

CITY OF MINNEOLA, KANSAS

**FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT
and
UNIFORM GUIDANCE REPORTS
YEAR ENDED DECEMBER 31, 2021**

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Kennedy
McKee & Company LLP Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Minneola, 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 Minneola, Kansas and its related municipal entity, the Minneola City Library (collectively referred to as the Municipal Financial Reporting Entity), 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 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 Municipal Financial Reporting Entity, 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 balances of the Municipal Financial Reporting Entity, 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 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), the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Municipal Financial Reporting Entity 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 Municipal Financial Reporting Entity on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Municipal Financial Reporting Entity'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 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 Municipal Financial Reporting Entity's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Municipal Financial Reporting Entity'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 (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*. The schedule of expenditures of federal awards is presented for additional analysis as required by the Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 Municipal Financial Reporting Entity as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated August 19, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the website of the Kansas Department of Administration at the following link: <https://admin.ks.gov/offices/accountsreports/localgovernment/municipal/services/municipal-audits>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures for the year ended December 31, 2021 (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 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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, 2020, on the basis of accounting described in Note A.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2022 on our consideration of the City of Minneola, Kansas' 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 of Minneola, Kansas' internal control over financial reporting and compliance.

Kennedy McKee & Company LLP

November 17, 2022

CITY OF MINNEOLA, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the Year Ended December 31, 2021

<u>Fund</u>	Beginning unencumbered cash balance (deficit)	Prior year canceled encumbrances
General fund:		
General	\$ 116,156	\$ -
Special purpose funds:		
Library	1,829	-
Library employee benefits	210	-
Employee benefits	17,247	-
Special highway	19,514	-
Equipment reserve	35,513	-
Capital improvements	94,512	-
ENEL	-	-
Insurance proceeds	-	-
ARPA	-	-
Total special purpose funds	168,825	-
Bond and interest fund:		
Bond and interest	2,552	-
Capital project fund:		
Streetscape project	-	-
Waterline project	1,816,358	-
CCLIP grant	(25,877)	-
Total capital project funds	1,790,481	-
Business funds:		
Water utility	179,450	-
Sewer utility	47,132	-
Trash utility	13,949	-
Total business funds	240,531	-
Total City of Minneola	2,318,545	-
Related municipal entity:		
Minneola City Library	99,395	-
Total municipal financial reporting entity	\$ 2,417,940	\$ -
Composition of cash:		
Checking		
Debit card		
Money market		
Certificate of deposit		
Total City of Minneola		
Related municipal entity		
Total municipal financial reporting entity		

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

STATEMENT 1

Receipts	Expenditures	Ending unencumbered cash balance (deficit)	Add encumbrances and accounts payable	Ending cash balance
\$ 391,367	\$ 419,328	\$ 88,195	\$ 351	\$ 88,546
20,352	21,600	581	-	581
2,270	2,400	80	-	80
24,354	22,768	18,833	-	18,833
19,551	3,600	35,465	-	35,465
109,175	94,574	50,114	17,050	67,164
23,000	4,532	112,980	-	112,980
25,000	20,703	4,297	-	4,297
12,000	12,000	-	-	-
51,811	-	51,811	-	51,811
287,513	182,177	274,161	17,050	291,211
1,869	-	4,421	-	4,421
19,200	16,198	3,002	-	3,002
2,698,832	5,023,140	(507,950)	593,970	86,020
46,028	20,151	-	-	-
2,764,060	5,059,489	(504,948)	593,970	89,022
279,459	126,458	332,451	-	332,451
81,701	71,406	57,427	-	57,427
48,233	55,131	7,051	-	7,051
409,393	252,995	396,929	-	396,929
3,854,202	5,913,989	258,758	611,371	870,129
53,800	47,326	105,869	595	106,464
\$ 3,908,002	\$ 5,961,315	\$ 364,627	\$ 611,966	\$ 976,593
				\$ 601,228
				2,001
				216,900
				50,000
				870,129
				106,464
				\$ 976,593

CITY OF MINNEOLA, KANSAS

NOTES TO THE FINANCIAL STATEMENT

December 31, 2021

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

Minneola City Library. The Library operates the City's public library. The members of the governing board of the Library are approved by the City Council. The Library is fiscally dependent on the City because the City provides substantial financial support in the form of appropriations. In addition, the Library is prohibited from issuing bonded debt without the approval of the City Council.

