CITY OF GRIDLEY, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2021

CITY OF GRIDLEY, KANSAS

December 31, 2021

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Gridley, Kansas

Adverse and Unmodified Opinion
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, 2021 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 Opinion" 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 Gridley as of December 31, 2021, 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 balance of the City of Gridley as of December 31, 2021, 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.

Basis for Adverse and Unmodified Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the Kansas Municipal Audit and Accounting Guide, and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 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 opinion.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the City of Gridley 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.

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 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's 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.

Auditors' 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 opinion. 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, we:

- exercise professional judgment 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's 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, that raise substantial doubt about the City's 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.

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 expenditures-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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself,

and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Gridley, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated July 12, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (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 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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, 2020, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2022 on our consideration of the City of Gridley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Gridley's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Gridley's internal control over financial reporting and compliance.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 25, 2022
Chanute, Kansas

CITY OF GRIDLEY, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Encumbrances and Accounts Payable	Cash Balance December 31, 2021
General	$ 95,959.61	$ 185,081.11	$ 216,698.91	$ 64,341.81	$ 6,047.89	$ 70,389.70
Special Purpose Funds:						
Special Highway	144,166.61	9,389.63	9,646.73	143,909.51	-	143,909.51
Infrastructure	149,169.59	84,862.00	77,542.79	156,488.80	-	156,488.80
Multi Year Capital Improvements	337,352.26	3,668.15	-	341,020.41	-	341,020.41
Equipment Reserve	11,203.00	-	539.38	10,663.62	-	10,663.62
ARPA	-	24,722.68	-	24,722.68	-	24,722.68
Capital Projects:						
Sewer Project	(245,829.65)	2,810,739.16	2,564,686.03	223.48	-	223.48
Business Funds:						
Water Utility	17,588.34	114,043.73	120,541.27	11,090.80	4,886.19	15,976.99
Water Debt Service Reserve	95,525.64	22,059.48	16,405.00	101,180.12	-	101,180.12
Sewer Utility	55,081.73	52,133.64	39,867.60	67,347.77	270.70	67,618.47
Trust Funds:						
Cemetery Endowment	4,786.28	963.03	-	5,749.31	-	5,749.31
Total Reporting Entity	$ 665,003.41	$ 3,307,662.61	$ 3,045,927.71	$ 926,738.31	$ 11,204.78	$ 937,943.09

Composition of Cash:	
Cash on Hand	$ 200.00
Checking Accounts	
General	341,949.04
Titan Rec Commision	1,755.93
4th July General	10,119.66
Sewer	223.48
Certificates of Deposit	608,795.52
Total Cash	963,043.63
Agency Funds Per Schedule 3	(25,100.54)
Total Reporting Entity	$ 937,943.09

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

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 2021:

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.

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 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 with in 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 commend 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

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in apparent compliance with the Kansas cash basis laws and budget laws.

The City was in apparent violation of K.S.A. 10-130, which requires bond payments to be remitted to the state fiscal agency at least 20 days before the redemption of such bonds and the payment of the interest thereon. In apparent violation of K.S.A. 10-130, one bond payment was received by the Office of the State Treasurer six days after the redemption date.

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, 2021.

At year-end, the City's carrying amount of deposits was $962,843.63 and the bank balance was $963,366.94. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $262,099.07 was covered by FDIC insurance and $701,267.87 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 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were $8,164.93 for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was $55,126.00. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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, 2021, 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	$ 209,000.00	$ -	$ 7,000.00	$ 202,000.00	$ 9,405.00
Series 2021	1.38%	July 28, 2021	1,663,000.00	July 28, 2061	-	1,663,000.00	-	1,663,000.00	-
Revolving Loans									
Kansas Water Pollution Control	2.38%	October 31, 2018	2,107,557.00	March 1, 2025	733,192.90	890,899.35	1,624,092.25	-	22,667.93
Total Contractual Agreements					$ 942,192.90	$2,553,899.35	$1,631,092.25	$1,865,000.00	$ 32,072.93

