CITY OF HANOVER
HANOVER, KANSAS

FINANCIAL STATEMENT
DECEMBER 31, 2021

CITY OF HANOVER, KANSAS

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of the
City of Hanover, Kansas

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Hanover, Kansas, (the City) as of and for the year ended December 31, 2021, 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 my report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

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

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances.

Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

James Gordon & Associates CPA, P.A.

James Gordon & Associates CPA, P.A.
Manhattan, Kansas
April 15, 2023

CITY OF HANOVER, KANSAS
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances And Accounts Payable	Ending Cash Balance
General Fund:						
General	$ 251,420	$ 552,164	$ 512,753	$ 290,831	$ -	$ 290,831
Special Purpose Fund:						
Library	502	24,955	23,923	1,534	-	1,534
Noxious Weed	44	3,556	-	3,600	-	3,600
Employee Benefit	20,402	48,610	58,923	10,089	-	10,089
Special Highway	2,085	18,836	-	20,921	-	20,921
Special Parks and Recreation	155	406	-	561	-	561
Equipment Reserve	134,463	24,497	1,656	157,304	-	157,304
Business Fund:						
Water and Sewer Utility	34,839	5,606,916	5,509,688	132,067	196,246	328,313
Total	$ 443,910	$ 6,279,940	$ 6,106,943	$ 616,907	$ 196,246	$ 813,153

Composition of Cash:	
Checking Accounts	$ 489,385
Certificates of Deposit	323,768
Total Reporting Entity	$ 813,153

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

Notes to the Financial Statement
December 31, 2021

Note 1 – Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Hanover, Kansas, (the City), is a municipal corporation governed by an elected five-member council plus a mayor. This regulatory financial statement presents the City of Hanover, Kansas, the primary government. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The primary government financial statement referred to above does not include the component units of the City.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the City for the year 2021:

Regulatory Basis fund types

General 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 revenue sources, other than major capital projects, that are restricted by law or administrative action to expenditures for specified purposes.

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

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

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

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

Reimbursed Expenditures

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Note 2 – Budgetary Information

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

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

Note 2 – Budgetary Information (continued)

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of a 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 amendments to the 2021 budget.

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 revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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 capital project funds and trust 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.

Note 3 – 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 Municipality 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.

Note 3 – 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.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance, or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated "peak periods". All deposits were legally secured at December 31, 2021.

At December 31, 2021, the carrying amount of the City's deposits including certificates of deposit was $813,153 and the bank balance was $828,872. The bank balance was held at one bank resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks. Of the bank balance, $250,000 was covered by FDIC insurance and the remainder was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties; the City, the pledging bank, and the independent third-party bank holding the pledged securities.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments during 2021.

Note 4 – Property Taxes

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar-year basis and are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of the full amounts of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes levied and collected in the year prior to January 1st of the ensuing year.

Note 5 – Interfund Transactions

The following operating transfers have been authorized for the year 2021:

From	To	Amount	Regulatory Authority
General	Equipment Reserve	$ 24,497	KSA 12-1, 117
Water & Sewer Utility	Employee Benefit	22,400	KSA 12-825d

Note 6 – Capital Projects

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

Project Name	Project Authorization	Expended To Date
Public Water Supply System Improvements	$ 4,430,000	$ 3,434,942

Note 7 – Long-Term Debt

The City has issued Series 2021 General Obligation Bonds in the amount of $2,797,000, for the purpose of retiring the Series 2021 Temporary Note and financing the Public Water Supply System Improvements project.

The City issued a General Obligation Temporary Note Series 2021 in the amount of $2,000,000, for the purpose of financing the Public Water Supply System Improvements project. The note was paid off in 2021.

On December 17, 2018, the City entered into a capital lease for $400,606, in order to purchase a fire station within the City. The lease has annual payments, which started in February 2019, with a final payment due February 1, 2028, with an interest rate of 3.55%.

