

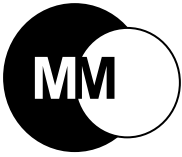
**CITY OF ALMENA, KANSAS**  
Almena, Kansas  
Financial Statement and Regulatory-Required  
Supplementary Information with Independent Auditor's Report  
For the Year Ended December 31, 2019

MAPES & MILLER LLP  
Certified Public Accountants  
Norton, Kansas

**CITY ALMENA, KANSAS**  
Financial Statement with Regulatory-Required  
Supplementary Information with Independent Auditor's Report  
For the Year Ended December 31, 2019

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report	1
 <b><u>Financial Section</u></b>	
STATEMENT 1	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	3
Notes to the Financial Statement	4
 <b><u>Regulatory-Required Supplementary Information</u></b>	
SCHEDULE 1	
Summary of Expenditures - Actual and Budget	12
SCHEDULE 2	
Schedule of Receipts and Expenditures – Actual and Budget	
General	13
Library	14
Special Highway	15
Water and Sewer Utility	16
Solid Waste	17
Schedule of Receipts and Expenditures – Actual	
Capital Improvement	18
Equipment Reserve	18
Crime Reward	18
Solid Waste Reserve	18
Water Project	18
Water Reserve	18
SCHEDULE 3	
Summary of Receipts and Disbursements – Agency Funds	19
 <b><u>SINGLE AUDIT SECTION</u></b>	
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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	23
SCHEDULE 4	
Schedule of Expenditures of Federal Awards	25
SCHEDULE 5	
Schedule of Findings and Questioned Costs	27



# Mapes & Miller LLP

## Certified Public Accountants

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### INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Almena, Kansas  
Almena, Kansas 67622

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Almena, Kansas, a Municipality, as of and for the year ended December 31, 2019, and the related notes to the financial statement.

#### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for 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.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Almena Kansas, on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and the accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Almena, Kansas, as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Almena, Kansas, as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

*Other Matters*

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget and regulatory basis summary of receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the City of Almena, Kansas' basic financial statement. 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 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.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole, 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 September 28, 2020, on our consideration of the City of Almena'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 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 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 Almena's internal control over financial reporting and compliance.

*Mapes & Miller LLP*

Certified Public Accountants

Norton, Kansas  
September 28, 2020

# CITY OF ALMENA, KANSAS

STATEMENT 1

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 13,502	0	200,404	169,017	44,889	12,511	57,400
Special Purpose Funds:							
Library	146	0	15,822	15,038	930	0	930
Special Highway	20,731	0	10,591	20,991	10,331	3,689	14,020
Capital Improvement	33,551	0	25,000	0	58,551	0	58,551
Equipment Reserve	121,608	0	10,000	28,484	103,124	0	103,124
Crime Reward	569	0	0	0	569	0	569
Capital Project Funds:							
Water Project	1,051,537	0	1,780,809	3,048,642	(216,296)	224,468	8,172
Business Funds:							
Solid Waste	78,199	0	51,085	80,044	49,240	0	49,240
Solid Waste Reserve	24,119	0	20,000	0	44,119	0	44,119
Water and Sewer Utility	176,531	0	159,576	146,769	189,338	0	189,338
Water Reserve	72,847	0	20,000	0	92,847	0	92,847
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 1,593,340</u>	<u>0</u>	<u>2,293,287</u>	<u>3,508,985</u>	<u>377,642</u>	<u>240,668</u>	<u>618,310</u>

### Composition of Cash:

Checking	\$ 621,210
Cash on Hand	200
Total Cash	<u>621,410</u>
Agency Funds per Schedule 3	<u>(3,100)</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 618,310</u>

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

## **CITY OF ALMENA, KANSAS**

Notes to the Financial Statement

December 31, 2019

### **1. Summary of Significant Accounting Policies**

#### Municipal Financial Reporting Entity

The City of Alma, Kansas, the primary government, operates as a third class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (fire protection), highways and streets, water, sewer, sanitation, social services, culture and recreation, planning and zoning, public improvements, and general administrative services. The financial statement presents the City of Alma, Kansas (the municipality).

#### Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year 2019:

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specific 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.)

Agency fund—funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, etc.)

#### Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

#### 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 mandatory, the statutes provide for the following sequence and timetable in 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 5<sup>th</sup> of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15<sup>th</sup>, but at least ten days after publication of notice of hearing.
4. Adoption of final budget on or before August 25<sup>th</sup>.

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 statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds and the following funds:

	<u>Statutory Authority for Exemption</u>
Special Purpose Funds:	
Equipment Reserve	K.S.A. 12-1,117
Capital Improvement Fund	K.S.A. 12-1,117
Crime Reserve Fund	K.S.A. 79-2925
Business Funds:	
Solid Waste Reserve	K.S.A. 12-825d
Water Reserve	K.S.A. 12-825d

Spending in funds which are not subject to the legal annual operating budget requirements are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

## 2. **Stewardship, Compliance and Accountability**

*Bonds and Warrants.* K.S.A. 10-130, bond and interest payments shall be remitted to the state fiscal agent at least 20 days before the day of maturity. It was noted by the Kansas State Treasurer's Office that the City's remittance of funds did not meet these requirements. This appears to be a violation of this statute.

*Cash Basis Compliance.* K.S.A 10-1113 requires that no indebtedness be created for a fund in excess of available monies in that fund. The Water Project Fund incurred indebtedness in excess of the available cash balances by \$216,296. The KMAAG requires the City to present its financial statement on the basis of cash receipts and disbursements as adjusted to show compliance with the cash basis and budget law of Kansas. The KMAAG regulatory basis of accounting involves the recognition of encumbrance obligations to arrive at a net unencumbered cash balance for each fund. The fund has sufficient grant proceeds to cover the respective deficit cash balance as of December 31, 2019. Although not specifically allowed as an exception to the cash basis law in the statutes, that State of Kansas, Division of Accounts and Reports, as a matter of practice, has allowed deficit fund balances as long as the grant proceeds are sufficient to eliminate the deficient balance.

### 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 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 the 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, except during designated "peak periods" when required coverage is 50%. The City's designated "peak periods" are from January 15<sup>th</sup> through March 16<sup>th</sup> and June 15<sup>th</sup> through August 14<sup>th</sup>. All deposits were legally secured at December 31, 2019.

At December 31, 2019, the City's carrying amount of deposits was \$621,210 and the bank balance was \$620,863. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$261,356 was covered by federal depository insurance, and \$359,507 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

#### **Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. At December 31, 2019, the City held no investments except for certificates of deposit which are considered as a component of deposits.

### 4. **Defined Benefit Pension Plan**

*Plan Description.* The City of Almena 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](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, Kansas 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 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 Death and Disability Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City of Almena were \$4,762 for the year ended December 31, 2019.

#### Net Pension Liability

At December 31, 2019, the city's proportionate share of the collective net pension liability reported by KPERS was \$45,736. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The city's proportion of the net pension liability was based on the ratio of the city's contributions to KPERS, relative to the total employer and 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 these financial statements.

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](http://www.kpers.org) or can be obtained as described above.

### **5. 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 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.

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

#### Compensated Absences

*Vacation Pay.* Each full-time employee earns four hours of vacation pay per month for the first year of employment, eight hours of vacation pay per month for years two through ten of employment, and 12 hours per month for the eleventh and each succeeding year. Vacation leave is forfeited at the end of each year, with an exception granted if the employer denies leave due to business needs. Any unused accumulated vacation hours are paid upon termination of employment.

*Sick Pay.* Full-time City employees earn eight hours of sick leave for each calendar month worked. An employee may accumulate up to 168 hours of sick leave. The cost of accumulated sick leave is not payable upon separation from service and therefore was not recorded or estimated as of December 31, 2019.

#### 6. **Interfund Transactions**

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General	Capital Improvement	K.S.A. 12-1,118	\$ 25,000
General	Equipment Reserve	K.S.A. 12-1,117	10,000
Solid Waste	Solid Waste Reserve	K.S.A. 12-825d	20,000
Water & Sewer	Water Reserve	K.S.A. 12-825d	20,000

#### 7. **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. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

#### 8. **Claims and Judgments**

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect of any of the individual government funds or the overall financial position of the City.