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

Issue	2022	2023	2024	2025	2026	2027-2031
Principal						
General Obligation						
Series 2003	$ 7,000.00	$ 7,000.00	$ 8,000.00	$ 8,000.00	$ 8,000.00	$ 47,000.00
Series 2021	31,464.75	31,897.39	32,275.72	32,779.77	33,230.49	173,075.59
Total Principal	38,464.75	38,897.39	40,275.72	40,779.77	41,230.49	220,075.59
Interest						
General Obligation						
Series 2003	9,090.00	8,775.00	8,460.00	8,100.00	7,740.00	32,805.00
Series 2021	22,866.25	22,433.61	21,995.02	21,551.23	21,100.51	98,524.12
Total Interest	31,956.25	31,208.61	30,455.02	29,651.23	28,840.51	131,329.12
Total Payments	$ 70,421.00	$ 70,106.00	$ 70,730.74	$ 70,431.00	$ 70,071.00	$ 351,404.71

Issue	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	Totals
Principal							
General Obligation							
Series 2003	$ 59,000.00	$ 58,000.00	$ -	$ -	$ -	$ -	$ 202,000.00
Series 2021	185,266.57	198,416.95	212,444.24	227,463.35	243,532.65	261,152.53	1,663,000.00
Total Principal	244,266.57	256,416.95	212,444.24	227,463.35	243,532.65	261,152.53	1,865,000.00
Interest							
General Obligation							
Series 2003	21,240.00	6,795.00	-	-	-	-	103,005.00
Series 2021	86,293.90	73,199.43	59,178.37	44,165.82	28,091.68	10,880.97	510,280.91
Total Interest	107,533.90	79,994.43	59,178.37	44,165.82	28,091.68	10,880.97	613,285.91
Total Payments	$ 351,800.47	$ 336,411.38	$ 271,622.61	$ 271,629.17	$ 271,624.33	$ 272,033.50	$2,478,285.91

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, 2021.

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, 2021 of $7,049.53, 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, 2021 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:

From:	To:	Statutory Authority	Amount
Water Utility	Water Debt Service Reserve	K.S.A. 12-825d	$ 22,059.48

10. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2022. Future potential impacts include a decline in sales tax collections and utility collections.

As a result of the COVID-19 outbreak, numerous Federal and State grants have been made available to the City to assist with the risks and help offset incurred costs of the City. For the year ended December 31, 2021, the City received $24,722.68 as a result of the American Rescue Plan Act, of which none has been spent by year end.

11. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there are no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF GRIDLEY, KANSAS
Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Total Certified Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General	$ 256,246.00	$ 216,698.91	$ (39,547.09)
Special Purpose Funds:			
Special Highway	149,876.00	9,646.73	(140,229.27)
Infrastructure	254,586.00	77,542.79	(177,043.21)
Multi Year Capital Improvements	341,078.00	-	(341,078.00)
Equipment Reserve	11,203.00	539.38	(10,663.62)
Business Funds:			
Water Utility	182,345.00	120,541.27	(61,803.73)
Sewer Utility	112,707.00	39,867.60	(72,839.40)

CITY OF GRIDLEY, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 74,402.63	$ 76,224.81	$ 77,139.00	$ (914.19)
Delinquent Tax	2,366.81	414.49	764.00	(349.51)
Motor Vehicle Tax	10,295.29	9,662.10	9,643.00	19.10
Recreational Vehicle Tax	298.25	352.52	295.00	57.52
16/20M Tax	277.03	263.94	277.00	(13.06)
Commercial Vehicle Tax	2,640.88	2,561.78	2,513.00	48.78
Watercraft Tax	-	-	89.00	(89.00)
Special Assessments - Parks	14,580.00	14,580.00	14,580.00	-
Franchise Tax	14,141.94	14,374.18	13,476.00	898.18
Intergovernmental				
Federal Grant - CARES	8,439.00	-	-	-
State Grant - Wildlife	3,993.50	3,993.50	-	3,993.50
Licenses and Permits				
Other Licenses and Permits	70.00	75.00	1,460.00	(1,385.00)
Use of Money and Property				
Interest	7,644.35	1,479.33	15,334.00	(13,854.67)
Sale of Assets	1,200.00	-	-	-
Rental Fees	9,028.59	11,389.00	1,945.00	9,444.00
Charges for Services				
Solid Waste Fees	41,028.83	42,096.13	39,242.00	2,854.13
Other Receipts				
Donations	-	3,725.78	-	3,725.78
Miscellaneous	945.67	180.99	6,065.00	(5,884.01)
Reimbursements	5,045.62	3,707.56	-	3,707.56
Operating Transfers from:				
Sewer Utility Fund	15,000.00	-	-	-
Total Receipts	211,398.39	185,081.11	$ 182,822.00	$ 2,259.11