Note 7 – Long-Term Debt (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2021, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest and Service Fee Paid
City of Hanover									
General Obligation Bonds									
Series 2021	1.75%	10/28/2021	$ 2,797,000	10/28/2061	$ -	$2,797,000	$ -	$ 2,797,000	$ -
General Obligation Temporary Notes									
Series 2021 Temp Note	2.28%	1/11/2021	2,000,000	12/31/2022	-	2,000,000	2,000,000	-	20,900
Capital Lease Agreements									
Fire Station	3.55%	12/17/2018	400,606	2/1/2028	259,289	-	27,376	231,913	12,685
					$ 259,289	$4,797,000	$ 2,027,376	$ 3,028,913	$ 33,585

Note 7 – Long-Term Debt (continued)

Current maturities of long-term debt for the next five years and five-year increments through maturity are as follows:

	Years												
	2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	Total
Principal													
General Obligation Bonds	$ 48,893	$ 49,748	$ 50,489	$ 51,502	$ 52,404	$ 275,973	$ 300,892	$ 328,287	$ 358,046	$ 390,506	$ 425,879	$ 464,381	$2,797,000
Capital Leases	29,838	30,897	31,994	33,130	34,306	71,748	-	-	-	-	-	-	231,913
Total Principal	78,731	80,645	82,483	84,632	86,710	347,721	300,892	328,287	358,046	390,506	425,879	464,381	3,028,913
Interest													
General Obligation Bonds	48,948	48,092	47,351	46,338	45,436	213,227	188,308	160,913	131,154	98,694	63,321	24,666	1,116,448
Capital Leases	8,233	7,174	6,077	4,941	3,765	3,833	-	-	-	-	-	-	34,023
Total Interest	57,181	55,266	53,428	51,279	49,201	217,060	188,308	160,913	131,154	98,694	63,321	24,666	1,150,471
Total Principal & Interest	$ 135,912	$ 135,911	$ 135,911	$ 135,911	$ 135,911	$ 564,781	$ 489,200	$ 489,200	$ 489,200	$ 489,200	$ 489,200	$ 489,047	$4,179,384

Note 8 – Other Long-Term Obligations from Operations

Compensated Absences

Expenses for accumulated paid leave earned by the employees are recorded when paid or taken by the employees. Only full-time employees, defined as employees who work at least 1,000 hours per year, shall be entitled to benefits of leave accumulation, holidays, insurance programs, and other similar benefits. No benefits are available or can be accrued by a part-time or seasonal employee. Each City employee shall receive 160 hours of paid regular leave per year after the first full calendar year of service, accumulation up to and not more than 240 hours. After seven years of employment shall be allowed to accumulate up to 360 hours of paid leave. Upon request of an employee, the Governing Body may choose to pay an employee for accumulated paid leave in excess of the stated maximums at the end of any calendar year. Upon termination, no leave shall be paid unless approved by the City Council.

Note 9 – Defined Benefit Pension Plan

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

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

Note 9 – Defined Benefit Pension Plan (continued)

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 employer contribution rates. The actuarially determined employer contribution rate (not including the 1% for the Death and Disability Program) and the statutory contribution rate was 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were $8,797 for the year ended December 31, 2021.

Net Pension Liability
At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was $64,930. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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 nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize the long-term debt, this liability is not reported in these financial statements.

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

Note 10 – Other Long – Term Obligations from Operations

Other Post-Employment Benefits
As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government 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.

