CITY OF NESS CITY, KANSAS

FINANCIAL STATEMENT

WITH

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

AND

INDEPENDENT AUDITOR'S REPORT

December 31, 2023

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

CITY OF NESS CITY
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December 31, 2023

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July 18, 2024

VARNEY
& ASSOCIATES, CPAs, LLC

Mayor and Council Members
City of Ness City, Kansas

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Ness City, Kansas (the City), as of and for the year ended December 31, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG) described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), KMAAG, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the Untied States.. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with KMAAG as described in Note 1; this includes determining 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 financial statement that is free from material misstatement, whether due to fraud or error.

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

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

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

Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the City's basic financial statement. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement 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 as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

CITY OF NESS CITY, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2023

STATEMENT 1

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds							
General Fund	$ 753,857	$ -	$ 1,365,997	$ 1,049,486	$ 1,070,368	$ -	$ 1,070,368
Special Purpose Funds							
Special Highway Fund	7,709	-	35,818	39,119	4,408	-	4,408
Special Parks and Recreation Fund	38,826	-	6,532	-	45,358	-	45,358
Industrial Development Fund	18,539	-	-	-	18,539	-	18,539
Library Fund	4,486	-	86,142	86,142	4,486	-	4,486
Library Employee Benefit Fund	567	-	47,445	47,445	567	-	567
Guest Tax Fund	31,900	-	2,379	20,000	14,279	-	14,279
Capital Improvement Fund	1,185,982	-	425,000	1,479,521	131,461	-	131,461
Equipment Reserve Fund	503,722	-	-	30,000	473,722	-	473,722
Water Reserve Fund	232,500	-	18,000	57,500	193,000	-	193,000
Sewer Replacement Fund	33,244	-	2,581	16	35,809	-	35,809
Capital Project Fund							
Airport Improvements Fund	37,157	-	580,849	603,677	14,329	-	14,329
Business Funds							
Water Utility Fund	81,123	-	465,733	523,638	23,218	-	23,218
Sewer Utility Fund	55,014	-	138,627	183,477	10,164	-	10,164
Solid Waste Disposal Fund	210,638	-	133,433	113,553	230,518	-	230,518
Subtotal Primary Government	$ 3,195,264	$ -	$ 3,308,536	$ 4,233,574	$ 2,270,226	$ -	$ 2,270,226
Related Municipal Entity							
Ness City Public Library	$ 219,640	$ -	$ 150,603	$ 136,326	$ 233,917	$ -	$ 233,917
Total Financial Reporting Entity	$ 3,414,904	$ -	$ 3,459,139	$ 4,369,900	$ 2,504,143	$ -	$ 2,504,143

Composition of Cash:	
Checking Accounts	$ 1,240,577
Certificates of Deposit	606,404
Kansas Municipal Investment Pool	423,245
Subtotal Primary Government	$ 2,270,226
Related Municipal Entity	233,917
Total Primary Government	$ 2,504,143

The accompanying notes are an integral part of this financial statement.
See Independent Auditor's Report.

Note 1: Summary of Significant Accounting Policies

The City of Ness City, Kansas (the City) is a municipal corporation governed by an elected five-member council. The accounting policies of the City conform to the cash-basis and budget laws of Kansas (regulatory basis). The following is a summary of the more significant policies.

Municipal Financial Reporting Entity

The municipal financial reporting entity is comprised of the primary government and the one related municipal entity, the Ness City Public Library. The related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents. This financial statement does not include the related municipal entities Ness City Airport Authority and Ness City Cemetery District.

Regulatory Basis Fund Types

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the financial statement in this report, the various funds are grouped into generic fund types and broad fund categories as follows:

General Fund - The general fund is the chief operating fund of the City. It is used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Special purpose funds are used to account for the proceeds of specific tax levies and other specific revenue sources intended for specified purposes.

Capital Projects Fund - Capital projects fund is used to account for capital projects.

Business Funds - Business funds are used to account for funds financed in whole or in part by fees charged to users of the goods or services.

Basis of Accounting

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 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 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

If the City 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 City 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 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 City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: equipment reserve fund, capital improvement fund and airport improvement fund.