CITY OF GRIDLEY, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Expenditures				
General Government				
Personal Services	$ 48,559.47	$ 43,954.94	$ 33,421.00	$ 10,533.94
Contractual Services	56,656.19	59,840.61	70,000.00	(10,159.39)
Commodities	12,332.54	6,355.76	34,000.00	(27,644.24)
Capital Outlay	6,623.69	1,483.28	40,025.00	(38,541.72)
Parks and Recreation				
Personal Services	3,552.45	4,262.94	-	4,262.94
Contractual Services	134.23	9,436.77	13,700.00	(4,263.23)
Commodities	118.75	26,371.98	-	26,371.98
Cemetery				
Contractual Services	8,620.00	9,600.00	9,600.00	-
Commodities	1,300.00	296.84	-	296.84
Solid Waste				
Contractual Services	46,509.97	45,048.45	45,500.00	(451.55)
Street Lights				
Contractual Services	-	8,967.19	5,000.00	3,967.19
Gridley Lake				
Contractual Services	1,993.44	43.22	-	43.22
Commodities	17,113.64	-	-	-
Community Building				
Contractual Services	4,132.11	1,036.93	-	1,036.93
Commodities	125.63	-	-	-
Community and Youth Projects				-
Contractual Services	150.00	-	5,000.00	(5,000.00)
Total Expenditures	207,922.11	216,698.91	$ 256,246.00	$ (39,547.09)
Receipts Over (Under) Expenditures	3,476.28	(31,617.80)		
Unencumbered Cash, Beginning	92,483.33	95,959.61		
Unencumbered Cash, Ending	$ 95,959.61	$ 64,341.81		

CITY OF GRIDLEY, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
State Highway Payment	$ 8,456.42	$ 9,389.63	$ 7,410.00	$ 1,979.63
Total Receipts	8,456.42	9,389.63	$ 7,410.00	$ 1,979.63
Expenditures				
Street Maintenance				
Personal Services	7,787.64	9,625.54	$ 15,743.00	$ (6,117.46)
Contractual Services	1,327.93	21.19	765.00	(743.81)
Commodities	1,760.00	-	5,500.00	(5,500.00)
Capital Outlay	8,529.55	-	127,868.00	(127,868.00)
Total Expenditures	19,405.12	9,646.73	$ 149,876.00	$ (140,229.27)
Receipts Over (Under) Expenditures	(10,948.70)	(257.10)		
Unencumbered Cash, Beginning	155,115.31	144,166.61		
Unencumbered Cash, Ending	$ 144,166.61	$ 143,909.51		

CITY OF GRIDLEY, KANSAS
INFASTRUCTURE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
County Appropriations	$ 84,862.00	$ 84,862.00	$ 84,862.00	$ -
Total Receipts	84,862.00	84,862.00	$ 84,862.00	$ -
Expenditures				
Street Maintenance				
Capital Outlay	20,554.41	77,542.79	$ 254,586.00	$ (177,043.21)
Total Expenditures	20,554.41	77,542.79	$ 254,586.00	$ (177,043.21)
Receipts Over (Under) Expenditures	64,307.59	7,319.21		
Unencumbered Cash, Beginning	84,862.00	149,169.59		
Unencumbered Cash, Ending	$ 149,169.59	$ 156,488.80		

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, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 3,120.80	$ 3,112.36	$ 3,148.00	$ (35.64)
Delinquent Tax	98.67	17.16	31.00	(13.84)
Motor Vehicle Tax	433.53	405.28	404.00	1.28
Recreational Vehicle Tax	12.56	14.79	12.00	2.79
16/20M Tax	11.73	11.12	12.00	(0.88)
Commercial Vehicle Tax	111.19	107.44	105.00	2.44
Watercraft Tax	-	-	4.00	(4.00)
Total Receipts	3,788.48	3,668.15	$ 3,716.00	$ (47.85)
Expenditures				
Capital Improvements				
Capital Outlay	-	-	$ 341,078.00	$ (341,078.00)
Total Expenditures	-	-	$ 341,078.00	$ (341,078.00)
Receipts Over (Under) Expenditures	3,788.48	3,668.15		
Unencumbered Cash, Beginning	333,563.78	337,352.26		
Unencumbered Cash, Ending	$ 337,352.26	$ 341,020.41		