Note 11 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no decreases in insurance coverage from the prior year

Note 12 – Evaluation of Subsequent Events

The City has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report which is the date the financial statement was available for issue.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

CITY OF HANOVER, KANSAS

Summary of Expenditures – Actual and Budget
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended December 31, 2021

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund:					
General	$ 568,791	$ -	$ 568,791	$ 512,753	$ (56,038)
Special Purpose Fund:					
Library	23,923	-	23,923	23,923	-
Noxious Weed	3,380	-	3,380	-	(3,380)
Employee Benefit	90,284	-	90,284	58,923	(31,361)
Special Highway	31,813	-	31,813	-	(31,813)
Special Parks and Recreation	2,950	-	2,950	-	(2,950)
Equipment Reserve*	158,960	-	158,960	1,656	(157,304)
Business Fund:					
Water and Sewer Utility	4,966,976	2,000,000	6,966,976	5,509,688	(1,457,288)

* This fund is not required to have a legal operating budget

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

General Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	$ 260,891	$ 264,393	$ (3,502)
Delinquent Tax	8,179	-	8,179
Motor Vehicle Tax	34,703	24,321	10,382
Recreational Vehicle Tax	604	302	302
16/20M Vehicle Tax	938	812	126
Commercial Vehicle Tax	2,468	2,575	(107)
Watercraft Tax	121	113	8
Intangible Tax	3,525	1,529	1,996
Local Alcohol Liquor	407	565	(158)
Compensating Use Tax	23,690	-	23,690
Local Sales Tax	52,504	52,000	504
Franchise Tax	46,375	48,000	(1,625)
Licenses	2,175	1,100	1,075
Charges for Services-Pool	5,385	4,800	585
Supplies sold, Refunds, Reimbursments	15,565	1,500	14,065
Grants	76,126	-	76,126
Rental Income	10,722	-	10,722
Interest Income	1,347	5,800	(4,453)
Neighborhood Revitalization	(81)	(81)	-
Other Receipts	6,521	-	6,521
Total Receipts	552,164	$ 407,729	$ 144,435

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

General Fund (Continued)
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Expenditures			
Administration			
Personnel Services	$ 28,400	$ 25,110	$ 3,290
Contractual Services	26,404	16,000	10,404
Commodities	20,375	28,000	(7,625)
Total General	75,179	69,110	6,069
Police			
Contractual Services	4,150	3,800	350
Commodities	-	1,200	(1,200)
Total Police	4,150	5,000	(850)
Street			
Personnel Services	48,889	49,680	(791)
Contractual Services	31,238	34,550	(3,312)
Commodities	95,820	131,000	(35,180)
Capital Outlay	-	24,000	(24,000)
Total Street	175,947	239,230	(63,283)
Park			
Personnel Services	24,947	36,200	(11,253)
Contractual Services	4,130	10,400	(6,270)
Commodities	14,931	20,490	(5,559)
Capital Outlay	62,900	-	62,900
Total Park	106,908	67,090	39,818
Fire			
Personnel Services	865	1,480	(615)
Contractual Services	9,310	4,800	4,510
Commodities	9,786	10,600	(814)
Capital Outlay	40,061	40,061	-
Total Fire	60,022	56,941	3,081
Community Building			
Contractual Services	2,356	-	2,356
Commodities	20,045	-	20,045
Total Community Building	22,401	-	22,401

