

CITY OF MONTEZUMA, KANSAS

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2022**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1
<u>FINANCIAL SECTION</u>	
Statement 1	
Summary Statement of Receipts, Expenditures and Unencumbered Cash.....	4
Notes to the Financial Statement	5
<u>REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule 1	
Summary of Expenditures – Actual and Budget.....	13
Schedule 2	
Schedule of Receipts and Expenditures	
2-1 General Fund.....	14
<u>Special Purpose Funds</u>	
2-2 Special Highway Fund.....	16
2-3 PBC Sales Tax Fund	17
2-4 Special Street Equipment Fund.....	18
2-5 Capital Improvement Fund.....	19
2-6 ARPA Fund.....	20
2-7 Walking Trail Fund.....	21
2-8 Donations Fund	22
<u>Bond and Interest Fund</u>	
2-9 PBC Bond Reserve Fund.....	23
<u>Capital Project Fund</u>	
2-10 PBC Project Fund	24
<u>Business Funds</u>	
2-11 Electric Utility Fund	25
2-12 Water – Sewer Utility Fund	26
2-13 Trash Utility Fund.....	27

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308
www.kmc-cpa.com

JAMES W. KENNEDY, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA
JEREMY J. APPEL, CPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Montezuma, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of Montezuma, Kansas, as of and for the year ended December 31, 2022 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Montezuma, Kansas, as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Montezuma, Kansas, as of December 31, 2022, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Basis for Adverse and Unmodified Opinions

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

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

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

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Montezuma, Kansas as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated August 16, 2022, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the website of the Kansas Department of Administration at the following link: <https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services/municipal-audits>. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures for the year ended December 31, 2022 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2021 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2021, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

August 18, 2023

CITY OF MONTEZUMA, KANSAS

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

For the Year Ended December 31, 2022

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>
General fund:		
General	\$ 234,694	\$ -
Special purpose funds:		
Special highway	48,743	-
PBC sales tax	537,505	-
Special street equipment	31,210	-
Capital improvement	643,980	-
ARPA	73,558	-
Walking trail	85,100	-
Donations	-	-
Total special purpose funds	<u>1,420,096</u>	<u>-</u>
Bond and interest fund:		
PBC bond reserve	<u>315,000</u>	<u>-</u>
Capital project fund:		
PBC project	<u>-</u>	<u>-</u>
Business funds:		
Electric utility	192,979	-
Water - sewer utility	326,411	-
Trash utility	<u>89,861</u>	<u>-</u>
Total business funds	<u>609,251</u>	<u>-</u>
Total City of Montezuma	<u>\$ 2,579,041</u>	<u>\$ -</u>
Composition of cash:		
Checking account		
Sweep account		
PBC checking account		
PBC sweep account		
Total City of Montezuma		

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

STATEMENT 1

<u>Receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance (deficit)</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance (deficit)</u>
\$ 423,027	\$ 540,368	\$ 117,353	\$ 13,368	\$ 130,721
25,812	6,198	68,357	-	68,357
533,702	542,874	528,333	29,034	557,367
6,198	3,744	33,664	96	33,760
363,598	195,381	812,197	13,761	825,958
73,558	57,460	89,656	-	89,656
149,819	305,265	(70,346)	-	(70,346)
131,657	136,082	(4,425)	9,027	4,602
<u>1,284,344</u>	<u>1,247,004</u>	<u>1,457,436</u>	<u>51,918</u>	<u>1,509,354</u>
-	-	315,000	-	315,000
<u>1,525</u>	<u>1,525</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,383,584	1,384,418	192,145	58,231	250,376
488,768	543,822	271,357	8,337	279,694
168,341	194,566	63,636	10,990	74,626
<u>2,040,693</u>	<u>2,122,806</u>	<u>527,138</u>	<u>77,558</u>	<u>604,696</u>
<u>\$ 3,749,589</u>	<u>\$ 3,911,703</u>	<u>\$ 2,416,927</u>	<u>\$ 142,844</u>	<u>\$ 2,559,771</u>
				\$ 90,650
				2,154,121
				100,000
				<u>215,000</u>
				<u>\$ 2,559,771</u>

CITY OF MONTEZUMA, KANSAS

NOTES TO THE FINANCIAL STATEMENT

December 31, 2022

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Municipal Financial Reporting Entity

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

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

2. Basis of Presentation – Fund Accounting

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

The following types of funds comprise the financial activities of the City for the year ended December 31, 2022:

REGULATORY BASIS FUND TYPES

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

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

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

Capital Project fund – used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business fund – funds financed in whole or in part by fees charged to users for goods or services (i.e., enterprise and internal service funds, etc.).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

4. Budgetary Information

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

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

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did hold a revenue neutral rate hearing for this year.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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

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

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

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

B. STATUTORY COMPLIANCE

References made herein to the statutes are not intended as interpretations of law but are offered for consideration of the Director of Accounts and Reports, the Kansas Department of Administration, and legal representatives of the County.

