

CITY OF MONTEZUMA, KANSAS

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Montezuma, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Montezuma, 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 Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Montezuma, Kansas, 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 balances of the City of Montezuma, Kansas, 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 A.

Basis for Adverse and Unmodified Opinions

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

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

As discussed in Note A of the financial statement, the financial statement is prepared by the City of Montezuma, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

- exercise professional judgement and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Montezuma, Kansas' internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the City of Montezuma, Kansas' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Montezuma, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated July 30, 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 website of the Kansas Department of Administration at the following link: <https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/municipal-audits>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures 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 A.

Kennedy McKee & Company LLP

August 16, 2022

CITY OF MONTEZUMA, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS**

For the Year Ended December 31, 2021

Fund	Beginning unencumbered cash balance	Prior year canceled encumbrances
General fund:		
General	\$ 185,430	\$ -
Special purpose funds:		
Special highway	28,328	-
PBC sales tax	436,370	-
Special street equipment	35,471	-
Capital improvement	505,847	-
ARPA	-	-
Walking trail	-	-
Total special purpose funds	1,006,016	-
Bond and interest fund:		
PBC bond reserve	315,000	-
Capital project fund:		
PBC project	567,091	-
Business funds:		
Electric utility	479,744	-
Water - sewer utility	247,057	-
Trash utility	62,297	-
Total business funds	789,098	-
Total City of Montezuma	\$ 2,862,635	\$ -
Composition of cash:		
Checking account		
Sweep account		
PBC checking account		
PBC sweep account		
Total City of Montezuma		

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

STATEMENT 1

<u>Receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
\$ 584,906	\$ 535,642	\$ 234,694	\$ 10,087	\$ 244,781
27,894	7,479	48,743	-	48,743
462,058	360,923	537,505	29,020	566,525
5,511	9,772	31,210	-	31,210
138,133	-	643,980	-	643,980
73,558	-	73,558	-	73,558
85,100	-	85,100	-	85,100
<u>792,254</u>	<u>378,174</u>	<u>1,420,096</u>	<u>29,020</u>	<u>1,449,116</u>
<u>-</u>	<u>-</u>	<u>315,000</u>	<u>-</u>	<u>315,000</u>
<u>-</u>	<u>567,091</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,431,369	1,718,134	192,979	55,931	248,910
408,227	328,873	326,411	4,090	330,501
149,237	121,673	89,861	8,225	98,086
<u>1,988,833</u>	<u>2,168,680</u>	<u>609,251</u>	<u>68,246</u>	<u>677,497</u>
<u>\$ 3,365,993</u>	<u>\$ 3,649,587</u>	<u>\$ 2,579,041</u>	<u>\$ 107,353</u>	<u>\$ 2,686,394</u>
				\$ 76,085
				2,295,309
				100,000
				<u>215,000</u>
				<u>\$ 2,686,394</u>

CITY OF MONTEZUMA, KANSAS

NOTES TO THE FINANCIAL STATEMENT

December 31, 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Municipal Financial Reporting Entity

The City of Montezuma is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Montezuma (the municipality) and the Public Building Commission (part of the municipality). The Public Building Commission is included in the City's reporting entity because it was established to benefit the City and/or its constituents.

Public Building Commission. The Commission was authorized by City Ordinance No. 429, pursuant to K.S.A. 12-1757 et. seq., and all amendments thereto, establishing the composition thereof and purpose for which established.

2. Basis of Presentation – Fund Accounting

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

The following types of funds comprise the financial activities of the City for the year ended December 31, 2021:

REGULATORY BASIS FUND TYPES

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

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

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

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 for goods or services (i.e., enterprise and internal service funds, etc.).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

4. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), 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:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in the official newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did not hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at that time. There were no such budget amendments for this year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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

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

A legal operating budget is not required for the Special Street Equipment, Capital Improvement, ARPA, Walking Trail, PBC Bond Reserve, and PBC Project funds.

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

B. 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 to have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Custodial credit risk – deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2021.

At December 31, 2021, the City's carrying amount of deposits was \$2,686,394 and the bank balance was \$2,695,827, all of which was covered by federal depository insurance.

C. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2021 were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Revenue bonds:					
Public Building Commission Issued January 24, 2019 In the amount of \$3,150,000 At an interest rate of 2.0%-4.4% Maturing July 1, 2039	\$3,090,000	\$ -	\$ 115,000	\$2,975,000	\$ 116,695
Weather event loan:					
Kansas State Treasurer Issued March 26, 2021 In the amount of \$200,000 At the interest rate of 0.25% Maturing January 1, 2031	-	200,000	19,882	180,118	369
Total contractual indebtedness	<u>\$3,090,000</u>	<u>\$ 200,000</u>	<u>\$ 134,882</u>	<u>\$3,155,118</u>	<u>\$ 117,064</u>

Current maturities of revenue bonds and interest for the next five years and through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2022	\$ 120,000	\$ 113,990	\$ 233,990
2023	125,000	110,925	235,925
2024	125,000	107,550	232,550
2025	130,000	103,850	233,850
2026	135,000	99,740	234,740
2027-2031	755,000	421,118	1,176,118
2032-2036	925,000	249,255	1,174,255
2037-2039	660,000	44,440	704,440
Total	<u>\$ 2,975,000</u>	<u>\$ 1,250,868</u>	<u>\$ 4,225,868</u>

Current maturities of the weather event loan and interest for the next five years and through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2022	\$ 19,814	\$ 438	\$ 20,252
2023	19,863	388	20,251
2024	19,913	339	20,252
2025	19,963	288	20,251
2026	20,013	239	20,252
2027-2030	80,552	454	81,006
Total	<u>\$ 180,118</u>	<u>\$ 2,146</u>	<u>\$ 182,264</u>

D. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Regulatory authority</u>	<u>Amount</u>
Operating transfers:			
Electric Utility	General	K.S.A. 12-825d	\$ 150,000
Water-Sewer Utility	General	K.S.A. 12-825d	25,000
Trash Utility	General	K.S.A. 12-825d	25,000
Special Highway	Special Street Equipment	K.S.A. 68-141g	5,511
Water-Sewer Utility	Capital Improvement	K.S.A. 12-825d	25,000
Electric Utility	Capital Improvement	K.S.A. 12-825d	<u>100,000</u>
			<u>\$ 330,511</u>

E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other post-employment benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in the 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. There is no cost to the City under this program.

Death and disability other post-employment benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate was set at 1% and contributions were \$2,114 for the year ended December 31, 2021.

Deferred compensation plan. The City offers employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457.

Compensated absences. The City's compensated absence policy permits employees to earn ten vacation days after one year of service and fifteen days after ten years of service plus one day for each additional year of service after ten years. The City's policy does not allow employees to carryover accumulated vacation past their anniversary date unless approved. Unused vacation is paid upon termination or resignation.

Sick leave is accumulated at the rate of one-half day per month for eligible employees. The maximum number of days eligible to be carried over to a subsequent year is unlimited. Unused sick leave is not paid upon termination or resignation. The City's policy is to recognize the costs of compensated absences when actually paid.

F. DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$36,417 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 \$282,002. 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 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 this financial statement.

The complete actuarial 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.

G. RELATED PARTIES

For the year ended December 31, 2021, the City transacted business with Stanley Construction Inc. in the amount of \$341,537. The owner of Stanley Construction Inc. also serves on the City Council.

H. RISK MANAGEMENT

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

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

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

I. CAPITAL PROJECTS

On January 24, 2019, the City issued \$3,150,000 in revenue bonds for a city pool and a community building. Of this total, \$252,742 was for the costs of issuance, \$315,000 was put into a reserve, and the remaining \$2,582,258 is for the projects.

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception as of December 31, 2021 are as follows:

	<u>Project authorization</u>	<u>Cash disbursements and accounts payable to date</u>
City pool project	\$ 1,696,779	\$ 1,696,779
Community building	<u>1,094,405</u>	<u>994,385</u>
Total	<u>\$ 2,791,184</u>	<u>\$ 2,691,164</u>

J. CORONAVIRUS (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 risks 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 result 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.

J. CORONAVIRUS (COVID-19) (CONTINUED)

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. The City received funding from the American Rescue Plan Act of 2021 (ARPA) during the current year.

K. SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through August 16, 2022 and believe the following event may affect the financial statement as presented in addition to the ongoing concern regarding the novel strain of coronavirus (COVID-19) as discussed in Note J above.

In 2022, the City has accepted additional bids of \$82,923 for the capital projects discussed in Note I above.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MONTEZUMA, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021

<u>Fund</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 favorable (unfavorable)</u>
General fund:					
General	\$ 546,000	\$ -	\$ 546,000	\$ 535,642	\$ 10,358
Special purpose funds:					
Special highway	39,769	-	39,769	7,479	32,290
PBC sales tax	432,695	-	432,695	360,923	71,772
Business funds:					
Electric utility	1,690,000	200,000	1,890,000	1,718,134	171,866
Water - sewer utility	441,250	-	441,250	328,873	112,377
Trash utility	203,000	-	203,000	121,673	81,327
	<u>\$ 3,352,714</u>	<u>\$ 200,000</u>	<u>\$ 3,552,714</u>	<u>\$ 3,072,724</u>	<u>\$ 479,990</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020	2021		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 139,720	\$ 150,513	\$ 151,399	\$ (886)
Delinquent tax	645	1,429	-	1,429
Motor vehicle tax	17,198	21,740	25,036	(3,296)
Recreational vehicle tax	372	422	602	(180)
16/20M truck tax	51	5	69	(64)
Commercial vehicle tax	923	979	1,060	(81)
Local sales tax	84,818	100,167	75,000	25,167
Airport income	5,298	12,772	2,000	10,772
Fines	391	626	750	(124)
Fire department	4,650	15,095	6,000	9,095
Franchise fees	17,142	19,805	16,000	3,805
Licenses and fees	486	430	200	230
Donations	30,000	25,000	-	25,000
RV park income	3,838	10,490	6,000	4,490
Federal assistance - SPARK	23,161	9,297	-	9,297
Miscellaneous	14,204	28,259	4,500	23,759
Operating transfers in	200,000	200,000	200,000	-
Neighborhood revitalization	(5,670)	(12,123)	(11,229)	(894)
Total receipts	537,227	584,906	\$ 477,387	\$ 107,519
Expenditures:				
General government:				
Personal services	136,572	108,703	\$ 105,000	\$ (3,703)
Contractual services	52,985	66,126	50,000	(16,126)
Commodities	35,599	20,071	50,000	29,929
Subtotal	225,156	194,900	205,000	10,100
Employee benefits:				
FICA	30,769	28,146	34,000	5,854
KPERS	44,382	38,533	46,000	7,467
Medicare	7,196	6,583	8,000	1,417
Workmen's compensation	8,706	9,076	12,000	2,924
Subtotal	91,053	82,338	100,000	17,662
Fire department:				
Personal services	3,870	2,485	5,000	2,515
Contractual services	351	1,626	2,000	374
Commodities	522	42	1,000	958
Capital outlay	52	10,204	10,000	(204)
Subtotal	4,795	14,357	18,000	3,643

CITY OF MONTEZUMA, KANSAS

GENERAL FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020	2021		Variance favorable (unfavorable)
		Actual	Budget	
Expenditures (continued):				
Noxious weed department:				
Personal services	\$ 1,520	\$ -	\$ 5,000	\$ 5,000
Commodities	9,789	12,037	17,000	4,963
Subtotal	<u>11,309</u>	<u>12,037</u>	<u>22,000</u>	<u>9,963</u>
Police department:				
Personal services	21,188	18,603	24,500	5,897
Contractual services	3,293	123	1,000	877
Commodities	1,608	2,465	1,500	(965)
Subtotal	<u>26,089</u>	<u>21,191</u>	<u>27,000</u>	<u>5,809</u>
Street department:				
Contractual services	33,350	59,162	-	(59,162)
Commodities	19,760	4,861	60,000	55,139
Subtotal	<u>53,110</u>	<u>64,023</u>	<u>60,000</u>	<u>(4,023)</u>
Golf course:				
Personal services	38,484	34,409	42,500	8,091
Contractual services	18,912	62,433	57,500	(4,933)
Subtotal	<u>57,396</u>	<u>96,842</u>	<u>100,000</u>	<u>3,158</u>
Swimming pool	<u>28,103</u>	<u>4,971</u>	<u>-</u>	<u>(4,971)</u>
Pickleball court	<u>-</u>	<u>37,364</u>	<u>-</u>	<u>(37,364)</u>
Airport	<u>3,645</u>	<u>4,602</u>	<u>5,000</u>	<u>398</u>
City beautification	<u>1,657</u>	<u>688</u>	<u>5,000</u>	<u>4,312</u>
RV park expense	<u>1,815</u>	<u>2,329</u>	<u>3,000</u>	<u>671</u>
ADA van	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Total expenditures	<u>504,128</u>	<u>535,642</u>	<u>\$ 546,000</u>	<u>\$ 10,358</u>
Receipts over (under) expenditures	33,099	49,264		
Unencumbered cash, beginning of year	<u>152,331</u>	<u>185,430</u>	<u>\$ 68,613</u>	<u>\$ 116,817</u>
Unencumbered cash, end of year	<u>\$ 185,430</u>	<u>\$ 234,694</u>		