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, 2021:

REGULATORY BASIS FUND TYPES

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

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

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

4. Budgetary Information

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

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

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did 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 receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for the Capital Project funds, or the Equipment Reserve, Capital Improvements, ENEL, Insurance Proceeds and ARPA special purpose funds.

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

B. 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, the Kansas Department of Administration, 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 Waterline Project fund overspent its cash by \$507,950, according to K.S.A. 12-1664, the City is not prohibited from financing the federal share of a local program from current funds, if available.

C. DEPOSITS AND INVESTMENTS

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

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

Custodial credit risk - deposits. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2021.

C. DEPOSITS AND INVESTMENTS (CONTINUED)

At December 31, 2021, the City's carrying amount of deposits was \$870,129 and the bank balance was \$886,772. Of the bank balance, \$250,000 was covered by federal depository insurance and \$636,772 was collateralized with securities held by the pledging financial institution's agents in the City's name.

D. LONG-TERM DEBT

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

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
Streetscape project					
Issued May 6, 2021					
In the amount of \$425,000					
At an interest rate of 0.50%-2.25%					
Maturing October 1, 2041	\$ -	\$ 425,000	\$ -	\$ 425,000	\$ -
Waterline project					
Issued December 2, 2021					
In the amount of \$2,697,000					
At an interest rate of 1.75%					
Maturing December 2, 2061	-	2,697,000	-	2,697,000	-
Total general obligation bonds	-	3,122,000	-	3,122,000	-
General obligation temporary notes:					
Waterline project					
Issued October 16, 2019					
In the amount of \$2,655,000					
At an interest rate of 2.0%					
Maturing October 1, 2022	2,655,000	-	2,655,000	-	62,245
Capital leases:					
2005 pumper fire truck					
Issued March 30, 2017					
In the amount of \$56,000					
At an interest rate of 3.35%					
Maturing April 1, 2022	15,865	-	15,865	-	79
2015 JD backhoe					
Issued March 31, 2017					
In the amount of \$95,987					
At an interest rate of 3.25%					
Maturing April 1, 2022	27,143	-	27,143	-	132
2020 Ford F250					
Issued October 22, 2020					
In the amount of \$33,390					
At an interest rate of 2.75%					
Maturing November 1, 2025	32,895	-	32,895	-	388
Total capital leases	75,903	-	75,903	-	599
Total contractual indebtedness	<u>\$2,730,903</u>	<u>\$3,122,000</u>	<u>\$2,730,903</u>	<u>\$ 3,122,000</u>	<u>\$ 62,844</u>

D. LONG-TERM DEBT (CONTINUED)

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

	Principal due	Interest due	Total due
2022	\$ 62,145	\$ 56,473	\$ 118,618
2023	67,970	52,910	120,880
2024	68,684	52,075	120,759
2025	69,661	50,959	120,620
2026	70,530	49,929	120,459
2027-2031	366,107	232,991	599,098
2032-2036	395,135	201,187	596,322
2037-2041	441,549	163,380	604,929
2042-2046	345,245	126,465	471,710
2047-2051	376,544	95,166	471,710
2052-2056	410,653	61,056	471,709
2057-2061	447,777	23,784	471,561
Total	<u>\$ 3,122,000</u>	<u>\$ 1,166,375</u>	<u>\$ 4,288,375</u>

E. TRANSFERS

A summary of transfers by type is as follows:

<u>From</u>	<u>To</u>	<u>Regulatory authority</u>	<u>Amount</u>
Operating transfers:			
General	Capital Improvements	K.S.A. 12-1,118	\$ 23,000
General	Equipment Reserve	K.S.A. 12-1,117	99,175
Trash Utility	Equipment Reserve	K.S.A. 12-1,117	<u>10,000</u>
			<u>\$ 132,175</u>
Transfers to related municipal entity:			
Library	Minneola City Library		\$ 21,600
Library Employee Benefits	Minneola City Library		<u>2,400</u>
			<u>\$ 24,000</u>

F. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and disability other post-employment benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate was set at 1% and contributions were \$573 for the year ended December 31, 2021.