The budget law provided by K.S.A. 79-2935 prohibits the expenditure of funds more than that allowed by budget. At year end, the PBC Sales Tax fund had expenditures of \$82,884 more than the amount allowed by the adopted budget.

The cash basis law provided by K.S.A. 10-1113 prohibits the creation of indebtedness in available monies in a fund. At year end, the Walking Trail and Donations funds had negative unencumbered cash balances of \$70,346 and \$4,425, respectively.

Although the Walking Trail overspent its cash balance, according to K.S.A. 12-1664 the City is not prohibited from financing the federal share of a local program from current funds, if available.

C. DEPOSITS AND INVESTMENTS

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

C. DEPOSITS AND INVESTMENTS (CONTINUED)

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

Custodial credit risk – deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2022.

At December 31, 2022, the City's carrying amount of deposits was \$2,559,771 and the bank balance was \$2,574,725, all of which was covered by federal depository insurance.

D. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2022 were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Revenue bonds:					
Public Building Commission Issued January 24, 2019 In the amount of \$3,150,000 At an interest rate of 2.0%-4.4% Maturing July 1, 2039	\$2,975,000	\$ -	\$ 120,000	\$2,855,000	\$ 113,990
Weather event loan:					
Kansas State Treasurer Issued March 26, 2021 In the amount of \$200,000 At the interest rate of 0.25% Maturing January 1, 2031	180,118	-	19,814	160,304	438
Total contractual indebtedness	<u>\$3,155,118</u>	<u>\$ -</u>	<u>\$ 139,814</u>	<u>\$3,015,304</u>	<u>\$ 114,428</u>

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

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2023	\$ 125,000	\$ 110,925	\$ 235,925
2024	125,000	107,550	232,550
2025	130,000	103,850	233,850
2026	135,000	99,740	234,740
2027	140,000	95,200	235,200
2028-2032	785,000	391,250	1,176,250
2033-2037	965,000	208,343	1,173,343
2038-2039	450,000	20,020	470,020
Total	<u>\$ 2,855,000</u>	<u>\$ 1,136,878</u>	<u>\$ 3,991,878</u>

D. LONG-TERM DEBT (CONTINUED)

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

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2023	\$ 19,863	\$ 388	\$ 20,251
2024	19,913	339	20,252
2025	19,963	288	20,251
2026	20,013	239	20,252
2027	20,063	189	20,252
2028-2030	<u>60,489</u>	<u>265</u>	<u>60,754</u>
Total	<u>\$ 160,304</u>	<u>\$ 1,708</u>	<u>\$ 162,012</u>

E. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Regulatory authority</u>	<u>Amount</u>
Operating transfers:			
Water-Sewer Utility	General	K.S.A. 12-825d	\$ 25,000
Trash Utility	General	K.S.A. 12-825d	25,000
Special Highway	Special Street Equipment	K.S.A. 68-141g	6,198
Water-Sewer Utility	Capital Improvement	K.S.A. 12-825d	225,000
Electric Utility	Capital Improvement	K.S.A. 12-825d	75,000
Trash Utility	Capital Improvement	K.S.A. 12-825d	<u>45,000</u>
			<u>\$ 401,198</u>

F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

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

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

Death and disability other post-employment benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate was set at 1% and contributions were \$1,916 for the year ended December 31, 2022.

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

F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONTINUED)

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

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

G. DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.90% for the fiscal year ended December 31, 2022. Contributions to the pension plan from the City were \$38,136 for the year ended December 31, 2022.

Net Pension Liability

At December 31, 2022, the City's proportionate share of the collective net pension liability reported by KPERS was \$431,306. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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.

G. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

H. RELATED PARTIES

For the year ended December 31, 2022, the City transacted business with Stanley Construction Inc. in the amount of \$288,880. The owner of Stanley Construction Inc. also serves on the City Council.