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

Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date the financial statement was available to be issued.

Note 2: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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.

Note 2: Deposits and Investments (Continued)

At December 31, 2023, the City has the following investment:

Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10	Rating
Kansas Municipal Investment Pool	$423,245	$423,245	$ -	$ -	$ -	N/A

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

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. The City's investments were composed entirely of KMIP deposits, treasury bills and certificates of deposit as of the fiscal year ended December 31, 2023.

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 coverage is 50%. The City does not utilize "peak periods". All deposits were legally secured at December 31, 2023.

As of December 31, 2023, the City's carrying amount of deposits was $1,846,981 and the bank balance was $2,280,638. The bank balance was held by one bank, in checking, money market and certificates of deposit. Of the bank balance, $498,781 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institutions' agents in the City's name.

As of December 31, 2023, the Library's carrying amount of deposits was $233,917 and the bank balance was $233,917. The entire balance was covered by federal depository insurance.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Municipality will not be bale to recover the value of its investments to be adequately secured.

Note 3: Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1st of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one-half of the full amount of the taxes levied on or before December 20th of the ensuing year. State statutes prohibit the county treasurer from distributing taxes levied and collected in the year prior to January 1st of the ensuing year.

Note 4: Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66503) or by calling 1-888-275-5737.

Note 4: Defined Benefit Pension Plan (Continued)

Contributions. KSA 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, 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) was 8.43% for fiscal year ended December 31, 2023. Contributions to the pension plan from the City were $41,209 for the year ended December 31, 2023.

Net Pension Liability. At December 31, 2023, the City's proportionate share of the collective net pension liability reported by KPERS was $407,203. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report, including all actuarial assumption 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.

Note 5: Interfund Transfers

Transfers for the year ended December 31, 2023 were as follows:

From	To	Regulatory Authority	Amount
General Fund	Capital Improvement Fund	K.S.A. 12-1, 117	$ 425,000
Sewer Utility Fund	Sewer Replacement Fund	K.S.A. 12-825d	2,500
Water Utility Fund	Water Reserve Fund	K.S.A. 12-825d	18,000
Total Transfers			$ 445,500

Note 6: Long-Term Debt

The City has the following types of long-term debt:

KDHE Revolving Loan

The City entered into a $1,150,000 revolving loan agreement on November 18, 2004 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance Public Water Supply System Project #2416. The City will use proceeds generated by the operation of the facility for loan repayment, which began February 1, 2007.

Lease Obligations

The City has entered into lease agreements for equipment. The leases contain a fiscal funding clause.

General Obligation Bonds

The City has one outstanding general obligation bond.

Note 7: Debt Restrictions and Covenants

KDHE Public Water Supply Loan

The City entered into a loan agreement with the Kansas Department of Health and Environment to fund the improvements to the public water supply system in the amount of $1,150,000. The loan agreement requires that the City provide for the repayment of this loan by providing dedicated funds. The City is in compliance with the requirement as of December 31, 2023 as it is providing dedicated funds through water rates and fees charged.

Note 8: 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. There have been no decreases in insurance coverage from the prior year.

Note 9: Compliance with Finance-Related Legal and Contractual Provisions

There were no budget or cash violations during 2023.

Note 10: Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Note 11: Related Party Transactions

During 2023, the City entered into arms length transactions with council member Travis Snyder. The City paid $1,803 for services provided by Yesterday's Body Shop, owned by Travis Snyder.

Note 12: Capital Projects

At year end, capital project authorizations compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorizations	Expenditures To Date
Airport Runway Connector	$ 2,970,096	$ 2,555,169
Swimming Pool Project	2,802,272	1,479,521

Note 13: Changes in Long-Term Debt

ISSUE	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
2015 Series	2.50 - 4.50%	7/1/2015	$ 85,000	10/01/35	$ 63,000	$ -	$ 4,000	$ (4,000)	$ 59,000	$ 2,405
KDHE Loan										
Public Water Supply System Project	3.66%	11/18/04	1,150,000	8/1/26	280,751	-	66,417	(66,417)	214,334	9,673
TOTAL LONG-TERM DEBT					$ 343,751	$ -	$ 70,417	$ (70,417)	$ 273,334	$ 12,078