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

Compensated absences. The City's compensated absence policy permits employees to accrue hours based on years of service and employment classification. The maximum accumulation also depends on years of service and employment classification. Upon reaching the maximum number of hours accrued, the leave accrual will change to extended leave and be deposited into the employee's Extended Illness Bank until the maximum hours are attained.

G. DEFINED BENEFIT PENSION PLAN

General Information about the Plan

Plan description. The City of Minneola 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F 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 8.87% for KPERS and 22.80% for KP&F for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$10,200 for KPERS and \$18,492 for KP&F 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 \$71,013 and \$138,070 for KP&F. 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 non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

G. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Net Pension Liability (Continued)

The complete actuarial 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.

H. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance to cover these risks. There have been no significant reductions in coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

I. CAPITAL PROJECTS

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

	<u>Project authorization</u>	<u>Cash disbursements and accounts payable to date</u>
Water system improvements	\$ 3,135,232	\$ 2,530,244
CCLIP project	<u>55,132</u>	<u>46,028</u>
	<u>\$ 3,190,364</u>	<u>\$ 2,576,272</u>

J. CORONAVIRUS (COVID-19)

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity, and future result of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

As a result of the COVID-19 outbreak, numerous Federal and State grants have been made available to the City to assist with the risks and help offset incurred costs of the City. The City received funding from the American Rescue Plan Act of 2021 (ARPA) during the current year.

K. SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through November 17, 2022 and believe the following event may affect the financial statement as presented in addition to the ongoing concern regarding the novel strain of coronavirus (COVID-19) as discussed in Note J above:

On June 1, 2022, the City issued \$415,000 in general obligation with interest rates varying from 3.50% to 6.20% over a twenty-year term.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF MINNEOLA, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment for qualifying budget credits</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General fund:					
General	\$ 438,880	\$ -	\$ 438,880	\$ 419,328	\$ 19,552
Special purpose funds:					
Library	21,600	-	21,600	21,600	-
Library employee benefits	2,400	-	2,400	2,400	-
Employee benefits	40,000	-	40,000	22,768	17,232
Special highway	53,000	-	53,000	3,600	49,400
Bond and interest fund:					
Bond and interest	6,433	-	6,433	-	6,433
Business funds:					
Water utility	305,100	-	305,100	126,458	178,642
Sewer utility	109,300	-	109,300	71,406	37,894
Trash utility	66,000	-	66,000	55,131	10,869
	<u>\$ 1,042,713</u>	<u>\$ -</u>	<u>\$ 1,042,713</u>	<u>\$ 722,691</u>	<u>\$ 320,022</u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 79,829	\$ 102,260	\$ 103,957	\$ (1,697)
Delinquent tax	4,104	-	500	(500)
Motor vehicle tax	22,579	22,417	19,023	3,394
Recreational vehicle tax	347	386	227	159
16/20M truck tax	10	148	12	136
Special assessments	750	772	-	772
Intangibles tax	3,246	3,148	632	2,516
State and federal aid	15,845	-	-	-
Local sales tax	83,313	76,911	60,000	16,911
Franchise tax	37,833	41,725	30,000	11,725
Amounts from Clark County	3,785	-	3,000	(3,000)
Windfarm donations	105,185	107,288	107,000	288
Licenses, permits and fees:				
Licenses and permits	475	705	1,000	(295)
Animal control	168	200	-	200
Fines, forfeitures and penalties	2,936	723	5,000	(4,277)
Charges for services	15,574	14,262	10,000	4,262
Interest	866	355	500	(145)
Miscellaneous	21,879	22,203	5,000	17,203
Neighborhood revitalization	(1,095)	(2,136)	(3,993)	1,857
Total receipts	397,629	391,367	\$ 341,858	\$ 49,509
Expenditures:				
General government:				
Personal services	50,288	42,557	\$ 60,000	\$ 17,443
Contractual services	79,837	98,357	80,000	(18,357)
Commodities	21,676	13,466	16,000	2,534
Capital outlay	-	-	5,780	5,780
Public safety:				
Law enforcement	2,700	3,600	3,600	-
Fire department	5,545	5,968	10,000	4,032
Police department:				
Personal services	41,187	35,246	50,000	14,754
Capital outlay	5,648	5,186	6,000	814
Public works:				
Commodities	1,708	-	-	-
Capital outlay	7,608	-	-	-
Municipal court:				
Personal services	1,800	500	4,000	3,500
Contractual services	7,333	3,917	16,000	12,083
Culture and recreation:				
Personal services	48,645	57,056	40,000	(17,056)
Contractual services	18,641	17,850	25,000	7,150
Commodities	11,135	13,450	10,000	(3,450)
Capital outlay	11,025	-	7,500	7,500
Operating transfers out	121,155	122,175	105,000	(17,175)
Total expenditures	435,931	419,328	\$ 438,880	\$ 19,552
Receipts over (under) expenditures	(38,302)	(27,961)		
Unencumbered cash, beginning of year	154,458	116,156	\$ 97,022	\$ 19,134
Unencumbered cash, end of year	\$ 116,156	\$ 88,195		