I. RISK MANAGEMENT

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

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

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

J. CAPITAL PROJECTS

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

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception as of December 31, 2022 are as follows:

	<u>Project authorization</u>	<u>Cash disbursements and accounts payable to date</u>
City pool project	\$ 1,696,779	\$ 1,696,779
Community building	<u>1,534,436</u>	<u>1,510,844</u>
Total	<u>\$ 3,231,215</u>	<u>\$ 3,207,623</u>

K. SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through August 18, 2023 and does not believe any events have occurred which affect the financial statement as presented.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MONTEZUMA, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund:					
General	\$ 612,000	\$ -	\$ 612,000	\$ 540,368	\$ 71,632
Special purpose funds:					
Special highway	56,808	-	56,808	6,198	50,610
PBC sales tax	459,990	-	459,990	542,874	(82,884)
Business funds:					
Electric utility	1,637,252	-	1,637,252	1,384,418	252,834
Water - sewer utility	672,500	-	672,500	543,822	128,678
Trash utility	209,000	-	209,000	194,566	14,434
	<u>\$ 3,647,550</u>	<u>\$ -</u>	<u>\$ 3,647,550</u>	<u>\$ 3,212,246</u>	<u>\$ 435,304</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2021	2022		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 150,513	\$ 157,366	\$ 158,048	\$ (682)
Delinquent tax	1,429	480	-	480
Motor vehicle tax	21,740	19,443	25,560	(6,117)
Recreational vehicle tax	422	398	555	(157)
16/20M truck tax	5	8	6	2
Commercial vehicle tax	979	1,004	1,132	(128)
Local sales tax	100,167	115,721	75,000	40,721
Airport income	12,772	18,919	2,000	16,919
Fines	626	2,251	750	1,501
Fire department	15,095	16,976	6,000	10,976
Franchise fees	19,805	23,426	15,000	8,426
Licenses and fees	430	579	200	379
Donations	25,000	-	-	-
RV park income	10,490	10,747	4,000	6,747
Federal assistance - SPARK	9,297	-	-	-
Miscellaneous	28,259	16,401	-	16,401
Operating transfers in	200,000	50,000	200,000	(150,000)
Neighborhood revitalization	(12,123)	(10,692)	(10,015)	(677)
Total receipts	584,906	423,027	\$ 478,236	\$ (55,209)
Expenditures:				
General government:				
Personal services	108,703	107,603	\$ 114,500	\$ 6,897
Contractual services	66,126	65,645	50,000	(15,645)
Commodities	20,071	29,794	45,000	15,206
Subtotal	194,900	203,042	209,500	6,458
Employee benefits:				
FICA	28,146	31,334	34,000	2,666
KPERS	38,533	40,111	48,000	7,889
Medicare	6,583	7,328	8,000	672
Workmen's compensation	9,076	9,228	12,000	2,772
Subtotal	82,338	88,001	102,000	13,999
Fire department:				
Personal services	2,485	3,240	5,000	1,760
Contractual services	1,626	920	2,000	1,080
Commodities	42	1,295	1,000	(295)
Capital outlay	10,204	3,703	10,000	6,297
Subtotal	14,357	9,158	18,000	8,842

CITY OF MONTEZUMA, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2021	2022		Variance favorable (unfavorable)
		Actual	Budget	
Expenditures (continued):				
Noxious weed department:				
Personal services	\$ -	\$ -	\$ 5,000	\$ 5,000
Commodities	12,037	11,548	20,000	8,452
Subtotal	12,037	11,548	25,000	13,452
Emergency management:				
Contractual services	-	1,220	-	(1,220)
Police department:				
Personal services	18,603	20,973	26,000	5,027
Contractual services	123	1,306	1,000	(306)
Commodities	2,465	2,429	1,500	(929)
Subtotal	21,191	24,708	28,500	3,792
Street department:				
Contractual services	59,162	49,371	-	(49,371)
Commodities	4,861	16,229	75,000	58,771
Subtotal	64,023	65,600	75,000	9,400
Golf course:				
Personal services	34,409	38,913	42,500	3,587
Contractual services	62,433	59,678	57,500	(2,178)
Subtotal	96,842	98,591	100,000	1,409
Swimming pool	4,971	5,660	5,000	(660)
Pickleball court	37,364	17,636	-	(17,636)
Airport	4,602	9,419	5,000	(4,419)
City beautification	688	2,928	5,000	2,072
RV park expense	2,329	2,857	3,000	143
ADA van	-	-	1,000	1,000
Operating transfers	-	-	35,000	35,000
Total expenditures	535,642	540,368	\$ 612,000	\$ 71,632
Receipts over (under) expenditures	49,264	(117,341)		
Unencumbered cash, beginning of year	185,430	234,694	\$ 133,764	\$ 100,930
Unencumbered cash, end of year	\$ 234,694	\$ 117,353		

