CITY OF HIGHLAND, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2023

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CITY OF HIGHLAND, KANSAS

FINANCIAL STATEMENTS
Year ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Highland, Kansas

Report on the Audit of the Financial Statements

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 Highland, 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 of 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 the 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* 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), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated March 24, 2024, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

March 24, 2024

CITY OF HIGHLAND, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General	$ 624,412	$ -	$ 564,555	$ 868,255	$ 320,712	$ 1,900	$ 322,612
Special Purpose Funds:							
Special Highway	5,328	-	24,772	15,288	14,812	-	14,812
Degginger	10,427	-	-	524	9,903	-	9,903
Building Maintenance	14,480	-	8,575	8,555	14,500	-	14,500
Diversion	5,857	-	200	4,578	1,479	-	1,479
Special Law Enforcement Trust	692	-	-	-	692	-	692
Parks and Recreation	3,791	-	12,496	14,800	1,487	-	1,487
Federal Grants	151,846	-	-	151,846	-	-	-
Opioid Grant	242	-	2,752	257	2,737	-	2,737
Bond and Interest Funds:							
Bond and Interest	-	-	48,943	48,943	-	-	-
Capital Project Funds:							
Capital Projects	27,098	-	-	-	27,098	-	27,098
Minier Park	55,408	-	-	463	54,945	-	54,945
Business Funds:							
Water	182,844	-	6,085,371	5,760,913	507,302	-	507,302
Sewer	405,835	-	241,942	137,587	510,190	-	510,190
Total Reporting Entity	$ 1,488,260	$ -	$ 6,989,606	$ 7,012,009	$ 1,465,857	$ 1,900	$ 1,467,757

Composition of Cash:	
Highland State Bank	
Checking	$ 1,335,968
Certificates of Deposit	131,789
Total	$ 1,467,757

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

CITY OF HIGHLAND, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1 - Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Highland (the City) is a municipal corporation governed by a mayor and a five-member council. These financial statements present the City. There are no organizations which meet the criteria for being combined in the City's report.

Basis of Accounting

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.

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 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 of the goods or services (i.e. enterprise and internal service fund etc.)

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:

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
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 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.

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 regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the 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 the following funds: Degginger, Building Maintenance, Diversion, Special Law Enforcement, Parks and Recreation, Federal Grants, Opioid Grant and Minier Park 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 City Council.

NOTE 2 - Deposits and Investments

Deposits. 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.

Investments. 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. As of December 31, 2023, the City held no such investments.

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.

NOTE 2 - Deposits and Investments (Continued)

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods."

At December 31, 2023, the City's carrying amount of deposits was $1,467,757 and the bank balance was $1,484,931. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $1,234,931 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no such investments as of December 31, 2023.

NOTE 3 - Retirement 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 by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by 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) and the statutory contribution rate was 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the City were $25,051 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 $247,049. 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 of KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report, including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the KPERS website at www.kpers.org or can be obtained as described above.

NOTE 4 - Long-Term Debt

Changes in Long-Term Debt. During the year ended December 31, 2023, the following changes occurred in long-term debt:

Type of Issue	Beginning Principal Outstanding	Additions to Principal	Reductions of Principal	Ending Principal Outstanding	Interest Paid
General Obligation Bonds	$ 624,176	$ 2,082,000	$ [33,339]	$ 2,672,837	$ 15,604
Revolving Loans	1,202,474	1,971,001	[3,173,475]	-	31,125
Total	$1,826,650	$ 4,053,001	$ [3,206,814]	$ 2,672,837	$ 46,729

General Obligation Bonds. General obligation bonds currently outstanding are as follows:

General Obligation Bonds	Interest Rate	Amount Outstanding	Original Amount	Date of Issue	Final Maturity
Series 2013	2.50%	$ 590,837	$ 805,000	3/25/2013	3/28/2053
Series 2023-A	1.38%	1,262,000	1,262,000	10/26/2023	10/26/2063
Series 2023-B	1.25%	820,000	820,000	10/26/2023	10/26/2063
		$ 2,672,837	$2,887,000		

The annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Principal Due	Interest Due	Total Due
2024	$ 55,099	$ 43,982	$ 99,081
2025	56,008	43,473	99,481
2026	56,934	42,547	99,481
2027	57,878	41,603	99,481
2028	58,838	40,643	99,481
2029 - 2033	309,224	188,182	497,406
2034 - 2038	336,025	161,381	497,406
2039 - 2043	365,412	131,995	497,407
2044 - 2048	397,656	99,750	497,406
2049 - 2053	352,706	62,014	414,720
2054 - 2058	303,424	33,642	337,066
2059 - 2063	323,633	13,431	337,064
	$ 2,672,837	$ 902,643	$ 3,575,480

On October 26, 2023, the City issued General Obligation Bonds, Series 2023-A and 2023-B. Proceeds of the bonds were used to pay down the balance of the Kansas Department of Health and Environment revolving loan. The bond agreement calls for annual principal and interest payments and carries an interest rate of 1.38% and 1.25%, respectively.

NOTE 5 - Interfund Transfers

Operating transfers during the year ended December 31, 2023, were as follows:

From	To	Regulatory Authority	Amount
General	Parks and Recreation	Council Resolution	$ 1,940
Water	Bond and Interest	K.S.A. 12-825d	48,943
			$50,883

NOTE 6 - Compensated Absences

City policies regarding vacation pay provide full-time employees vacations with pay for two weeks, then three weeks after five years of service, to accumulate to six weeks maximum. Sick leave for full-time employees accrues at two weeks per year to accumulate to six weeks maximum. It is the City's policy to recognize the costs of compensated absences when actually paid.

NOTE 7 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the City as of December 31, 2023.

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, for which the City has carried commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years.

NOTE 9 - Other Long-Term Obligations from Operations

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2023.

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SCHEDULE 1

CITY OF HIGHLAND, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over [Under]
General Funds:					
General	$ 878,460	$ -	$ 878,460	$ 868,255	$ [10,205]
Special Purpose Funds:					
Special Highway	112,660	-	112,660	15,288	[97,372]
Bond and Interest Funds:					
Bond and Interest	67,000	-	67,000	48,943	[18,057]
Capital Project Funds:					
Capital Projects	177,098	-	177,098	-	[177,098]
Business Funds:					
Water	562,250	5,687,654	6,249,904	5,760,913	[488,991]
Sewer	579,225	-	579,225	137,587	[441,638]

See independent auditor's report on the financial statements.

CITY OF HIGHLAND, 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 and shared revenue			
Ad valorem property tax	$ 157,077	$ 165,422	$ [8,345]
Delinquent tax	113	-	113
Motor vehicle tax	21,052	23,060	[2,008]
RV tax	464	633	[169]
16/20M vehicle tax	-	1,980	[1,980]
Redemption district	1,594	1,000	594
Commercial vehicle tax	481	463	18
Watercraft tax	-	229	[229]
Gross earnings tax	3,277	2,103	1,174
Local alcoholic liquor	5,812	6,000	[188]
Sales tax	118,256	120,000	[1,744]
Compensating use tax	62,572	60,000	2,572
Franchise tax	70,314	65,000	5,314
Licenses, rents, permits	812	200	612
Municipal court	5,440	10,000	[4,560]
Federal grants	104,846	-	104,846
Interest income	7,730	5,500	2,230
Miscellaneous	3,132	-	3,132
Reimbursements	1,583	1,000	583
Total Receipts	564,555	$ 462,590	$ 101,965
Expenditures			
General government			
Personnel services	91,213	$ 120,000	$ [28,787]
Commodities	40,529	80,000	[39,471]
Contractual servvices	23,567	100,000	[76,433]
Public safety	90,197	120,000	[29,803]
Parks and recreation	15,103	25,000	[9,897]
Highways and streets	596,401	321,000	275,401
Neighborhood revitalization	9,305	15,000	[5,695]
Capital outlay	-	37,460	[37,460]
Operating transfers	1,940	60,000	[58,060]
Total Expenditures	868,255	$ 878,460	$ [10,205]
Receipts Over [Under] Expenditures	[303,700]		
Unencumbered Cash, Beginning	624,412		
Unencumbered Cash, Ending	$ 320,712		

See independent auditor's report on the financial statements.