Note 14: Maturity of Long-Term Debt

PRINCIPAL	2024	2025	2026	2027	2028	2029-2033	2034-2035	Total
General Obligation Bond	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 5,000	$ 26,000	$ 12,000	$ 59,000
KDHE Loan	68,870	71,414	74,050	-	-	-	-	214,334
Total Principal	$ 72,870	$ 75,414	$ 78,050	$ 4,000	$ 5,000	$ 26,000	$ 12,000	$ 273,334
INTEREST								
General Obligation Bond	$ 2,305	$ 2,205	$ 2,065	$ 1,925	$ 1,785	$ 6,150	$ 810	$ 17,245
KDHE Loan	7,220	4,677	2,039	-	-	-	-	13,936
Total Interest	$ 9,525	$ 6,882	$ 4,104	$ 1,925	$ 1,785	$ 6,150	$ 810	$ 31,181
TOTAL PRINCIPAL AND INTEREST	$ 82,395	$ 82,296	$ 82,154	$ 5,925	$ 6,785	$ 32,150	$ 12,810	$ 304,515

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

CITY OF NESS CITY, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

Fund	Certified Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Funds			
General Fund	$ 1,433,200	$ 1,049,486	$ (383,714)
Special Purpose Funds			
Special Highway Fund	40,000	39,119	(881)
Special Parks and Recreation Fund	30,000	-	(30,000)
Industrial Development Fund	18,535	-	(18,535)
Library Fund	89,500	86,142	(3,358)
Library Employee Benefit Fund	47,445	47,445	-
Guest Tax Fund	35,000	20,000	(15,000)
Business Funds			
Water Utility Fund	559,090	523,638	(35,452)
Sewer Utility Fund	196,500	183,477	(13,023)
Solid Waste Disposal Fund	242,000	113,553	(128,447)
TOTAL	$ 2,691,270	$ 2,062,860	$ (628,410)

CITY OF NESS CITY, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes			
Ad Valorem	$ 430,509	$ 462,226	$ (31,717)
Delinquent	15,784	-	15,784
Motor Vehicle	117,195	96,105	21,090
Intangible	11,521	-	11,521
Total Taxes	$ 575,009	$ 558,331	$ 16,678
Intergovernmental			
Local City Sales Tax	$ 594,553	$ 450,000	$ 144,553
Local Alcoholic Liquor Tax	6,532	5,000	1,532
Connecting Links	8,540	7,500	1,040
Total Intergovernmental	$ 609,625	$ 462,500	$ 147,125
Licenses			
Franchise Fees	$ 125,776	$ 90,000	$ 35,776
Licenses and Permits	4,999	5,000	(1)
Total Licenses and Permits	$ 130,775	$ 95,000	$ 35,775
Fines and Forfeitures			
Fines	$ 5,280	$ 5,000	$ 280
Use of Money and Property			
Interest	$ 16,754	$ -	$ 16,754
Miscellaneous			
Swimming Pool	$ -	$ 2,000	$ (2,000)
Recycling Revenue	2,195	2,500	(305)
Community Building Donations	5,800	1,500	4,300
Other	20,559	5,000	15,559
Total Miscellaneous	$ 28,554	$ 11,000	$ 17,554
Total Receipts	$ 1,365,997	$ 1,131,831	$ 234,166

(continued)