CITY OF GRIDLEY, KANSAS
EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Operating Transfers from:				
General Fund	$ -	$ -	$ -	$ -
Total Receipts	-	-	$ -	$ -
Expenditures				
General Government				
Capital Outlay	-	539.38	$ 11,203.00	$ (10,663.62)
Total Expenditures	-	539.38	$ 11,203.00	$ (10,663.62)
Receipts Over (Under) Expenditures	-	(539.38)		
Unencumbered Cash, Beginning	11,203.00	11,203.00		
Unencumbered Cash, Ending	$ 11,203.00	$ 10,663.62		

CITY OF GRIDLEY, KANSAS
ARPA FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Taxes and Shared Receipts		
Federal Grant - CDBG	$ -	$ 24,722.68
Total Receipts	-	24,722.68
Expenditures		
General Government		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	-	24,722.68
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ 24,722.68

CITY OF GRIDLEY, KANSAS
SEWER PROJECT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Taxes and Shared Receipts		
Federal Grant - CDBG	$ 216,000.00	$ 256,839.81
Use of Money and Property		
Loan Proceeds	560,990.88	890,899.35
Bond Proceeds	-	1,663,000.00
Other Receipts		
Miscellaneous	0.50	-
Total Receipts	776,991.38	2,810,739.16
Expenditures		
General Government		
Capital Outlay	1,022,821.03	924,675.36
Debt Service		
Principal	-	1,624,092.25
Interest	-	15,918.42
Total Expenditures	1,022,821.03	2,564,686.03
Receipts Over (Under) Expenditures	(245,829.65)	246,053.13
Unencumbered Cash, Beginning	-	(245,829.65)
Unencumbered Cash, Ending	$ (245,829.65)	$ 223.48

CITY OF GRIDLEY, KANSAS
WATER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Sales	$ 93,289.30	$ 88,327.29	$ 95,450.00	$ (7,122.71)
Debt Service Charges	22,051.31	22,161.05	21,795.00	366.05
Penalties	2,342.96	2,236.10	1,880.00	356.10
Connection Fees	6,960.00	1,319.29	2,575.00	(1,255.71)
Other Receipts				
Miscellaneous	1,755.80	-	-	-
Total Receipts	126,399.37	114,043.73	$ 121,700.00	$ (7,656.27)
Expenditures				
Production and Distribution				
Personal Services	35,924.47	35,655.09	$ 21,827.00	$ 13,828.09
Contractual Services	15,944.71	13,430.04	10,000.00	3,430.04
Commodities	59,366.68	49,396.66	50,000.00	(603.34)
Capital Outlay	3,800.00	-	84,113.00	(84,113.00)
Operating Transfers to:				
Water Debt Service Reserve Fund	20,156.88	22,059.48	16,405.00	5,654.48
Total Expenditures	135,192.74	120,541.27	$ 182,345.00	$ (61,803.73)
Receipts Over (Under) Expenditures	(8,793.37)	(6,497.54)		
Unencumbered Cash, Beginning	26,381.71	17,588.34		
Unencumbered Cash, Ending	$ 17,588.34	$ 11,090.80		

CITY OF GRIDLEY, KANSAS
WATER DEBT SERVICE RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfers from:		
Water Utiltity Fund	$ 20,156.88	$ 22,059.48
Total Receipts	20,156.88	22,059.48
Expenditures		
Debt Service		
Principal Payments	6,000.00	7,000.00
Interest Paymens	9,675.00	9,405.00
Total Expenditures	15,675.00	16,405.00
Receipts Over (Under) Expenditures	4,481.88	5,654.48
Unencumbered Cash, Beginning	91,043.76	95,525.64
Unencumbered Cash, Ending	$ 95,525.64	$ 101,180.12

CITY OF GRIDLEY, KANSAS
SEWER UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sewer Charges	$ 49,294.48	$ 52,129.02	$ 49,180.00	$ 2,949.02
Use of Money and Property				
Interest	18.56	4.62	14.00	(9.38)
Total Receipts	49,313.04	52,133.64	$ 49,194.00	$ 2,939.64
Expenditures				
Treatment and Distribution				
Personal Services	21,559.61	29,747.05	$ 29,427.00	$ 320.05
Contractual Services	3,493.37	979.13	5,000.00	(4,020.87)
Commodities	2,701.04	2,391.91	1,500.00	891.91
Capital Outlay	-	-	46,550.00	(46,550.00)
Debt Service				
Principal	-	-	30,230.00	(30,230.00)
Interest	-	6,749.51	-	6,749.51
Operating Transfer to:				
General Fund	15,000.00	-	-	-
Total Expenditures	42,754.02	39,867.60	$ 112,707.00	$ (72,839.40)
Receipts Over (Under) Expenditures	6,559.02	12,266.04		
Unencumbered Cash, Beginning	48,522.71	55,081.73		
Unencumbered Cash, Ending	$ 55,081.73	$ 67,347.77		