During the ordinary course of its operations the City is a party to various claims, legal actions, and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

#### 9. **Capital Projects**

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

Project	Project Authorization	Expenditures to Date
Water Project	\$2,180,000	\$1,997,105

#### 10. **Subsequent Events**

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued. On March 11, 2020, the Novel Coronavirus Disease, COVID-19, was declared a pandemic by the World Health Organization. On March 13, 2020, a national emergency was declared in the United States concerning the COVID-19 Outbreak. The extent of the COVID-19 impact on operational and financial conditions will depend on certain developments, including the duration and speed of the outbreak, impact on utility customers, employees, and vendors – all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial conditions or results of operations is uncertain.

11. Long-term Debt

Changes in long-term liabilities for the City of Almaena, Kansas for the year ended December 31, 2019, were as follo

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 Bonds									
Series 2010 Community Building	1.00%	03/17/10	225,000	09/01/20	50,000	0	25,000	25,000	500
Series 2011 Community Building	3.25%	06/29/11	35,000	09/01/21	12,000	0	4,000	8,000	390
Series 2019 Water Project	2.63%	9/26/2019	1,620,000	9/26/2059	0	1,620,000	0	1,620,000	0
Total General Obligation Bonds					62,000	1,620,000	29,000	1,653,000	890
Temporary Notes									
Series 2017 Water Project	1.25%	10/12/17	1,580,000	10/15/19	1,580,000	0	1,580,000	0	19,750
KDHE Loans:									
Water Pollution Control System	3.08%	04/24/01	426,500	03/01/23	118,934	0	25,035	93,899	3,472
Total KDHE Loans					118,934	0	25,035	93,899	3,472
Total Contractual Indebtedness					\$ 1,760,934	1,620,000	1,634,035	1,746,899	24,112

11. Long-term Debt (continued)

Current maturities of long-term debt for the City of Almena, Kansas through maturity are as follows:

	2020	2021	2022	2023	2024	2025- 2029	2030- 2034	2035- 2039	2040- 2044	2045- 2049	2050- 2054	2055- 2059	Total
<b>PRINCIPAL</b>													
General Obligation Bonds:													
Series 2010 Community Building	\$ 25,000	0	0	0	0	0	0	0	0	0	0	0	25,000
Series 2011 Community Building	4,000	4,000	0	0	0	0	0	0	0	0	0	0	8,000
Series 2019 Water Project	23,376	23,989	24,619	25,265	25,928	140,215	159,611	181,689	206,820	235,429	267,995	305,064	1,620,000
Total General Obligation Bonds	52,376	27,989	24,619	25,265	25,928	140,215	159,611	181,689	206,820	235,429	267,995	305,064	1,653,000
Temporary Notes:													
Series 2017 Water Project	0	0	0	0	0	0	0	0	0	0	0	0	0
KDHE Loans:													
Water Pollution Control System	25,811	26,613	27,438	14,037	0	0	0	0	0	0	0	0	93,899
Total KDHE Loans	25,811	26,613	27,438	14,037	0	0	0	0	0	0	0	0	93,899
<b>TOTAL PRINCIPAL</b>	<b>78,187</b>	<b>54,602</b>	<b>52,057</b>	<b>39,302</b>	<b>25,928</b>	<b>140,215</b>	<b>159,611</b>	<b>181,689</b>	<b>206,820</b>	<b>235,429</b>	<b>267,995</b>	<b>305,064</b>	<b>1,746,899</b>
<b>INTEREST</b>													
General Obligation Bonds:													
Series 2010 Community Building	250	0	0	0	0	0	0	0	0	0	0	0	250
Series 2011 Community Building	260	130	0	0	0	0	0	0	0	0	0	0	390
Series 2019 Water Project	42,525	41,911	41,282	40,635	39,972	189,288	169,892	147,814	122,683	94,074	61,510	24,439	1,016,025
Total General Obligation Bonds	43,035	42,041	41,282	40,635	39,972	189,288	169,892	147,814	122,683	94,074	61,510	24,439	1,016,665
Temporary Notes:													
Series 2017 Water Project	0	0	0	0	0	0	0	0	0	0	0	0	0
KDHE Loans:													
Water Pollution Control System	2,695	1,894	1,068	216	0	0	0	0	0	0	0	0	5,873
Total KDHE Loans	2,695	1,894	1,068	216	0	0	0	0	0	0	0	0	5,873
<b>TOTAL INTEREST</b>	<b>45,730</b>	<b>43,935</b>	<b>42,350</b>	<b>40,851</b>	<b>39,972</b>	<b>189,288</b>	<b>169,892</b>	<b>147,814</b>	<b>122,683</b>	<b>94,074</b>	<b>61,510</b>	<b>24,439</b>	<b>1,022,538</b>
<b>TOTAL PRINCIPAL AND INTEREST</b>	<b>\$ 123,917</b>	<b>98,537</b>	<b>94,407</b>	<b>80,153</b>	<b>65,900</b>	<b>329,503</b>	<b>329,503</b>	<b>329,503</b>	<b>329,503</b>	<b>329,503</b>	<b>329,505</b>	<b>329,503</b>	<b>2,769,437</b>