CITY OF NESS CITY, KANSAS
GENERAL FUND (CONTINUED)
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Expenditures			
General and Administrative			
Personnel Services	$ 97,453	$ 115,000	$ (17,547)
Contractual Services	41,703	35,000	6,703
Commodities	40,426	40,000	426
Capital Outlay	134	20,000	(19,866)
Total General and Administrative	$ 179,716	$ 210,000	$ (30,284)
Street Department			
Personnel Services	$ 83,169	$ 75,000	$ 8,169
Contractual Services	7,610	55,000	(47,390)
Commodities	178,650	145,000	33,650
Capital Outlay	3,384	75,000	(71,616)
Total Street Department	$ 272,813	$ 350,000	$ (77,187)
Employee Benefits			
Health Insurance	$ 34,901	$ 45,000	$ (10,099)
Social Security	15,561	20,000	(4,439)
KPERS	18,970	20,000	(1,030)
Unemployment	394	1,500	(1,106)
Total Employee Benefits	$ 69,826	$ 86,500	$ (16,674)
Street Lighting			
Contractual Services	$ 26,200	$ 30,000	$ (3,800)
Swimming Pool			
Personnel Services	$ -	$ 20,000	$ (20,000)
Contractual Services	-	5,000	(5,000)
Commodities	1,071	20,000	(18,929)
Total Swimming Pool	$ 1,071	$ 45,000	$ (43,929)
Park Improvement			
Personnel Services	$ -	$ 2,500	$ (2,500)
Contractual Services	4,551	2,500	2,051
Commodities	3,166	5,000	(1,834)
Capital Outlay	1,610	2,000	(390)
Total Park Improvement	$ 9,327	$ 12,000	$ (2,673)
Recycling			
Personnel Services	$ 24,098	$ 35,000	$ (10,902)
Contractual Services	49	10,000	(9,951)
Commodities	10,086	10,000	86
Capital Outlay	-	15,000	(15,000)
Total Recycling	$ 34,233	$ 70,000	$ (35,767)

(continued)

CITY OF NESS CITY, KANSAS
GENERAL FUND (CONTINUED)
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Expenditures (Continued)			
Community Building			
Contractual Services	$ 20,856	$ 6,000	$ 14,856
Commodities	4,881	14,000	(9,119)
Capital Outlay	-	30,000	(30,000)
Total Community Building	$ 25,737	$ 50,000	$ (24,263)
Appropriations			
Airport	$ 3,000	$ 3,000	$ -
Debt Payments	$ 2,563	$ 2,700	$ (137)
Transfers Out	$ 425,000	$ 574,000	$ (149,000)
Total Expenditures	$ 1,049,486	$ 1,433,200	$ (383,714)
Receipts Over (Under) Expenditures	$ 316,511		
Unencumbered Cash - Beginning	753,857		
Unencumbered Cash - Ending	$ 1,070,368		

CITY OF NESS CITY, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Intergovernmental			
State Gasoline Tax	$ 35,818	$ 36,230	$ (412)
Expenditures			
Personnel Services	$ -	$ 5,000	$ (5,000)
Contractual Services	11,119	15,000	(3,881)
Commodities	28,000	20,000	8,000
Total Expenditures	$ 39,119	$ 40,000	$ (881)
Receipts Over (Under) Expenditures	$ (3,301)		
Unencumbered Cash - Beginning	7,709		
Unencumbered Cash - Ending	$ 4,408		

CITY OF NESS CITY, KANSAS
SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Intergovernmental			
Local Alcoholic Liquor Tax	$ 6,532	$ 4,500	$ 2,032
EXPENDITURES			
Culture and Recreation	$ -	$ 30,000	$ (30,000)
Receipts Over (Under) Expenditures	$ 6,532		
Unencumbered Cash - Beginning	38,826		
Unencumbered Cash - Ending	$ 45,358		

CITY OF NESS CITY, KANSAS
INDUSTRIAL DEVELOPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes			
Delinquent	$ -	$ -	$ -
Expenditures			
Industrial Development	$ -	$ 18,535	$ (18,535)
Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash - Beginning	18,539		
Unencumbered Cash - Ending	$ 18,539		

CITY OF NESS CITY, KANSAS
LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes			
Ad Valorem	$ 64,522	$ 69,279	$ (4,757)
Delinquent	2,487	-	2,487
Motor Vehicle	19,133	15,735	3,398
Total Receipts	$ 86,142	$ 85,014	$ 1,128
Expenditures			
Appropriations	$ 86,142	$ 89,500	$ (3,358)
Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash - Beginning	4,486		
Unencumbered Cash - Ending	$ 4,486		

