INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES FOR THE CITY OF MULLINVILLE FOR THE YEAR ENDED DECEMBER 31, 2021

LEWIS, HOOPER & DICK LLC
certified public accountants

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Mayor and City Council
City of Mullinville
PO Box 12
Mullinville, KS 67109

We have performed the procedures enumerated below on the accounting records of the City of Mullinville for the year ended December 31, 2021. The City of Mullinville's management is responsible for the maintenance and reporting of the City's accounting records.

The City of Mullinville has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is related to the maintenance and reporting of accounting records of the City for the year ended December 31, 2021. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows for the year ended December 31, 2021:

1. We tied the City's total cash per books at year-end to source documents and reviewed the bank reconciliation for the last month of the year. In addition, we confirmed bank balances at year-end and ensured that bank reconciliations are being approved and completed in a timely manner.

   The City's total cash per the books at year-end agreed with source documents and the bank reconciliation for the last month of the year. Bank balances confirmed agreed with reconciliation which was completed in a timely manner but not initialed or signed as approved.

2. We reconciled the year-end cash balance as shown on the Statement of Cash Receipts and Cash Disbursements to: 1) demand deposits at the City's official depository, 2) time deposits at the City's official depository, 3) investments in U.S. Treasury bills and other cash/investment accounts.

   The year-end cash balance as shown on the Statement of Cash Receipts and Cash Disbursements agreed with the City's demand and time deposits per the bank.

3. We confirmed the pledged securities as of December 31, 2021, to determine whether deposits were adequately secured.

   The City's deposits were adequately secured at year-end.

4. For the last bank statement of the year, we compared the name of the depository institution to an entry in the official minutes that designated the institution as the City's official depository.

   The City's depository institution per the last bank statement of the year agreed with the designated institution approved in the minutes.

5. For a minimum of two months, we traced any interest income from the bank statements to the City's cash receipts records. In addition, we tied out total interest income per the bank confirmation to the City's general ledger.

   Of the two months selected, we were able to trace the interest income from the bank statements to the City's cash receipts records. We were also able to tie out total interest per the bank confirmation to the City's general ledger.

6. For a minimum of four separate months, (two of which being the first and last month of the year), we traced non-mail cash receipts from the receipt book to the bookkeeping records to determine if the receipts were properly recorded. In addition, for the same four months, we traced bookkeeping entries for cash receipts to the bank statements to determine if receipts were deposited intact and on a timely basis.

   For the four months traced, receipts in the receipt book had an immaterial difference to the amounts posted to bookkeeping records. Further, two of the four months traced had differences between the bookkeeping records and the amounts deposited in the bank per the monthly bank statements.

7. For approximately fifteen percent of the non-payroll cash disbursements, we traced disbursements from the bookkeeping records to the related invoices, bank statements, and canceled checks.

   Nine non-payroll cash disbursements were traced to a related invoice, bank statement, and canceled check with no exceptions noted.

8. For a minimum of two months, we compared the disbursements as recorded in the books to an entry in the official minutes for approval of the selected months' disbursements.

   For the months of May and July, we were not able to compare disbursements to the approval in the minutes.

9. We examined evidence of encumbrances and accounts payable to determine if they were properly stated in the financial statement as of the end of the year. In addition, we reviewed expenditures per the minutes and for the first two months of the subsequent year for proper period accounting.

   The encumbrances and accounts payables were not properly stated in the financial statement at year-end. Accounts payable was understated by $8,059.

10. We reviewed the credit card policy and internal controls of the City. For a minimum of two months, we reviewed the City's credit card transactions to determine if approvals, expenditure procedures and proper classification of expenditures were followed. In this report, we also describe the credit card procedure, if the credit card procedures and internal controls are being followed and if the City's credit cards are only in the name of the City.

    For the two months selected, the City's credit card transaction documentation indicated the credit card policy and internal controls for appropriate approval, expenditure procedures and proper classification of expenditures were followed.

    The City's credit card policy requires each employee with a card to sign a user agreement. Credit cards remain in the City office building and are signed-out for purchases. Sign-outs are approved by the mayor or city clerk prior to usage. Purchase orders must accompany any credit card transactions. Purchases are limited to $450 per transaction. Purchase orders must be signed and approved by the Mayor or Council President.

Credit cards are in the name of the City; however, the card's statements do have a past employee listed as the recipient, followed by the City.

11. We reviewed payroll for a minimum of two months to determine that proper deductions and employer contributions were remitted. In addition, we traced the year-end payroll reports to the payroll register and general ledger to ensure proper reporting and remittance of payroll withholdings

    Proper payroll deductions and employer contributions were remitted for the two months selected. Per the year-end payroll reports, there was proper reporting and remittance of payroll withholdings.

12. For the last month of the year, we reviewed the payroll records for each employee to determine if a deduction for KPERS (Kansas Public Employees Retirement System) was made.