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>		Variance favorable (unfavorable)
		<u>Actual</u>	<u>Budget</u>	
Receipts:				
State of Kansas gas tax	<u>\$ 27,894</u>	<u>\$ 25,812</u>	<u>\$ 24,790</u>	<u>\$ 1,022</u>
Expenditures:				
Street repair and maintenance	1,968	-	\$ 50,610	\$ 50,610
Operating transfers out	<u>5,511</u>	<u>6,198</u>	<u>6,198</u>	<u>-</u>
Total expenditures	<u>7,479</u>	<u>6,198</u>	<u>\$ 56,808</u>	<u>\$ 50,610</u>
Receipts over (under) expenditures	20,415	19,614		
Unencumbered cash, beginning of year	<u>28,328</u>	<u>48,743</u>	<u>\$ 32,018</u>	<u>\$ 16,725</u>
Unencumbered cash, end of year	<u>\$ 48,743</u>	<u>\$ 68,357</u>		

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

PBC SALES TAX FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2021	2022		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Local sales tax	\$ 462,058	\$ 533,702	\$ 350,000	\$ 183,702
Expenditures:				
Debt service:				
Principal	115,000	120,000	\$ 120,000	\$ -
Interest	116,695	113,990	113,990	-
Commissions and postage	-	-	1,000	1,000
Capital outlay	129,228	308,884	225,000	(83,884)
Total expenditures	360,923	542,874	\$ 459,990	\$ (82,884)
Receipts over (under) expenditures	101,135	(9,172)		
Unencumbered cash, beginning of year	436,370	537,505	\$ 379,675	\$ 157,830
Unencumbered cash, end of year	\$ 537,505	\$ 528,333	\$ 269,685	\$ 258,648

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

SPECIAL STREET EQUIPMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts:		
Operating transfers in	\$ 5,511	\$ 6,198
Expenditures:		
Capital outlay	<u>9,772</u>	<u>3,744</u>
Receipts over (under) expenditures	(4,261)	2,454
Unencumbered cash, beginning of year	<u>35,471</u>	<u>31,210</u>
Unencumbered cash, end of year	<u>\$ 31,210</u>	<u>\$ 33,664</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

CAPITAL IMPROVEMENT FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts:		
Interest and assessments	\$ 10,081	\$ 16,824
Street assessments	3,052	1,774
Operating transfers in	<u>125,000</u>	<u>345,000</u>
Total receipts	<u>138,133</u>	<u>363,598</u>
Expenditures:		
General government	-	10,919
Culture and recreation	<u>-</u>	<u>184,462</u>
Total expenditures	<u>-</u>	<u>195,381</u>
Receipts over (under) expenditures	138,133	168,217
Unencumbered cash, beginning of year	<u>505,847</u>	<u>643,980</u>
Unencumbered cash, end of year	<u>\$ 643,980</u>	<u>\$ 812,197</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

ARPA FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts:		
Federal aid	\$ 73,558	\$ 73,558
Expenditures:		
Capital outlay	<u>-</u>	<u>57,460</u>
Receipts over (under) expenditures	73,558	16,098
Unencumbered cash, beginning of year	<u>-</u>	<u>73,558</u>
Unencumbered cash, end of year	<u><u>\$ 73,558</u></u>	<u><u>\$ 89,656</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

WALKING TRAIL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts:		
Federal aid	\$ -	\$ 108,946
Donations	<u>85,100</u>	<u>40,873</u>
Total receipts	85,100	149,819
Expenditures:		
Capital outlay	<u>-</u>	<u>305,265</u>
Receipts over (under) expenditures	85,100	(155,446)
Unencumbered cash, beginning of year	<u>-</u>	<u>85,100</u>
Unencumbered cash (deficit), end of year	<u><u>\$ 85,100</u></u>	<u><u>\$ (70,346)</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

DONATIONS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts:		
Donations	\$ -	\$ 131,657
Expenditures:		
Capital outlay	<u>-</u>	<u>136,082</u>
Receipts over (under) expenditures	-	(4,425)
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash (deficit), end of year	<u><u>\$ -</u></u>	<u><u>\$ (4,425)</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

PBC BOND RESERVE FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning of year	<u>315,000</u>	<u>315,000</u>
Unencumbered cash, end of year	<u>\$ 315,000</u>	<u>\$ 315,000</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