CITY OF NESS CITY, KANSAS
LIBRARY EMPLOYEE BENEFIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes			
Ad Valorem	$ 36,135	$ 38,793	$ (2,658)
Delinquent	1,368	-	1,368
Motor Vehicle	9,942	8,144	1,798
Total Receipts	$ 47,445	$ 46,937	$ 508
Expenditures			
Appropriations	$ 47,445	$ 47,445	$ -
Receipts Over (Under) Expenditures	$ -		
Unencumbered Cash - Beginning	567		
Unencumbered Cash - Ending	$ 567		

CITY OF NESS CITY, KANSAS
GUEST TAX FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Taxes			
Guest Tax	$ 2,379	$ 5,000	$ (2,621)
Expenditures			
Convention and Tourism	$ 16,500	$ 35,000	$ (18,500)
Professional fees	3,500	-	3,500
Total Expenditures	$ 20,000	$ 35,000	$ (15,000)
Receipts Over (Under) Expenditures	$ (17,621)		
Unencumbered Cash - Beginning	31,900		
Unencumbered Cash - Ending	$ 14,279		

CITY OF NESS CITY, KANSAS
WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Water Sales	$ 442,075	$ 380,000	$ 62,075
Interest	16,541	4,500	12,041
Late Charges	7,117	5,000	2,117
Total Cash Receipts	$ 465,733	$ 389,500	$ 76,233
EXPENDITURES			
Personnel Services	$ 184,431	$ 207,000	$ (22,569)
Contractual	51,801	55,000	(3,199)
Commodities	187,299	125,000	62,299
Capital Outlay	6,017	73,000	(66,983)
Sales Tax	-	5,000	(5,000)
Debt Service	76,090	76,090	-
Transfer Out	18,000	18,000	-
Total Expenditures	$ 523,638	$ 559,090	$ (35,452)
Receipts Over (Under) Expenditures	$ (57,905)		
Unencumbered Cash - Beginning	81,123		
Unencumbered Cash - Ending	$ 23,218		

CITY OF NESS CITY, KANSAS
SEWER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
Sewer Service Charges	$ 106,245	$ 105,000	$ 1,245
Interest	314	750	(436)
Commercial Utility	32,068	35,000	(2,932)
Total Receipts	$ 138,627	$ 140,750	$ (2,123)
EXPENDITURES			
Personnel Services	$ 64,975	$ 65,000	$ (25)
Contractual Services	32,973	20,000	12,973
Commodities	40,049	45,000	(4,951)
Capital Outlay	4,335	25,000	(20,665)
Employee Benefits	34,801	35,000	(199)
Debt Service	3,844	4,000	(156)
Transfer Out	2,500	2,500	-
Total Expenditures	$ 183,477	$ 196,500	$ (13,023)
Receipts Over (Under) Expenditures	$ (44,850)		
Unencumbered Cash - Beginning	55,014		
Unencumbered Cash - Ending	$ 10,164		

CITY OF NESS CITY, KANSAS
SOLID WASTE DISPOSAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
Receipts			
User Fees	$ 133,433	$ 130,000	$ 3,433
Expenditures			
Contractual Services	$ 113,553	$ 140,000	$ (26,447)
Commodities	-	2,000	(2,000)
Capital Outlay	-	100,000	(100,000)
Total Expenditures	$ 113,553	$ 242,000	$ (128,447)
Receipts Over (Under) Expenditures	$ 19,880		
Unencumbered Cash - Beginning	210,638		
Unencumbered Cash - Ending	$ 230,518		

CITY OF NESS CITY, KANSAS
CAPITAL IMPROVEMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Transfers in	$ 425,000
Expenditures	
Capital Outlay	$ 1,479,521
Receipts Over (Under) Expenditures	$ (1,054,521)
Unencumbered Cash - Beginning	1,185,982
Unencumbered Cash - Ending	$ 131,461

CITY OF NESS CITY, KANSAS
AIRPORT IMPROVEMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

Receipts		
Federal Aid	$	580,849
Expenditures		
Fees - Professional Services	$	153,581
Contractual		450,096
Total Expenditures	$	603,677
Receipts Over (Under) Expenditures	$	(22,828)
Unencumbered Cash - Beginning		37,157
Unencumbered Cash - Ending	$	14,329