    There was one eligible employee subject to KPERS withholding at year-end. For this employee, a deduction for KPERS was made and remitted.

13. We compared the following items in the current year financial statement to the same items in the prior year financial statement to determine if there was a variance of more than twenty-five percent per fund: 1) total cash receipts, 2) total cash disbursements, 3) encumbrances and accounts payable, and 4) ending unencumbered cash balance.

    In comparing the current year financial statement to the prior year, we found the following funds had variances greater than twenty-five percent.

Total cash receipts

Fund	2021	2020	Variance	Circumstance
Utility	$ 187,032.89	$ 79,398.94	57.55%	The City received $104,000 in grant revenue to replace waterlines and rehabilitate water storage.
Equipment	4,000.00	93.00	97.68%	There was a transfer made in 2021 of $4,000.
Meter Deposit	960.00	480.00	50.00%	There were more meter deposits in 2021 than in 2020.

Total cash disbursements

Fund	2021	2020	Variance	Circumstance
Utility	$ 117,819.65	$ 16,307.95	86.16%	In 2021 the City paid $59,166 out of the Utility fund toward the replacement of waterlines and to rehabilitate water storage. In addition, the City installed a new VFD, gas chlorinator, air release, roof and transfer release for the wells totaling $15,300 during 2021. The City contracted for monthly tower maintenance at $595, starting in December 2020.
Special Street	-	21,345.00	-100.00%	The City resurfaced Main Street during 2020. There were no street projects during 2021.
Equipment	4,916.00	-	100.00%	The lease payment for the skidsteer was paid out of the equipment fund in 2021.
Meter Deposit	60.06	215.82	-259.34%	There were fewer customer deposits refunded in 2021 compared to 2020.

Encumbrances and accounts payable

Fund	2021	2020	Variance	Circumstance
General	$ (8,612.08)	$ -	100.00%	During 2021, the City began using the Accounts Payable feature in their accounting software. However, the activity was not properly coded between funds and years.
Utility	11,530.12	-	100.00%	During 2021, the City began using the Accounts Payable feature in their accounting software. However, the activity was not properly coded between funds and years.

Ending unencumbered cash balance

Fund	2021	2020	Variance	Circumstance
General	$ 125,443.28	$ 75,367.98	39.92%	The City saw an increase in sales and use tax of $19,659 during 2021 as well as an increase in property taxes of $9,913. This accounts for $29,572 of the difference, while the remaining variance is less than 25%.
Fire	13,972.05	7,721.21	44.74%	The City brought in $6,251 more in cash receipts than income during 2021 with the intent to reserve the funds for future capital project needs of the fire department.
Special Street	13,452.01	6,513.86	51.58%	The City received $6,938 in Special Highway funds during 2021. In addition, there were no street projects during 2021.
Equipment	1,629.69	2,545.69	-56.21%	The lease payment for the skidsteer was paid out of the equipment fund in 2021.
Meter Deposit	1,704.88	804.94	52.79%	There were fewer customer deposits refunded and more deposits received in 2021 compared to 2020.

14. For a minimum of three months, we reviewed the City's month-end Statement of Cash Receipts and Cash Disbursements to determine that the ending unencumbered cash balance was greater than or equal to zero.

    For the three months selected, we were able to determine from the accounting system that the ending unencumbered cash balance was greater than or equal to zero.

15. For a minimum of two months, we reviewed the official minutes to determine if the minutes had been signed by the President of the City Council.

    For the two months selected, we found the official minutes were signed.

16. We reviewed the City's surety bonds to determine if all employees and officers entrusted with funds or property were covered by such a bond.

    All employees and officers entrusted with funds or property were covered by a surety bond as of December 31, 2021.

17. We reviewed the Kansas Regulatory Compliance Checklists for "General - All Municipalities", and "For a City" for compliance.

    The City failed to comply with the following checklist items:

    - K.S.A. 10-816 allows checks over two years old to be voided and restored to the original fund. As of December 31, 2021, the City had 13 outstanding checks totaling $769.08 over two years old.

    - K.S.A 79-2935 requires no indebtedness be created in excess of budgeted limits. The City Council monitors budget balances through the monthly Treasurer's Report. However, the Treasurer's Report was not provided to the City Council for the last few months of the year.

- K.S.A. 79-2934 requires records to be kept for each fund showing the budget balance available for appropriation. The budget balance is provided and monitored in the Treasurer's report monthly. However, the Treasurer's report was not provided for the last few months of the year.

We were engaged by the City of Mullinville to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of City of Mullinville for the year ended December 31, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Mullinville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the management of City of Mullinville, and is not intended to be and should not be used by anyone other than this specified party.

Lewis, Hooper & Dick, LLC

LEWIS, HOOPER & DICK, LLC

June 17, 2022