SCHEDULE 2 - 2

CITY OF HIGHLAND, 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			
State gas tax	$ 24,772	$ 27,660	$ [2,888]
Interest	-	35,000	$ [35,000]
Transfers	-	50,000	[50,000]
Total Receipts	24,772	$ 112,660	$ [87,888]
Expenditures			
Commodities	8,534	$ 10,000	$ [1,466]
Contractual	-	30,000	[30,000]
Capital outlay	6,754	72,660	[65,906]
Total Expenditures	15,288	$ 112,660	$ [97,372]
Receipts Over [Under] Expenditures	9,484		
Unencumbered Cash, Beginning	5,328		
Unencumbered Cash, Ending	$ 14,812		

See independent auditor's report on the financial statements.

CITY OF HIGHLAND, KANSAS
DEGGINGER FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Miscellaneous	$ -
Total Receipts	-
Expenditures	
Commodities	524
Total Expenditures	524
Receipts Over [Under] Expenditures	[524]
Unencumbered Cash, Beginning	10,427
Unencumbered Cash, Ending	$ 9,903

* - This fund is not required to be budgeted

SCHEDULE 2 - 4

CITY OF HIGHLAND, KANSAS
BUILDING MAINTENANCE FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Licenses, rent, permits, court	$ 3,025
Miscellaneous	5,550
Total Receipts	8,575
Expenditures	
Contractual	8,555
Total Expenditures	8,555
Receipts Over [Under] Expenditures	20
Unencumbered Cash, Beginning	14,480
Unencumbered Cash, Ending	$ 14,500

* - This fund is not required to be budgeted

CITY OF HIGHLAND, KANSAS
DIVERSION FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Licenses, rent, permits, court	$ 200
Total Receipts	200
Expenditures	
Contractual	4,578
Total Expenditures	4,578
Receipts Over [Under] Expenditures	[4,378]
Unencumbered Cash, Beginning	5,857
Unencumbered Cash, Ending	$ 1,479

* - This fund is not required to be budgeted

SCHEDULE 2 - 6

CITY OF HIGHLAND, KANSAS
SPECIAL LAW ENFORCEMENT TRUST FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Miscellaneous	$ -
Total Receipts	-
Expenditures	
Commodities	-
Total Expenditures	-
Receipts Over [Under] Expenditures	-
Unencumbered Cash, Beginning	692
Unencumbered Cash, Ending	$ 692

* - This fund is not required to be budgeted

CITY OF HIGHLAND, KANSAS
PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
State aid/grants	$ 5,812
Miscellaneous	4,744
Operating transfers	1,940
Total Receipts	12,496
Expenditures	
Personnel services	6,912
Contractual	3,615
Capital outlay	4,273
Total Expenditures	14,800
Receipts Over [Under] Expenditures	[2,304]
Unencumbered Cash, Beginning	3,791
Unencumbered Cash, Ending	$ 1,487

* - This fund is not required to be budgeted

SCHEDULE 2 - 8

CITY OF HIGHLAND, KANSAS
FEDERAL GRANTS FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Federal grants	$ -
Total Receipts	-
Expenditures	
Capital outlay	151,846
Total Expenditures	151,846
Receipts Over [Under] Expenditures	[151,846]
Unencumbered Cash, Beginning	151,846
Unencumbered Cash, Ending	$ -

* - This fund is not required to be budgeted

CITY OF HIGHLAND, KANSAS
OPIOID GRANT FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Federal grants	$ 2,752
Total Receipts	2,752
Expenditures	
Commodities	257
Total Expenditures	257
Receipts Over [Under] Expenditures	2,495
Unencumbered Cash, Beginning	242
Unencumbered Cash, Ending	$ 2,737

* - This fund is not required to be budgeted

SCHEDULE 2 - 10

CITY OF HIGHLAND, KANSAS
BOND AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over [Under]
Receipts			
Operating transfers	$ 48,943	$ 67,000	$ [18,057]
Total Receipts	48,943	$ 67,000	$ [18,057]
Expenditures			
Principal	33,339	$ 33,339	$ -
Interest & fees	15,604	15,605	[1]
Miscellaneous	-	759	[759]
Cash basis reserve	-	17,297	[17,297]
Total Expenditures	48,943	$ 67,000	$ [18,057]
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	-		
Unencumbered Cash, Ending	$ -		

See independent auditor's report on the financial statements.