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

General Fund (Continued)
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Other			
Emergency Medical Service	$ 10,000	$ 10,000	$ -
Senior Citizen Center	17,000	5,500	11,500
Hanover Chamber of Commerce	-	10,000	(10,000)
150th Celebration Prokect	1,128	-	1,128
Transfer to Municipal Equipment Reserve Fund	24,497	24,497	-
Employee Benefits	15,521	-	15,521
Cash Forward	-	80,000	(80,000)
Grant Program-Capital Projects	-	1,423	(1,423)
Total Other	68,146	131,420	(63,274)
Total Expenditures	512,753	$ 568,791	$ (56,038)
Excess (Deficit) Revenues Over Expenditures	39,411		
Unencumbered Cash, Beginning	251,420		
Unencumbered Cash, Ending	$ 290,831		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Library Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	$ 21,145	$ 21,427	$ (282)
Delinquent Tax	706	-	706
Motor Vehicle Tax	2,780	1,939	841
Recreational Vehicle Tax	48	24	24
16/20M Vehicle Tax	76	65	11
Commercial Vehicle Tax	197	206	(9)
Watercraft Tax	10	9	1
Neighborhood Revitalization Rebate	(7)	(7)	-
Total Receipts	24,955	$ 23,663	$ 1,292
Expenditures			
Appropriation-Library Board	23,923	$ 23,923	$ -
Total Expenditures	23,923	$ 23,923	$ -
Excess (Deficit) Revenues Over Expenditures	1,032		
Unencumbered Cash, Beginning	502		
Unencumbered Cash, Ending	$ 1,534		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Noxious Weed Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	$ 3,022	$ 3,063	$ (41)
Delinquent Tax	94	-	94
Motor Vehicle Tax	394	276	118
Recreational Vehicle Tax	7	3	4
16/20M Vehicle Tax	11	9	2
Commercial Vehicle Tax	28	29	(1)
Watercraft Tax	1	1	-
Neighborhood Revitalization Rebate	(1)	(1)	-
Total Receipts	3,556	$ 3,380	$ 176
Expenditures			
Commodities	-	$ 3,380	$ (3,380)
Total Expenditures	-	$ 3,380	$ (3,380)
Excess (Deficit) Revenues Over Expenditures	3,556		
Unencumbered Cash, Beginning	44		
Unencumbered Cash, Ending	$ 3,600		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Employee Benefit Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	$ 22,347	$ 22,649	$ (302)
Delinquent Tax	815	-	815
Motor Vehicle Tax	2,730	1,886	844
Recreational Vehicle Tax	47	24	23
16/20M Vehicle Tax	77	63	14
Commercial Vehicle Tax	192	200	(8)
Watercraft Tax	9	9	-
Transfer from Water & Sewer Fund	22,400	22,400	-
Neighborhood Revitalization Rebate	(7)	(7)	-
Total Receipts	48,610	$ 47,224	$ 1,386
Expenditures			
Health Insurance, Medical, Benefits	37,659	$ 42,940	$ (5,281)
Contributions-Payroll Taxes	12,381	29,262	(16,881)
Contributions-Retirement	8,797	17,974	(9,177)
Unemployment Contributions	86	108	(22)
Total Expenditures	58,923	$ 90,284	$ (31,361)
Excess (Deficit) Revenues Over Expenditures	(10,313)		
Unencumbered Cash, Beginning	20,402		
Unencumbered Cash, Ending	$ 10,089		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Special Highway Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
State of Kansas Gas Tax	$ 18,836	$ 15,010	$ 3,826
Total Receipts	18,836	$ 15,010	$ 3,826
Expenditures			
Commodities	-	$ 31,813	$ (31,813)
Total Expenditures	-	$ 31,813	$ (31,813)
Excess (Deficit) Revenues Over Expenditures	18,836		
Unencumbered Cash, Beginning	2,085		
Unencumbered Cash, Ending	$ 20,921		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Special Parks and Recreation Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Liquor Tax	$ 406	$ 565	$ (159)
Total Receipts	406	$ 565	$ (159)
Expenditures			
Commodities	-	$ 2,950	$ (2,950)
Total Expenditures	-	$ 2,950	$ (2,950)
Excess (Deficit) Revenues Over Expenditures	406		
Unencumbered Cash, Beginning	155		
Unencumbered Cash, Ending	$ 561		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Equipment Reserve Fund
Schedule of Receipts and Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Transfer from General Fund	$ 24,497	$ 24,497	$ -
Total Receipts	24,497	$ 24,497	$ -
Expenditures			
Capital Outlay	1,656	$ 158,960	$ (157,304)
Total Expenditures	1,656	$ 158,960	$ (157,304)
Excess (Deficit) Revenues Over Expenditures	22,841		
Unencumbered Cash, Beginning	134,463		
Unencumbered Cash, Ending	$ 157,304		

See independent auditor's report on regulatory-required supplementary information.