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

SPECIAL HIGHWAY FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>		<u>Variance favorable (unfavorable)</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts:				
State of Kansas gas tax	<u>\$ 25,039</u>	<u>\$ 27,894</u>	<u>\$ 21,360</u>	<u>\$ 6,534</u>
Expenditures:				
Street repair and maintenance	470	1,968	\$ 34,429	\$ 32,461
Operating transfers out	<u>6,260</u>	<u>5,511</u>	<u>5,340</u>	<u>(171)</u>
Total expenditures	<u>6,730</u>	<u>7,479</u>	<u>\$ 39,769</u>	<u>\$ 32,290</u>
Receipts over (under) expenditures	18,309	20,415		
Unencumbered cash, beginning of year	<u>10,019</u>	<u>28,328</u>	<u>\$ 18,409</u>	<u>\$ 9,919</u>
Unencumbered cash, end of year	<u>\$ 28,328</u>	<u>\$ 48,743</u>		

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

PBC SALES TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020	2021		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Local sales tax	\$ 444,412	\$ 462,058	\$ 350,000	\$ 112,058
Expenditures:				
Debt service:				
Principal	60,000	115,000	\$ 115,000	\$ -
Interest	118,560	116,695	116,695	-
Commissions and postage	-	-	1,000	1,000
Capital outlay	-	129,228	200,000	70,772
Total expenditures	178,560	360,923	\$ 432,695	\$ 71,772
Receipts over (under) expenditures	265,852	101,135		
Unencumbered cash, beginning of year	170,518	436,370	\$ 316,518	\$ 119,852
Unencumbered cash, end of year	\$ 436,370	\$ 537,505	\$ 233,823	\$ 303,682

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

SPECIAL STREET EQUIPMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Operating transfers in	\$ 6,260	\$ 5,511
Expenditures:		
Capital outlay	<u>360</u>	<u>9,772</u>
Receipts over (under) expenditures	5,900	(4,261)
Unencumbered cash, beginning of year	<u>29,571</u>	<u>35,471</u>
Unencumbered cash, end of year	<u><u>\$ 35,471</u></u>	<u><u>\$ 31,210</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

CAPITAL IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Interest and assessments	\$ 12,076	\$ 10,081
Street assessments	48,408	3,052
Operating transfers in	<u>75,000</u>	<u>125,000</u>
Total receipts	<u>135,484</u>	<u>138,133</u>
Expenditures:		
Street improvements	12,245	-
Water improvements	<u>96,717</u>	<u>-</u>
Total expenditures	<u>108,962</u>	<u>-</u>
Receipts over (under) expenditures	26,522	138,133
Unencumbered cash, beginning of year	<u>479,325</u>	<u>505,847</u>
Unencumbered cash, end of year	<u>\$ 505,847</u>	<u>\$ 643,980</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

ARPA FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Federal aid	\$ -	\$ 73,558
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	73,558
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ 73,558</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

WALKING TRAIL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Donations	\$ -	\$ 85,100
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	85,100
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ 85,100</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

PBC BOND RESERVE FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning of year	<u>315,000</u>	<u>315,000</u>
Unencumbered cash, end of year	<u>\$ 315,000</u>	<u>\$ 315,000</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

