

CITY OF LEOTI, KANSAS

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

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Leoti, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Leoti, 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 Leoti, 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 balance of the City of Leoti, 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 Leoti, 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 Leoti, 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, that raise substantial doubt about the City of Leoti, 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 Leoti, 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, that raise substantial doubt about the City of Leoti, Kansas' ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Leoti, Kansas as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated July 2, 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 web site 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 - actual and budget 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

July 27, 2023

CITY OF LEOTI, 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>	<u>Receipts</u>
General fund	\$ 473,706	\$ -	\$ 1,311,226
Special purpose funds:			
Ambulance and fire equipment	68,188	-	30,738
Special highway	194,623	-	108,308
Non-budgeted special purpose funds:			
Fire equipment reserve	200,828	-	-
Equipment reserve	622,558	-	350,000
Saturday cinema	2,256	-	-
Capital improvement general	7,500	-	-
Sidewalk project	72,728	-	-
ARPA	110,489	-	110,489
Total special purpose funds	<u>1,279,170</u>	<u>-</u>	<u>599,535</u>
Capital project fund:			
CCLIP project	-	-	8,125
Business funds:			
Water operating	1,027,260	-	832,740
Sanitation operating	275,158	-	270,900
Sewer operating	230,871	-	207,476
Storm water operating	78,624	-	8,730
Non-budgeted business funds:			
Water reserve	970,098	-	200,000
Sanitation reserve	127,112	-	25,000
Sewer reserve	90,000	-	-
Total business funds	<u>2,799,123</u>	<u>-</u>	<u>1,544,846</u>
Total reporting entity - excluding agency funds	<u>\$ 4,551,999</u>	<u>\$ -</u>	<u>\$ 3,463,732</u>
Composition of cash balance:			
Cash on hand			
Petty cash account			
General checking account			
Money market accounts			
Certificates of deposit			
Total cash			
Agency fund			
Total reporting entity - excluding agency funds			

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

STATEMENT 1

Expenditures	Ending unencumbered cash balance (deficit)	Add encumbrances and accounts payable	Ending cash balance (deficit)
\$ 1,479,350	\$ 305,582	\$ 11,937	\$ 317,519
-	98,926	-	98,926
2,250	300,681	-	300,681
178,920	21,908	178,919	200,827
62,171	910,387	47,030	957,417
-	2,256	-	2,256
-	7,500	-	7,500
-	72,728	-	72,728
220,978	-	-	-
464,319	1,414,386	225,949	1,640,335
11,573	(3,448)	-	(3,448)
597,024	1,262,976	20,362	1,283,338
376,459	169,599	2,019	171,618
310,559	127,788	933	128,721
701	86,653	-	86,653
-	1,170,098	-	1,170,098
-	152,112	-	152,112
-	90,000	-	90,000
1,284,743	3,059,226	23,314	3,082,540
\$ 3,239,985	\$ 4,775,746	\$ 261,200	\$ 5,036,946
			\$ 200
			1,300
			171,481
			1,384,418
			3,500,000
			5,057,399
			(20,453)
			\$ 5,036,946

CITY OF LEOTI, 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 Leoti is a municipal corporation governed by an elected mayor and five-member council. The City has no related municipal entities.

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.

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 services fund, etc.).

Agency fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity.

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), 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 local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

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

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

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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 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 capital project fund, utility reserve funds and the following special purpose funds:

- Fire Equipment Reserve Fund
- Equipment Reserve Fund
- Saturday Cinema Fund
- Capital Improvement General Fund
- Sidewalk Project Fund
- ARPA Fund

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. COMPLIANCE WITH KANSAS STATUTES

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 and legal representatives of the City.

The cash basis law provided by K.S.A. 10-1113 prohibits the creation of indebtedness in any fund in excess of monies available in that fund. Although the CCLIP Project fund overspent its cash balance, according to K.S.A. 12-1664, the Municipality 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 have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

C. 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. All deposits were legally secured at December 31, 2022.

At December 31, 2022, the carrying amount of the City's deposits, including certificates of deposit, was \$5,057,199 and the bank balance was \$5,062,166. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$4,562,166 was collateralized with securities held by the pledging financial institutions agents in the City's name.

D. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or 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 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 \$36,774 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 \$379,259. 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.

D. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

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

E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

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

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

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, members in KPERS receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate was set at 1% and contributions were \$2,160 for 2022.

Vacation Leave. Vacation leave is earned and credited according to a table in the employee handbook. Time is credited to the employee on a monthly basis and begins at 40 hours per year for employees with 1 year of employment, 80 hours for 2-5 years employment, and 120 hours for 5 or more years. Employees may carry over 40 hours of vacation leave at the end of the employment year. Any additional unused vacation at the end of the employment year will be paid out at 50% on the next scheduled pay date. Upon termination, employees will be paid for unused vacation at their regular rate of pay unless said employee fails to provide at least two weeks written notice in advance of their voluntary termination.

Sick Leave. Full time employees earn 4 hours of sick leave for each complete pay period. Sick leave may be accumulated up to 360 hours, but unused sick leave is not paid upon resignation or termination. Employees may use up to 24 hours of their accumulated sick leave per employment year for personal leave at their discretion.

Bereavement Leave. In the event of a death of an immediate family member, full time employees are entitled to 40 hours of bereavement leave with pay. Part-time employees are entitled to 5 days of their standard work hours equivalent. In the event of a death of another covered family member, full-time employees are entitled to 24 hours of bereavement leave with pay. Part-time employees are entitled to 3 days of their standard work hours equivalent.

Section 125 Plan. The City offers a Section 125 plan for all employees electing to participate. It is used for a variety of insurance, retirement, and other benefits. The City withholds the amounts from the employee's compensation and remits the withholding to the plan administrator.

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

Section 457 Deferred Compensation Plan. The City offers a Section 457 deferred compensation plan to all employees on a voluntary basis. The City does not contribute to the plan and the plan is administered by a third party.

F. 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/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General Obligation Bonds:					
Refunding and improvement issued February 11, 2015 in the amount of \$2,675,000 at interest rate of 2.75% maturing February 11, 2047	\$1,634,139	\$ -	\$ 44,158	\$1,589,981	\$ 44,939
Revolving Loan:					
Sewer improvements issued March 11, 2011 in the amount of \$592,149 at interest rate of 3.06% maturing in 2023	<u>184,942</u>	<u>-</u>	<u>114,378</u>	<u>70,564</u>	<u>5,550</u>
Total long-term debt	<u>\$1,819,081</u>	<u>\$ -</u>	<u>\$ 158,536</u>	<u>\$1,660,545</u>	<u>\$ 50,489</u>

Current maturities of general obligation bonds and interest for the next five years and in five-year increments through maturity are as follows:

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2023	\$ 45,372	\$ 43,724	\$ 89,096
2024	46,620	42,360	88,980
2025	47,729	41,308	89,037
2026	49,215	39,882	89,097
2027	50,568	38,529	89,097
2028-2032	274,309	170,928	445,237
2033-2037	314,051	131,246	445,297
2038-2042	359,849	85,528	445,377
2043-2047	<u>402,268</u>	<u>33,252</u>	<u>435,520</u>
Total	<u>\$ 1,589,981</u>	<u>\$ 626,757</u>	<u>\$ 2,216,738</u>

Current maturities of revolving loans and interest through maturity are as follows:

2023	<u>\$ 70,564</u>	<u>\$ 1,500</u>	<u>\$ 72,064</u>
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G. CAPITAL PROJECTS

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

	<u>Project commitments authorized</u>	<u>Cash disbursements and accounts payable to date</u>	<u>Remaining financial commitment</u>
7th Street Project			
EBH Engineering	\$ 185,796	\$ 185,796	\$ -
GPDI	21,870	21,870	-
Morgan Brothers	<u>720,207</u>	<u>720,207</u>	<u>-</u>
Total 7th Street	<u>927,873</u>	<u>927,873</u>	<u>-</u>
CCLIP			
EBH Engineering	<u>42,038</u>	<u>11,574</u>	<u>30,464</u>
Water Meters			
GWorks	5,000	5,000	-
Core & Main	<u>281,611</u>	<u>278,150</u>	<u>3,461</u>
Total Water Meters	<u>286,611</u>	<u>283,150</u>	<u>3,461</u>
Total Capital Projects	<u>\$ 1,256,522</u>	<u>\$ 1,222,597</u>	<u>\$ 33,925</u>

H. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Statutory authority</u>
General	Equipment reserve	\$ 250,000	K.S.A. 12-1,117
General	Water operating	130,245	K.S.A. 12-825d
Water operating	Water reserve	200,000	K.S.A. 12-825d
Sanitation operating	General	100,000	K.S.A. 12-825d
Sanitation operating	Equipment reserve	100,000	K.S.A. 12-825d
Sanitation operating	Sanitation reserve	25,000	K.S.A. 12-825d
Sewer operating	General	<u>100,000</u>	K.S.A. 12-825d
		<u>\$ 905,245</u>	

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; natural disasters; and medical needs of employees. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

J. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 27, 2023 and does not believe any events have occurred which affect the financial statement as presented.

**REGULATORY – REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF LEOTI, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2022

Fund	Certified budget	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance favorable (unfavorable)
General fund	\$ 1,479,350	\$ -	\$ 1,479,350	\$ 1,479,350	\$ -
Special purpose funds:					
Ambulance and fire equipment	97,000	-	97,000	-	97,000
Special highway	39,339	-	39,339	2,250	37,089
Business funds:					
Water operating	953,297	-	953,297	597,024	356,273
Sanitation operating	425,000	-	425,000	376,459	48,541
Sewer operating	335,475	-	335,475	310,559	24,916
Storm water operating	56,000	-	56,000	701	55,299
Total	<u>\$ 3,385,461</u>	<u>\$ -</u>	<u>\$ 3,385,461</u>	<u>\$ 2,766,343</u>	<u>\$ 619,118</u>

See Independent Auditor's Report.

CITY OF LEOTI, 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:				
Ad valorem property tax	\$ 488,136	\$ 485,360	\$ 484,520	\$ 840
Delinquent tax	13,653	20,332	2,529	17,803
Motor vehicle tax	108,331	107,829	104,746	3,083
Recreation vehicle tax	1,301	1,364	1,098	266
16/20M vehicle tax	1,935	1,691	1,836	(145)
Shared revenue:				
Local alcohol liquor	1,212	1,301	762	539
Local sales tax	138,695	139,385	105,000	34,385
Compensating use tax	41,015	45,068	22,000	23,068
Licenses, fees, fines and permits:				
Franchise fees	111,409	116,600	100,000	16,600
Fines and penalties	5,697	5,530	6,000	(470)
Other licenses, fees, and permits	3,805	5,065	6,000	(935)
Interest:				
Interest on idle funds	24,734	22,025	20,000	2,025
Other:				
County fire contract	30,000	30,000	30,000	-
Insurance proceeds	-	31,436	-	31,436
Miscellaneous	16,496	33,121	6,000	27,121
Rent	15,766	15,840	14,400	1,440
Sale of assets	-	6,510	-	6,510
Donations	5,000	50,350	-	50,350
Transfers:				
Sanitation operating	-	100,000	100,000	-
Sewer operating	100,000	100,000	100,000	-
Neighborhood revitalization rebate	(8,445)	(7,581)	(7,082)	(499)
Total receipts	<u>1,098,740</u>	<u>1,311,226</u>	<u>\$ 1,097,809</u>	<u>\$ 213,417</u>
Expenditures:				
General government:				
Personal services	227,596	276,222	\$ 200,000	\$ (76,222)
Contractual services	103,674	103,420	110,000	6,580
Commodities	48,558	29,488	40,000	10,512
Capital outlay	-	-	20,000	20,000
Reimbursed expenditures	(2,422)	(3,912)	-	3,912
Total general government	<u>377,406</u>	<u>405,218</u>	<u>370,000</u>	<u>(35,218)</u>
Appropriations:				
Airport	1,400	1,400	1,400	-
Cemetery	1,400	1,400	1,400	-
WCED	42,750	42,750	42,750	-
Golf course	20,000	20,000	20,000	-
Historical society	6,500	6,500	6,500	-
Total appropriations	<u>72,050</u>	<u>72,050</u>	<u>72,050</u>	<u>-</u>