CITY OF HANOVER, KANSAS

Water and Sewer Utility Fund
Schedule of Receipts and Expenditures – Actual
Regulatory Basis
For the Year Ended December 31, 2021

	Actual	Budget	Variance Over (Under)
Receipts			
Sales/Charge	$ 305,991	$ 326,820	$ (20,829)
Water Project-Grant Proceeds	503,925	1,633,000	(1,129,075)
Water Project-Loan Proceeds	2,797,000	2,979,000	(182,000)
Temporary Note Proceeds	2,000,000	-	2,000,000
Total Receipts	5,606,916	$ 4,938,820	$ 668,096
Expenditures			
Personnel Services	41,826	$ 56,900	$ (15,074)
Contractual Services	11,088	43,000	(31,912)
Contractual Services-Water purchases	77,524	89,676	(12,152)
Contractual Services-Trash Disposal	53,280	52,000	1,280
Commodities	43,987	36,000	7,987
Capital Outlay	-	55,000	(55,000)
Principal	2,000,000	-	2,000,000
Water Project-System Improvements	3,259,583	4,612,000	(1,352,417)
Transfer to Employee Benefit Fund	22,400	22,400	-
Qualifying Budget Credit	-	2,000,000	(2,000,000)
Total Expenditures	5,509,688	$ 6,966,976	$ (1,457,288)
Excess (Deficit) Revenues Over Expenditures	97,228		
Unencumbered Cash, Beginning	34,839		
Unencumbered Cash, Ending	$ 132,067		

See independent auditor's report on regulatory-required supplementary information.

Single Audit Section

CITY OF HANOVER, KANSAS

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
Department of Agriculture		
Rural Utilities Service		
Water and Waste Disposal Systems for Rural Communities	10.760	$ 2,820,362
Department of Housing & Urban Development		
Passed through Kansas Department of Commerce		
Community Development Block Grant	14.228	431,000
Department of the Treasury		
Passed Through State of Kansas		
Coronavirus State and Local Fiscal Recovery Funds COVID-19	21.027	49,446
Total		$ 3,300,808

See independent auditor's report on the financial statement and notes to the schedule of expenditures of federal awards.

CITY OF HANOVER, KANSAS

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

1. General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of City of Hanover, Kansas (the City). The reporting City is defined in Note 1(a) of the City basic financial statement. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies are included on the Schedule.

2. Basis of Presentation

The accompanying Schedule is presented using the regulatory basis of accounting, which is described in Note 1(c) of the City's basic financial statement. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

The City did not elect to use the 10% de minimis cost rate.

CITY OF HANOVER, KANSAS

Schedule of Findings and Questioned Costs
December 31, 2021

Section I – Summary of Independent Auditor's Results

Financial Statement

Type of auditor's report issued:	**Unmodified (Regulatory Basis)** **Adverse (GAAP)**
Internal control over financial reporting:	
Material weakness(es) identified?	**No**
Significant deficiencies identified?	**None Reported**
Noncompliance material to financial statement noted?	**No**

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	**No**
Significant deficiencies identified?	**None Reported**
Type of auditor's report issued on compliance for major programs:	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	**No**

Identification of Major Federal Programs:

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

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

Section II – Financial Statement Findings

None

Section III – Finding and Questioned Costs – Major Federal Award Programs

None

JAMES GORDON & ASSOCIATES CPA, P.A.

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

To the Mayor and City Council of
City of Hanover, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement, Summary Statement of Receipts, Expenditures, and Unencumbered Cash of City of Hanover, Kansas, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated April 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Gordon & Associates CPA, P.A.

James Gordon & Associates CPA, P.A.
Manhattan, Kansas
April 15, 2023

JAMES GORDON & ASSOCIATES CPA, P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and City Council of
City of Hanover, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Hanover, Kansas (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs For the Year Ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit.

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control over Compliance

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

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

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

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

James Gordon & Associates CPA, P.A.

James Gordon & Associates CPA, P.A.
Manhattan, Kansas
April 15, 2023