**CITY OF ALMENA, KANSAS  
REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**CITY OF ALMENA, KANSAS**  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019

SCHEDULE 1

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over (Under)</u>
General Fund	\$ 238,025	1,460	239,485	169,017	(70,468)
Special Revenue Funds:					
Library	16,040	653	16,693	15,038	(1,655)
Special Highway	20,991	0	20,991	20,991	0
Business Funds:					
Water and Sewer Utility	193,922	887	194,809	146,769	(48,040)
Solid Waste	90,000	0	90,000	80,044	(9,956)

**CITY OF ALMENA, KANSAS**

SCHEDULE 2

General Fund

Page 1

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

	Actual	Budget	Variance- Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	\$ 100,802	107,279	(6,477)
Delinquent Tax	2,083	0	2,083
Motor Vehicle Tax	19,802	22,488	(2,686)
16/20 Vehicle Tax	645	859	(214)
Recreational Vehicle Tax	334	301	33
Commercial Vehicle Tax	1,119	1,033	86
Watercraft Tax	94	233	(139)
Sales Tax	41,902	42,000	(98)
Utility Franchise Fees	19,427	19,000	427
Licenses, Permits and Fees	1,576	2,000	(424)
Building Rent	1,735	2,000	(265)
Interest	1,516	400	1,116
Miscellaneous	3,964	2,500	1,464
Insurance Dividend	3,445	0	3,445
Reimbursements	1,960	500	1,460
Total Receipts	<u>200,404</u>	<u><b>200,593</b></u>	<u><b>(189)</b></u>
Expenditures			
General & Administrative:			
Personal Services	10,070	52,675	(42,605)
Contractual Services	31,022	45,000	(13,978)
Commodities	30,175	31,500	(1,325)
Capital Outlay	0	20,000	(20,000)
Insurance	18,636	21,500	(2,864)
Bond Payment	29,000	29,000	0
Street Repairs	12,511	0	12,511
Interest	890	890	0
Miscellaneous	1,713	1,000	713
Operating Transfers:			
Transfer to Equipment Reserve	10,000	10,000	0
Transfer to Capital Improvement	25,000	25,000	0
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	1,460	(1,460)
Total Expenditures	<u>169,017</u>	<u><b>238,025</b></u>	<u><b>(69,008)</b></u>
Receipts Over (Under) Expenditures	31,387		
Unencumbered Cash, Beginning	<u>13,502</u>		
Unencumbered Cash, Ending	<u><b>\$ 44,889</b></u>		

**CITY OF ALMENA, KANSAS**

SCHEDULE 2

Library Fund

Page 2

## Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

	Actual	Budget	Variance- Over (Under)
Receipts			
Taxes and Shared Receipts:			
Ad Valorem Property Tax	\$ 5,241	5,577	(336)
Delinquent Tax	101	0	101
Motor Vehicle Tax	979	1,121	(142)
16/20 Vehicle Tax	31	43	(12)
Recreational Vehicle Tax	16	15	1
Commercial Vehicle Tax	56	51	5
Watercraft Tax	5	12	(7)
Reimbursements	9,393	8,740	653
Total Receipts	15,822	<b>15,559</b>	<b>263</b>
Expenditures			
Personal Services	8,100	7,800	300
Employee Benefits	620	940	(320)
Appropriations	6,318	7,300	(982)
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	653	(653)
Total Expenditures	15,038	<b>16,040</b>	<b>(1,002)</b>
Receipts Over (Under) Expenditures	784		
Unencumbered Cash, Beginning	146		
Unencumbered Cash, Ending	<b>\$ 930</b>		