CITY OF LEOTI, 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):				
Public safety:				
Law enforcement agreement	\$ 87,000	\$ 87,000	\$ 87,000	\$ -
Fire department:				
Personal services	4,764	4,521	9,100	4,579
Contractual services	30,724	74,909	42,200	(32,709)
Commodities	41,583	45,840	52,500	6,660
Capital outlay	-	-	10,500	10,500
Total fire department	77,071	125,270	114,300	(10,970)
Total public safety	164,071	212,270	201,300	(10,970)
Public works:				
Personal services	127,684	124,850	150,000	25,150
Contractual services	192,207	171,099	225,000	53,901
Commodities	40,256	41,583	45,000	3,417
Capital outlay	-	-	100,000	100,000
Total public works	360,147	337,532	520,000	182,468
Culture and recreation - parks:				
Personal services	21,000	26,000	26,000	-
Contractual services	-	4,470	-	(4,470)
Commodities	-	5,964	-	(5,964)
Total culture and recreation - parks	21,000	36,434	26,000	(10,434)
Municipal court:				
Personal services	12,704	5,330	9,800	4,470
Contractual services	30,460	30,271	30,000	(271)
Commodities	-	-	200	200
Total municipal court	43,164	35,601	40,000	4,399
Transfers:				
Fire equipment reserve	37,228	-	-	-
Equipment reserve	149,184	250,000	250,000	-
Water operating	-	130,245	-	(130,245)
Total transfers	186,412	380,245	250,000	(130,245)
Total expenditures	1,224,250	1,479,350	\$ 1,479,350	\$ -
Receipts over (under) expenditures	(125,510)	(168,124)		
Unencumbered cash, beginning of year	599,216	473,706	\$ 381,541	\$ 92,165
Unencumbered cash, end of year	\$ 473,706	\$ 305,582	\$ -	\$ 305,582

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

AMBULANCE AND FIRE EQUIPMENT 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>		<u>Variance favorable (unfavorable)</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts:				
Taxes:				
Ad valorem property tax	\$ 25,442	\$ 24,315	\$ 24,270	\$ 45
Delinquent tax	686	1,020	132	888
Motor vehicle tax	5,648	5,624	5,460	164
Recreation vehicle tax	68	71	57	14
16/20M vehicle tax	99	88	96	(8)
Neighborhood revitalization rebate	<u>(440)</u>	<u>(380)</u>	<u>(355)</u>	<u>(25)</u>
Total receipts	31,503	30,738	<u>\$ 29,660</u>	<u>\$ 1,078</u>
Expenditures:				
Public safety:				
Capital outlay	<u>-</u>	<u>-</u>	<u>\$ 97,000</u>	<u>\$ 97,000</u>
Receipts over (under) expenditures	31,503	30,738		
Unencumbered cash, beginning of year	<u>36,685</u>	<u>68,188</u>	<u>\$ 67,340</u>	<u>\$ 848</u>
Unencumbered cash, end of year	<u>\$ 68,188</u>	<u>\$ 98,926</u>	<u>\$ -</u>	<u>\$ 98,926</u>

See Independent Auditor's Report.

CITY OF LEOTI, 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)

	2021	2022		Variance favorable (unfavorable)
		Actual	Budget	
Receipts:				
Gas tax	\$ 41,630	\$ 38,541	\$ 37,240	\$ 1,301
Federal aid	392,746	69,767	-	69,767
Transfer from water operating	400,000	-	-	-
Transfer from sanitation operating	100,000	-	-	-
Total receipts	<u>934,376</u>	<u>108,308</u>	<u>\$ 37,240</u>	<u>\$ 71,068</u>
Expenditures:				
Highways and streets:				
Contractual services	16,410	2,250	\$ 39,339	\$ 37,089
Capital outlay	<u>838,002</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>854,412</u>	<u>2,250</u>	<u>\$ 39,339</u>	<u>\$ 37,089</u>
Receipts over (under) expenditures	79,964	106,058		
Unencumbered cash, beginning of year	<u>114,659</u>	<u>194,623</u>	<u>\$ 2,099</u>	<u>\$ 192,524</u>
Unencumbered cash, end of year	<u>\$ 194,623</u>	<u>\$ 300,681</u>	<u>\$ -</u>	<u>\$ 300,681</u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