CITY OF GRIDLEY, KANSAS
CEMETERY ENDOWMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts For the Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Charges for Services		
Sale of Lots	$ 1,550.00	$ 570.00
Use of Money and Property		
Interest	418.31	393.03
Total Receipts	1,968.31	963.03
Expenditures		
Perpetual Care		
Contractual Services	-	-
Commodites	-	-
Total Expenditures	-	-
Receipts Over (Under) Expenditures	1,968.31	963.03
Unencumbered Cash, Beginning	2,817.97	4,786.28
Unencumbered Cash, Ending	$ 4,786.28	$ 5,749.31

CITY OF GRIDLEY, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2021

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Meter Deposits Fund	$ 12,970.99	$ 700.00	$ 446.04	$ 13,224.95
4th of July Celebration	5,403.71	14,198.59	9,482.64	10,119.66
Titan Recreation Commission	1,803.85	1,415.00	1,462.92	1,755.93
	$ 20,178.55	$ 16,313.59	$ 11,391.60	$ 25,100.54

CITY OF GRIDLEY, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Provided to Sub Recipients	Receipts	Disbursements/ Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Direct Programs:					
Water and Waste Disposal Systems for Rural Communities:					
Loan	N/A	10.760	$ -	$ 890,899.35	$ 645,069.70
Total U.S. Department of Agriculture			-	890,899.35	645,069.70
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT					
Passed through the Kansas Dept. of Commerce:					
Community Development Block Grant - Sewer	19-PF-015	14.228	-	256,839.81	256,839.81
Total U.S. Department of Housing & Urban Development			-	256,839.81	256,839.81
U.S. DEPARTMENT OF THE TREASURY					
Direct Programs:					
Coronavirus State and Local Fiscal Recovery Funds	Not Assigned	21.027	-	24,722.68	-
Total U.S. Department of the Treasury			-	24,722.68	-
TOTAL ALL PROGRAMS			$ -	$ 1,172,461.84	$ 901,909.51

NOTE A -- BASIS OF PRESENTATION
The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Gridley, Kansas and is presented on the cash basis of accounting modified for encumbrances. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the regulatory basis financial statement.

NOTE B -- INDIRECT COSTS
The City of Gridley, Kansas did not elect to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Gridley, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Gridley, Kansas, as of and for the year ended December 31, 2021, and the related notes to the financial statement, which collectively comprise the City of Gridley's basic financial statement, and have issued our report thereon dated April 25, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statement, we considered the City of Gridley's 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 the City of Gridley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Gridley's internal control.

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 City's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the City of Gridley's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
April 25, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Gridley, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited the City of Gridley, Kansas' compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Gridley's major federal programs for the year ended December 31, 2021. The City of Gridley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Gridley, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program
We conducted out audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Gridley and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Gridley's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Gridley's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Gridley's compliance based on our audit. 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 generally accept auditing standards, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City of Gridley's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit
- Identify and assess the risks of material noncompliance, 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 City of Gridley's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Gridley's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Gridley's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during our audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
April 25, 2022

CITY OF GRIDLEY, KANSAS

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statement:

The auditor's report expresses an adverse opinion on the basic financial statement of the City of Gridley on the Generally Accepted Accounting Principles (GAAP) basis of accounting and an unmodified opinion on the regulatory basis of accounting

Internal Control over Financial Reporting:

Material weakness(es) identified?	____ Yes	_X_ No	
Significant deficiencies identified?	____ Yes	_X_ None reported	
Noncompliance or other matters required to be reported under *Government Auditing Standards?*	____ Yes	_X_ No	

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	____ Yes	_X_ No	
Significant deficiencies identified?	____ Yes	_X_ None reported	

The auditor's report on compliance for the major federal award programs for the City of Gridley expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ____ Yes _X_ No

Identification of major programs:

U.S. DEPARTMENT OF AGRICULTURE

Water and Waste Disposal Systems for Rural Communities — CFDA 10.760

The threshold for distinguishing Types A and B programs was $750,000.00.

Auditee qualified as a low risk auditee? ____ Yes _X_ No

II. FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

III. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

CITY OF GRIDLEY, KANSAS

Summary Schedule of Prior Audit Findings
December 31, 2021

NONE