**CITY OF ALMENA, KANSAS**  
Special Highway Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019

SCHEDULE 2  
Page 3

	Actual	Budget	Variance- Over (Under)
Receipts			
Taxes and Shared Receipts:			
State Gas Tax	\$ 10,591	10,550	41
Expenditures			
Street Repairs	20,991	<b>20,991</b>	<b>0</b>
Receipts Over (Under) Expenditures	(10,400)		
Unencumbered Cash, Beginning	20,731		
Unencumbered Cash, Ending	<b>\$ 10,331</b>		

**CITY OF ALMENA, KANSAS**  
Water and Sewer Utility Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2019

SCHEDULE 2

Page 4

	Actual	Budget	Variance- Over (Under)
Receipts			
Collections	\$ 158,689	165,000	(6,311)
Reimbursements	887	0	887
	<u>159,576</u>	<u>165,000</u>	<u>(5,424)</u>
Total Receipts			
Expenditures			
Personal Services	56,738	44,000	12,738
Contractual	11,420	30,000	(18,580)
Commodities	29,074	50,000	(20,926)
Principal	25,034	24,281	753
Interest	3,472	24,141	(20,669)
Taxes	849	1,500	(651)
Transfer to Water Reserve	20,000	20,000	0
Miscellaneous	182	0	182
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	887	(887)
	<u>146,769</u>	<u>193,922</u>	<u>(47,153)</u>
Total Expenditures			
Receipts Over (Under) Expenditures	12,807		
Unencumbered Cash, Beginning	<u>176,531</u>		
Unencumbered Cash, Ending	<u><b>\$ 189,338</b></u>		

**CITY OF ALMENA, KANSAS**

SCHEDULE 2

Solid Waste Fund

Page 5

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2019

	Actual	Budget	Variance- Over (Under)
Receipts			
Collections	\$ 50,998	53,000	(2,002)
Reimbursements	87	2,300	(2,213)
Total Receipts	51,085	<b>55,300</b>	<b>(4,215)</b>
Expenditures			
Personal Services	39,014	40,000	(986)
Contractual	851	15,000	(14,149)
Commodities	20,179	15,000	5,179
Transfer to Solid Waste Reserve	20,000	20,000	0
Total Expenditures	80,044	<b>90,000</b>	<b>(9,956)</b>
Receipts Over (Under) Expenditures	(28,959)		
Unencumbered Cash, Beginning	78,199		
Unencumbered Cash, Ending	<b>\$ 49,240</b>		

**CITY OF ALMENA, KANSAS**  
Any Nonbudgeted Fund  
Schedule of Receipts and Expenditures  
Regulatory Basis  
For the Year Ended December 31, 2019

SCHEDULE 2  
Page 6

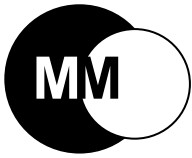
	Capital Improvement	Equipment Reserve	Crime Reward	Solid Waste Reserve	Water Project	Water Reserve
Receipts						
Grants	\$ 0	0	0	0	160,809	0
Bond Proceeds	0	0	0	0	1,620,000	0
Transfer from General	25,000	10,000	0	0	0	0
Transfer from Solid Waste	0	0	0	20,000	0	0
Transfer from Water and Sewer	0	0	0	0	0	20,000
Total Receipts	25,000	10,000	0	20,000	1,780,809	20,000
Expenditures						
Federal Expenditures:						
Contractual	0	0	0	0	171,805	0
Capital Outlay	0	0	0	0	1,277,087	0
Interest	0	0	0	0	19,750	0
Nonfederal Expenditures:						
Principal	0	0	0	0	1,580,000	0
Capital Outlay	0	28,484	0	0	0	0
Total Expenditures	0	28,484	0	0	3,048,642	0
Receipts Over (Under) Expenditures	25,000	(18,484)	0	20,000	(1,267,833)	20,000
Unencumbered Cash, Beginning	33,551	121,608	569	24,119	1,051,537	72,847
Unencumbered Cash, Ending	<u>\$ 58,551</u>	<u>103,124</u>	<u>569</u>	<u>44,119</u>	<u>(216,296)</u>	<u>92,847</u>

**CITY OF ALMENA, KANSAS**  
 Agency Funds  
 Summary of Receipts and Disbursements  
 Regulatory Basis  
For the Year Ended December 31, 2019

SCHEDULE 3

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Utility Deposits	<u>\$ 3,195</u>	<u>2,449</u>	<u>2,544</u>	<u>3,100</u>