NON-BUDGETED SPECIAL PURPOSE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2022

	<u>Fire equipment reserve</u>	<u>Equipment reserve</u>	<u>Saturday cinema</u>	<u>Capital improvement general</u>	<u>Sidewalk project</u>	<u>ARPA</u>	<u>Total</u>
Receipts:							
Federal aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,489	\$ 110,489
Transfer from general	-	250,000	-	-	-	-	250,000
Transfer from sanitation operating	-	100,000	-	-	-	-	100,000
Total receipts	-	350,000	-	-	-	110,489	460,489
Expenditures:							
Contractual services	-	-	-	-	-	12,500	12,500
Capital outlay	178,920	62,171	-	-	-	208,478	449,569
Total expenditures	178,920	62,171	-	-	-	220,978	462,069
Receipts over (under) expenditures	(178,920)	287,829	-	-	-	(110,489)	(1,580)
Unencumbered cash, beginning of year	200,828	622,558	2,256	7,500	72,728	110,489	1,016,359
Unencumbered cash, end of year	<u>\$ 21,908</u>	<u>\$ 910,387</u>	<u>\$ 2,256</u>	<u>\$ 7,500</u>	<u>\$ 72,728</u>	<u>\$ -</u>	<u>\$ 1,014,779</u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

CCLIP PROJECT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2022

Receipts:		
State aid		\$ 8,125
Expenditures:		
Capital outlay		<u>11,573</u>
Receipts over (under) expenditures		(3,448)
Unencumbered cash, beginning of year		<u>-</u>
Unencumbered cash (deficit), end of year		<u><u>\$ (3,448)</u></u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

WATER OPERATING 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 service	\$ 651,989	\$ 674,341	\$ 575,000	\$ 99,341
Penalties	5,322	5,464	5,000	464
Installations/connections	2,565	3,050	1,500	1,550
Coin box sales	6,243	8,118	4,500	3,618
Miscellaneous	11,300	11,522	-	11,522
Transfer from general	-	130,245	-	130,245
Total receipts	<u>677,419</u>	<u>832,740</u>	<u>\$ 586,000</u>	<u>\$ 246,740</u>
Expenditures:				
Distribution:				
Personal services	72,465	113,773	\$ 125,000	\$ 11,227
Contractual services	157,670	127,519	128,700	1,181
Commodities	70,683	66,635	55,000	(11,635)
Capital outlay	-	-	150,000	150,000
Debt service:				
Principal	242,795	44,158	249,658	205,500
Interest	51,757	44,939	44,939	-
Transfer to water reserve	200,000	200,000	200,000	-
Transfer to special highway	400,000	-	-	-
Total expenditures	<u>1,195,370</u>	<u>597,024</u>	<u>\$ 953,297</u>	<u>\$ 356,273</u>
Receipts over (under) expenditures	(517,951)	235,716		
Unencumbered cash, beginning of year	<u>1,545,211</u>	<u>1,027,260</u>	<u>\$ 777,960</u>	<u>\$ 249,300</u>
Unencumbered cash, end of year	<u>\$ 1,027,260</u>	<u>\$ 1,262,976</u>	<u>\$ 410,663</u>	<u>\$ 852,313</u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

SANITATION OPERATING 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:				
Sanitation collection fees	\$ 264,065	\$ 265,514	\$ 250,000	\$ 15,514
Yard waste collection fees	468	946	-	946
Penalties	2,517	2,537	-	2,537
Containers sold	2,290	1,903	-	1,903
Miscellaneous	1,001	-	-	-
Total receipts	<u>270,341</u>	<u>270,900</u>	<u>\$ 250,000</u>	<u>\$ 20,900</u>
Expenditures:				
Personal services	90,833	105,272	\$ 95,000	\$ (10,272)
Contractual services	17,387	22,553	25,000	2,447
Commodities	31,515	23,634	30,000	6,366
Capital outlay	-	-	50,000	50,000
Transfer to general	-	100,000	100,000	-
Transfer to sanitation reserve	25,000	25,000	25,000	-
Transfer to special highway	100,000	-	-	-
Transfer to equipment reserve	100,000	100,000	100,000	-
Total expenditures	<u>364,735</u>	<u>376,459</u>	<u>\$ 425,000</u>	<u>\$ 48,541</u>
Receipts over (under) expenditures	(94,394)	(105,559)		
Unencumbered cash, beginning of year	<u>369,552</u>	<u>275,158</u>	<u>\$ 194,553</u>	<u>\$ 80,605</u>
Unencumbered cash, end of year	<u>\$ 275,158</u>	<u>\$ 169,599</u>	<u>\$ 19,553</u>	<u>\$ 150,046</u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