PBC PROJECT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>2021</u>	<u>2022</u>
Receipts:		
Miscellaneous	\$ -	\$ 1,525
Expenditures:		
Construction	567,091	-
Contractual services	<u>-</u>	<u>1,525</u>
Total expenditures	<u>567,091</u>	<u>1,525</u>
Receipts over (under) expenditures	(567,091)	-
Unencumbered cash, beginning of year	<u>567,091</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

ELECTRIC UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2022		Variance favorable (unfavorable)	
	2021	Actual		Budget
Receipts:				
Charges for services	\$ 1,231,369	\$ 1,373,182	\$ 1,300,000	\$ 73,182
Fees	-	300	-	300
Miscellaneous	-	10,102	-	10,102
Loan proceeds	200,000	-	-	-
Total receipts	<u>1,431,369</u>	<u>1,383,584</u>	<u>\$ 1,300,000</u>	<u>\$ 83,584</u>
Expenditures:				
Administrative and general	13,227	26,265	\$ 35,000	\$ 8,735
Distribution	54,966	79,970	85,000	5,030
Non-operating	32,067	2,399	160,000	157,601
Personal services	150,206	166,739	200,000	33,261
Employee benefits	138,614	125,712	160,000	34,288
Production	953,082	801,359	625,000	(176,359)
Sales tax	105,629	86,654	52,000	(34,654)
Miscellaneous	92	68	-	(68)
Operating transfers out	250,000	75,000	300,000	225,000
Debt service:				
Principal	19,882	19,814	19,814	-
Interest	369	438	438	-
Total expenditures	<u>1,718,134</u>	<u>1,384,418</u>	<u>\$ 1,637,252</u>	<u>\$ 252,834</u>
Receipts over (under) expenditures	(286,765)	(834)		
Unencumbered cash, beginning of year	<u>479,744</u>	<u>192,979</u>	<u>\$ 337,267</u>	<u>\$ (144,288)</u>
Unencumbered cash, end of year	<u>\$ 192,979</u>	<u>\$ 192,145</u>	<u>\$ 15</u>	<u>\$ 192,130</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

WATER - SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2021	2022		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Charges for services	\$ 407,995	\$ 484,946	\$ 365,000	\$ 119,946
Federal aid	-	-	73,123	(73,123)
Reimbursements	49	208	5,000	(4,792)
Sale of equipment	-	3,488	-	3,488
Miscellaneous	183	126	-	126
Total receipts	<u>408,227</u>	<u>488,768</u>	<u>\$ 443,123</u>	<u>\$ 45,645</u>
Expenditures:				
Administrative and general	594	931	\$ 3,500	\$ 2,569
Production	24,954	34,366	20,000	(14,366)
Distribution	79,197	85,913	165,000	79,087
Personal services	139,584	167,927	200,000	32,073
Non-operating	2,516	4,036	55,000	50,964
Capital outlay	32,028	649	179,000	178,351
Operating transfers out	50,000	250,000	50,000	(200,000)
Total expenditures	<u>328,873</u>	<u>543,822</u>	<u>\$ 672,500</u>	<u>\$ 128,678</u>
Receipts over (under) expenditures	79,354	(55,054)		
Unencumbered cash, beginning of year	<u>247,057</u>	<u>326,411</u>	<u>\$ 229,929</u>	<u>\$ 96,482</u>
Unencumbered cash, end of year	<u>\$ 326,411</u>	<u>\$ 271,357</u>	<u>\$ 552</u>	<u>\$ 270,805</u>

See Independent Auditor's Report.

CITY OF MONTEZUMA, KANSAS

TRASH UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	2021	2022		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Charges for services	\$ 86,929	\$ 105,483	\$ 87,500	\$ 17,983
County fees	62,308	62,858	65,000	(2,142)
Total receipts	149,237	168,341	\$ 152,500	\$ 15,841
Expenditures:				
Contractual services	71,335	93,569	\$ 85,000	\$ (8,569)
County fees	25,338	30,997	35,000	4,003
Other	-	-	9,000	9,000
Operating transfers out	25,000	70,000	80,000	10,000
Total expenditures	121,673	194,566	\$ 209,000	\$ 14,434
Receipts over (under) expenditures	27,564	(26,225)		
Unencumbered cash, beginning of year	62,297	89,861	\$ 56,797	\$ 33,064
Unencumbered cash, end of year	\$ 89,861	\$ 63,636	\$ 297	\$ 63,339

See Independent Auditor's Report.