**CITY OF ALMENA, KANSAS**  
**SINGLE AUDIT SECTION**  
**FOR THE YEAR ENDED DECMEBER 31, 2019**



**Mapes & Miller LLP**  
**Certified Public Accountants**

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**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 Almaena  
Almena, Kansas 67622

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, and the *Kansas Municipal Audit and Accounting Guide*, the financial statement of the City of Almaena, Kansas, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Almaena, Kansas' basic financial statements, and have issued our report thereon dated September 28, 2020. Our report on the financial statement disclosed that, as described in Note 1 to the financial statements, the City of Almaena, Kansas prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Almaena, Kansas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Almaena, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Almaena, Kansas' 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 entity's financial statements 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2019-001)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Alma, Kansas' financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

### **The City of Alma, Kansas' Response to Findings**

The City of Alma, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Alma, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

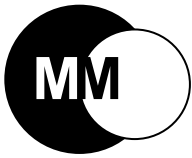
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance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

*Mapes & Miller LLP*

Certified Public Accountants

Norton, Kansas  
September 28, 2020





# Mapes & Miller LLP

## Certified Public Accountants

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### 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 Almaena  
Almena, Kansas 67622

#### Report on Compliance for Each Major Federal Program

We have audited the City of Almaena, Kansas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Almaena, Kansas' major federal programs for the year ended December 31, 2019. The City of Almaena, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Almaena, Kansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program have occurred. An audit includes examining, on a test basis, evidence about the City of Almaena, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City of Almaena, Kansas' compliance.

#### Opinion on Each Major Federal Program

In our opinion, the City of Almaena, Kansas 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, 2019.

## **Report on Internal Control Over Compliance**

Management of the City of Almena, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Almena, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Almena, Kansas' internal control over compliance.

*A deficiency in internal control over compliance* 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, 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on 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.

*Mapes & Miller LLP*

Certified Public Accountants

Norton, Kansas  
September 28, 2020

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Water and Waste Disposal Systems for Rural Communities	10.760	n/a	<u>1,468,642</u> *
Total Expenditures of Federal Awards			<u>\$ 1,468,642</u>

\* Federal expenditures for the water project were expended in the Water Project fund.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2019

**Note A - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Alma, Kansas (the City), under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

**Note B - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule is prepared using the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note C – Indirect Cost Rate**

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note D – Loan and Loan Guarantee Programs**

The City received a loan commitment from USDA on August 8, 2017 in the amount of \$1,620,000. As part of this loan, the City obtained interim financing of \$1,580,000. Expenditures from this temporary financing are included as federal expenditures as incurred in accordance with federal program guidelines. On September 26, 2019 General obligation bonds were issued by the City and purchased by the USDA in the amount of \$1,620,000. The City's interim financing was subsequently paid off on September 27, 2019. The outstanding loan balance at December 31, 2019 was \$1,620,000.

**Note E – Sub-recipients**

No federal awards were passed-through to sub-recipients.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019

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SECTION 1 – SUMMARY OF AUDITORS' RESULTS

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FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with Generally Accepted Accounting Principles

Adverse

In accordance with the statutory basis of accounting described in Note 1

Unmodified

Internal control over financial reporting:

- Material weaknesses identified?

\_\_\_ Yes \_x\_ No

Significant deficiencies identified?

\_x\_ Yes \_\_\_ None Reported

- Noncompliance material to financial statement noted?

\_\_\_ Yes \_x\_ NoFEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified?

\_\_\_ Yes \_x\_ No

- Significant deficiencies identified?

\_\_\_ Yes \_x\_ None Reported

Type of auditors' report issued on compliance for major programs:

UnmodifiedAny audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a)?\_\_\_ Yes \_x\_ No

Identification of major programs:

CFDA NUMBER

10.760

NAME OF FEDERAL PROGRAM

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and  
type B programs:\$750,000

Auditee qualified as low-risk auditee?

\_\_\_ Yes \_x\_ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2019

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SECTION II – FINANCIAL STATEMENT FINDINGS

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2019-001 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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UNITED STATES DEPARTMENT OF AGRICULTURE

Water and Waste Disposal Systems for Rural Communities – CFDA No. 10.760. No reportable findings or questioned costs for the year ended December 31, 2019

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SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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None