SEWER OPERATING 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:				
Sewer fees	\$ 214,965	\$ 205,665	\$ 210,000	\$ (4,335)
Penalties	2,091	1,811	2,000	(189)
Total receipts	<u>217,056</u>	<u>207,476</u>	<u>\$ 212,000</u>	<u>\$ (4,524)</u>
Expenditures:				
Personal services	56,591	35,935	\$ 46,000	\$ 10,065
Contractual services	38,997	38,782	50,000	11,218
Commodities	14,876	15,914	20,000	4,086
Debt service:				
Principal	117,268	114,378	114,378	-
Interest	7,837	5,550	5,097	(453)
Transfer to general	100,000	100,000	100,000	-
Total expenditures	<u>335,569</u>	<u>310,559</u>	<u>\$ 335,475</u>	<u>\$ 24,916</u>
Receipts over (under) expenditures	(118,513)	(103,083)		
Unencumbered cash, beginning of year	<u>349,384</u>	<u>230,871</u>	<u>\$ 235,920</u>	<u>\$ (5,049)</u>
Unencumbered cash, end of year	<u>\$ 230,871</u>	<u>\$ 127,788</u>	<u>\$ 112,445</u>	<u>\$ 15,343</u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

STORM WATER OPERATING 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:				
Storm water fees	\$ 8,716	\$ 8,632	\$ 8,800	\$ (168)
Penalties	93	98	100	(2)
Total receipts	<u>8,809</u>	<u>8,730</u>	<u>\$ 8,900</u>	<u>\$ (170)</u>
Expenditures:				
Contractual services	810	701	\$ 3,000	\$ 2,299
Commodities	-	-	3,000	3,000
Capital outlay	-	-	50,000	50,000
Total expenditures	<u>810</u>	<u>701</u>	<u>\$ 56,000</u>	<u>\$ 55,299</u>
Receipts over (under) expenditures	7,999	8,029		
Unencumbered cash, beginning of year	<u>70,625</u>	<u>78,624</u>	<u>\$ 48,524</u>	<u>\$ 30,100</u>
Unencumbered cash, end of year	<u>\$ 78,624</u>	<u>\$ 86,653</u>	<u>\$ 1,424</u>	<u>\$ 85,229</u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

NON-BUDGETED BUSINESS FUNDS

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2022

	<u>Water reserve</u>	<u>Sanitation reserve</u>	<u>Sewer reserve</u>	<u>Total</u>
Receipts:				
Transfer from water operating	\$ 200,000	\$ -	\$ -	\$ 200,000
Transfer from sanitation operating	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total receipts	200,000	25,000	-	225,000
Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	200,000	25,000	-	225,000
Unencumbered cash, beginning of year	<u>970,098</u>	<u>127,112</u>	<u>90,000</u>	<u>1,187,210</u>
Unencumbered cash, end of year	<u><u>\$ 1,170,098</u></u>	<u><u>\$ 152,112</u></u>	<u><u>\$ 90,000</u></u>	<u><u>\$ 1,412,210</u></u>

See Independent Auditor's Report.

CITY OF LEOTI, KANSAS

AGENCY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS

For the Year Ended December 31, 2022

<u>Fund</u>	<u>Beginning cash balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending cash balance</u>
Landfill	<u>\$ 19,729</u>	<u>\$ 76,861</u>	<u>\$ 76,137</u>	<u>\$ 20,453</u>

See Independent Auditor's Report.