57,055	60,720	(3,665)
Sales tax	4,656	5,062	5,000	62
Miscellaneous	-	1,624	500	1,124
Reimbursed expenditures	-	6,674	-	6,674
Total receipts	1,114,389	1,109,775	$ 1,070,060	$ 39,715
Expenditures:				
Personnel	203,685	231,690	$ 213,550	$ (18,140)
Contractual services	234,184	281,325	95,000	(186,325)
Commodities	47,327	35,600	157,551	121,951
Capital outlay	23,759	14,976	246,500	231,524
Miscellaneous	22,055	12,804	15,000	2,196
Debt service:				
Principal	125,331	106,299	-	(106,299)
Interest	94,848	92,046	-	(92,046)
Transfers:				
General	134,500	135,750	142,000	6,250
Municipal equipment reserve	20,000	20,000	20,000	-
Waterworks depreciation and maintenance reserve	125,000	59,111	100,000	40,889
Sewer utility	150,000	145,000	145,000	-
Total expenditures	1,180,689	1,134,601	$ 1,134,601	$ -
Receipts over (under) expenditures	(66,300)	(24,826)		
Unencumbered cash, beginning of year	1,166,890	1,100,590	$ 961,768	$ 138,822
Unencumbered cash, end of year	$ 1,100,590	$ 1,075,764	$ 897,227	$ 178,537

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Charges for services	$ 361,101	$ 360,538	$ 360,000	$ 538
Miscellaneous	500	-	-	-
Transfers:				
Water utility	150,000	145,000	145,000	-
Total receipts	511,601	505,538	$ 505,000	$ 538
Expenditures:				
Personnel	83,257	89,428	$ 94,535	$ 5,107
Contractual services	181,369	143,497	52,000	(91,497)
Commodities	13,753	18,194	139,043	120,849
Capital outlay	14,655	5,593	195,500	189,907
Miscellaneous	2,434	1,421	5,000	3,579
Debt service:				
Principal	177,428	182,682	-	(182,682)
Interest	14,823	9,568	-	(9,568)
Transfers:				
Sewer plant O-M-R	-	5,500	5,000	(500)
Total expenditures	487,719	455,883	$ 491,078	$ 35,195
Receipts over (under) expenditures	23,882	49,655		
Unencumbered cash, beginning of year	138,811	162,693	$ 14,325	$ 148,368
Unencumbered cash, end of year	$ 162,693	$ 212,348	$ 28,247	$ 184,101

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

SOLID WASTE UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2023
(With Comparative Actual Totals for the Prior Year Ended December 31, 2022)

		2023		
	2022	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Charges for services	$ 367,807	$ 380,756	$ 385,850	$ (5,094)
Miscellaneous	-	207	-	207
Total receipts	367,807	380,963	$ 385,850	$ (4,887)
Expenditures:				
Contractual services	352,706	354,482	$ 364,780	$ 10,298
Transfers:				
General	-	-	10,000	10,000
Total expenditures	352,706	354,482	$ 374,780	$ 20,298
Receipts over (under) expenditures	15,101	26,481		
Unencumbered cash, beginning of year	-	15,101	$ 29,997	$ (14,896)
Unencumbered cash, end of year	$ 15,101	$ 41,582	$ 41,067	$ 515

See Independent Auditor's Report.

CITY OF MEDICINE LODGE, KANSAS

NON-BUDGETED BUSINESS FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2023

	Waterworks depreciation and maintenance reserve	Sewer plant O-M-R	Total
Receipts:			
Transfers:			
Water utility	$ 59,111	$ -	$ 59,111
Sewer utility	-	5,500	5,500
Total receipts	59,111	5,500	64,611
Expenditures:			
Contractual services	15,329	-	15,329
Capital outlay	15,136	-	15,136
Total expenditures	30,465	-	30,465
Receipts over (under) expenditures	28,646	5,500	34,146
Unencumbered cash, beginning of year	924,529	39,841	964,370
Unencumbered cash, end of year	$ 953,175	$ 45,341	$ 998,516

See Independent Auditor's Report.