PBC PROJECT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Miscellaneous	\$ 7,592	\$ -
Expenditures:		
Construction	<u>1,032,397</u>	<u>567,091</u>
Receipts over (under) expenditures	(1,024,805)	(567,091)
Unencumbered cash, beginning of year	<u>1,591,896</u>	<u>567,091</u>
Unencumbered cash, end of year	<u><u>\$ 567,091</u></u>	<u><u>\$ -</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

ELECTRIC UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020	2021		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Charges for services	\$ 1,120,303	\$ 1,231,369	\$ 1,300,000	\$ (68,631)
Miscellaneous	1,407	-	-	-
Loan proceeds	-	200,000	-	200,000
Total receipts	<u>1,121,710</u>	<u>1,431,369</u>	<u>\$ 1,300,000</u>	<u>\$ 131,369</u>
Expenditures:				
Administrative and general	19,505	13,227	\$ 35,000	\$ 21,773
Distribution	44,320	54,966	85,000	30,034
Non-operating	4,390	32,067	340,000	307,933
Personal services	142,627	150,206	155,000	4,794
Employee benefits	158,077	138,614	200,000	61,386
Production	530,511	953,082	625,000	(328,082)
Sales tax	46,496	105,629	50,000	(55,629)
Miscellaneous	4,375	92	-	(92)
Operating transfers out	200,000	250,000	200,000	(50,000)
Debt service:				
Principal	-	19,882	-	(19,882)
Interest	-	369	-	(369)
Adjustment for qualifying budget credits	-	-	200,000	200,000
Total expenditures	<u>1,150,301</u>	<u>1,718,134</u>	<u>\$ 1,890,000</u>	<u>\$ 171,866</u>
Receipts over (under) expenditures	(28,591)	(286,765)		
Unencumbered cash, beginning of year	<u>508,335</u>	<u>479,744</u>	<u>\$ 390,798</u>	<u>\$ 88,946</u>
Unencumbered cash, end of year	<u>\$ 479,744</u>	<u>\$ 192,979</u>	<u>\$ 798</u>	<u>\$ 192,181</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

WATER - SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020	2021		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Charges for services	\$ 385,214	\$ 407,995	\$ 355,000	\$ 52,995
Reimbursements	194	49	5,000	(4,951)
Miscellaneous	22	183	-	183
Total receipts	<u>385,430</u>	<u>408,227</u>	<u>\$ 360,000</u>	<u>\$ 48,227</u>
Expenditures:				
Administrative and general	2,560	594	\$ 3,000	\$ 2,406
Production	15,564	24,954	15,000	(9,954)
Distribution	72,845	79,197	165,000	85,803
Personal services	152,012	139,584	153,250	13,666
Non-operating	6,786	2,516	55,000	52,484
Capital outlay	-	32,028	-	(32,028)
Operating transfers out	25,000	50,000	50,000	-
Total expenditures	<u>274,767</u>	<u>328,873</u>	<u>\$ 441,250</u>	<u>\$ 112,377</u>
Receipts over (under) expenditures	110,663	79,354		
Unencumbered cash, beginning of year	<u>136,394</u>	<u>247,057</u>	<u>\$ 81,794</u>	<u>\$ 165,263</u>
Unencumbered cash, end of year	<u>\$ 247,057</u>	<u>\$ 326,411</u>	<u>\$ 544</u>	<u>\$ 325,867</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

TRASH UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020	2021		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Charges for services	\$ 84,661	\$ 86,929	\$ 82,500	\$ 4,429
County fees	59,150	62,308	62,500	(192)
Total receipts	143,811	149,237	\$ 145,000	\$ 4,237
Expenditures:				
Contractual services	64,984	71,335	\$ 85,000	\$ 13,665
County fees	22,580	25,338	35,000	9,662
Other	-	-	8,000	8,000
Operating transfers out	50,000	25,000	75,000	50,000
Total expenditures	137,564	121,673	\$ 203,000	\$ 81,327
Receipts over (under) expenditures	6,247	27,564		
Unencumbered cash, beginning of year	56,050	62,297	\$ 59,550	\$ 2,747
Unencumbered cash, end of year	\$ 62,297	\$ 89,861	\$ 1,550	\$ 88,311

See Independent Auditor's Report.