CITY OF NESS CITY, KANSAS
EQUIPMENT RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Transfers In	$ -
Expenditures	
Capital Outlay	$ 30,000
Receipts Over (Under) Expenditures	$ (30,000)
Unencumbered Cash - Beginning	503,722
Unencumbered Cash - Ending	$ 473,722

CITY OF NESS CITY, KANSAS
WATER RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Transfers In	$ 18,000
EXPENDITURES	
Capital Outlay	$ 57,500
Receipts Over (Under) Expenditures	$ (39,500)
Unencumbered Cash - Beginning	232,500
Unencumbered Cash - Ending	$ 193,000

CITY OF NESS CITY, KANSAS
SEWER REPLACEMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

Receipts		
Transfers In	$	2,500
Interest		81
Total Receipts	$	2,581
EXPENDITURES		
Contractual	$	16
Receipts Over (Under) Expenditures	$	2,565
Unencumbered Cash - Beginning		33,244
Unencumbered Cash - Ending	$	35,809

CITY OF NESS CITY, KANSAS
NESS CITY PUBLIC LIBRARY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

Receipts		
Intergovernmental	$	17,375
Interest		282
Miscellaneous		4,667
Appropriations		128,279
Total Receipts	$	150,603
EXPENDITURES		
Personnel Services	$	106,203
Contractual Services		1,865
Commodities		28,258
Total Expenditures	$	136,326
Receipts Over (Under) Expenditures	$	14,277
Unencumbered Cash - Beginning		219,640
Unencumbered Cash - Ending	$	233,917

July 18, 2024

Mayor and Council Members
City of Ness City, Kansas

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance With *Government Auditing Standards*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Ness City, Kansas (the City) as of and for the year ended December 31, 2023, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated July 18, 2024.

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

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. 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.

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

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Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

July 18, 2024

Mayor and Council Members
City of Ness City, Kansas

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Unmodified Opinions
We have audited the City of Ness City, Kansas (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of City's major federal programs for the year ended December 31, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the 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, 2023.

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

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

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

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Auditor's Responsibilities for the Audit of Compliance (continued)
In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

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

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

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

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

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

CITY OF NESS CITY, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-through Number	Federal Award Expenditures	Subrecipient Expenditures
U.S. Department of the Interior				
Passed through Kansas Department of Wildlife and Parks				
Outdoor Recreation Acquisition, Dev and Planning	15.916	20-00810	$ 480,488	$ -
Federal Aviation Administration				
Airport Improvement Program	20.106	N/A	$ 466,416	$ -
Total Federal Expenditures			$ 946,904	$ -

CITY OF NESS CITY, KANSAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2023

Note 1: Organization

The City of Ness City, Kansas (the City), is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the schedule of Expenditures of Federal Awards.

Note 2: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City, and is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statement. The City elected not to use the 10% de minimis indirect cost rate.

Note 3: Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

Note 4: Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2023.

Note 5: Outstanding Loans

The City did not have any outstanding loans under any federal grants at December 31, 2023.

CITY OF NESS CITY, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section I - Summary of Auditor's Results

Financial Statement

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	___ Yes	X None
Reportable conditions identified not considered to be material weaknesses?	___ Yes	X None reported
Noncompliance material to financial statement noted?	___ Yes	X None

Federal Awards

Internal controls over major programs:		
Material weaknesses identified?	___ Yes	X No
Reportable conditions identified not considered to be material weaknesses?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a)?	___ Yes	X No

Identification of major programs:

Name of Federal program	Assistance Listing Number
Outdoor Recreation Acquisition, Development and Planning	15.916

Dollar threshold used to distinguish between Type A and Type B programs:	$	750,000
Auditee qualified as a low-risk auditee?	___ Yes	X No

Note:

Beginning with the year ended June 30, 2016, the criteria for determination of low-risk auditee status was changed by the U.S. Office of Management and Budget (OMB). Specifically, the regulatory basis of accounting prescribed by the State of Kansas does not meet the criteria established by OMB in the Uniform Grant Guidance (UGG).

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

There were no current year findings or questioned costs.