CITY OF HIGHLAND, KANSAS
CAPITAL PROJECTS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over [Under]
Receipts			
Miscellaneous	$ -	$ 150,000	$ [150,000]
Total Receipts	-	$ 150,000	$ [150,000]
Expenditures			
Capital outlay	-	$ 177,098	$ [177,098]
Total Expenditures	-	$ 177,098	$ [177,098]
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	27,098		
Unencumbered Cash, Ending	$ 27,098		

SCHEDULE 2 - 12

CITY OF HIGHLAND, KANSAS
MINIER PARK FUND
Schedule of Receipts and Expenditures - Actual*
Regulatory Basis
For the Year Ended December 31, 2023

Receipts	
Miscellaneous	$ -
Total Receipts	-
Expenditures	
Contractual	315
Commodities	148
Total Expenditures	463
Receipts Over [Under] Expenditures	[463]
Unencumbered Cash, Beginning	55,408
Unencumbered Cash, Ending	$ 54,945

* - This fund is not required to be budgeted

CITY OF HIGHLAND, KANSAS
WATER FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over [Under]
Receipts			
Charges for services	$ 397,266	$ 400,000	$ [2,734]
Federal grants	1,036,333	-	1,036,333
Bond proceeds	2,082,000	-	2,082,000
Loan proceeds	1,971,001	-	1,971,001
Miscellaneous	598,771	80,000	518,771
Total Receipts	6,085,371	$ 480,000	$ 5,605,371
Expenditures			
Production			
Personnel services	144,887	$ 120,000	$ 24,887
Commodities	56,204	70,000	[13,796]
Contractual	2,306,279	220,000	2,086,279
Capital outlay	20,020	35,250	[15,230]
Debt service	3,184,580	-	3,184,580
Operating transfers	48,943	67,000	[18,057]
Cash basis reserve	-	50,000	[50,000]
Adjustment for qualifying budget credit	-	5,687,654	[5,687,654]
Total Expenditures	5,760,913	$ 6,249,904	$ [488,991]
Receipts Over [Under] Expenditures	324,458		
Unencumbered Cash, Beginning	182,844		
Unencumbered Cash, Ending	$ 507,302		

CITY OF HIGHLAND, KANSAS
SEWER FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over [Under]
Receipts			
Charges for services	$ 241,942	$ 210,000	$ 31,942
Total Receipts	241,942	$ 210,000	$ 31,942
Expenditures			
Operations			
Personnel services	95,145	$ 95,000	$ 145
Commodities	24,172	60,000	[35,828]
Contractual	18,270	174,225	[155,955]
Cash basis reserve	-	250,000	[250,000]
Total Expenditures	137,587	$ 579,225	$ [441,638]
Receipts Over [Under] Expenditures	104,355		
Unencumbered Cash, Beginning	405,835		
Unencumbered Cash, Ending	$ 510,190		

CITY OF HIGHLAND, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development		
Passed Through Kansas Department of Commerce:		
Community Development Block Grants	14.228	$ 463,134
Total U.S. Department of Housing and Urban Development		463,134
U.S. Department of the Treasury		
Passed Through Kansas Governor's Office:		
Coronavirus State and Local Fiscal Recovery Funds	21.027	151,846
Total U.S. Department of the Treasury		151,846
U.S. Department of Agriculture		
Water and Waste Disposal Systems for Rural Communities	10.760	700,485
Total U.S. Department of Agriculture		700,485
Total Expenditures of Federal Awards		$ 1,315,465

The accompanying notes are an integral part of this schedule.

CITY OF HIGHLAND, KANSAS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

1. Organization

The City of Highland, 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.

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 statements. The City elected not to use the 10% de minimis indirect cost rate.

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.

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 as of December 31, 2023.

5. Outstanding Loans

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

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the Schedule of Expenditures of Federal Awards.

CITY OF HIGHLAND, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified (Regulatory Basis) Adverse (GAAP)			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified that are 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 section 510(a) of Uniform Guidance?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

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

CITY OF HIGHLAND, KANSAS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2023

Section II - Financial Statement Findings

Current Year Findings

None Noted.

Prior Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted.

Prior Year Findings

None Noted.

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

Mayor and City Council
City of Highland, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of the City of Highland, Kansas (the City), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 24, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, 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 controls 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge 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 that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

March 24, 2024

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Council
City of Highland, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the City of Highland, Kansas (the City), with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City'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 Opinion on Each Major Federal Program

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 requirement 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 grants 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 of 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 judgement 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.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity'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.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Report on Internal Control Over Compliance

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

Our consideration of the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, 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 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended December 31, 2023, and have issued our report thereon dated March 24, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

March 24, 2024