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 15,988	\$ 16,169	\$ 16,429	\$ (260)
Delinquent tax	756	-	150	(150)
Motor vehicle tax	4,094	4,417	3,810	607
Recreational vehicle tax	65	77	46	31
16/20M truck tax	2	27	2	25
Neighborhood revitalization	(219)	(338)	(631)	293
Total receipts	20,686	20,352	<u>\$ 19,806</u>	<u>\$ 546</u>
Expenditures:				
Transfer to related municipal entity	22,410	21,600	<u>\$ 21,600</u>	<u>\$ -</u>
Receipts over (under) expenditures	(1,724)	(1,248)		
Unencumbered cash, beginning of year	3,553	1,829	<u>\$ 1,794</u>	<u>\$ 35</u>
Unencumbered cash, end of year	<u>\$ 1,829</u>	<u>\$ 581</u>		

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

LIBRARY EMPLOYEE BENEFITS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 1,724	\$ 1,824	\$ 1,851	\$ (27)
Delinquent tax	82	-	25	(25)
Motor vehicle tax	433	473	410	63
Recreational vehicle tax	7	8	5	3
16/20M truck tax	-	3	-	3
Neighborhood revitalization	(24)	(38)	(71)	33
Total receipts	2,222	2,270	<u>\$ 2,220</u>	<u>\$ 50</u>
Expenditures:				
Transfer to related municipal entity	2,400	2,400	<u>\$ 2,400</u>	<u>\$ -</u>
Receipts over (under) expenditures	(178)	(130)		
Unencumbered cash, beginning of year	388	210	<u>\$ 180</u>	<u>\$ 30</u>
Unencumbered cash, end of year	<u>\$ 210</u>	<u>\$ 80</u>		

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

EMPLOYEE BENEFITS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 26,360	\$ 17,613	\$ 17,874	\$ (261)
Delinquent tax	842	-	100	(100)
Motor vehicle tax	4,888	6,949	6,284	665
Recreational vehicle tax	85	123	75	48
16/20M truck tax	1	36	4	32
Miscellaneous	359	-	-	-
Neighborhood revitalization	(362)	(367)	(687)	320
Total receipts	32,173	24,354	<u>\$ 23,650</u>	<u>\$ 704</u>
Expenditures:				
General government:				
Contractual services	24,016	22,768	<u>\$ 40,000</u>	<u>\$ 17,232</u>
Receipts over (under) expenditures	8,157	1,586		
Unencumbered cash, beginning of year	9,090	17,247	<u>\$ 16,350</u>	<u>\$ 897</u>
Unencumbered cash, end of year	<u>\$ 17,247</u>	<u>\$ 18,833</u>		

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

SPECIAL HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
State of Kansas gas tax	\$ 17,733	\$ 19,551	\$ 15,410	\$ 4,141
Operating transfers in	-	-	25,000	(25,000)
Total receipts	17,733	19,551	\$ 40,410	\$ (20,859)
Expenditures:				
Public works:				
Personal services	-	-	\$ 7,500	\$ 7,500
Contractual services	-	3,000	2,500	(500)
Commodities	2,926	600	43,000	42,400
Total expenditures	2,926	3,600	\$ 53,000	\$ 49,400
Receipts over (under) expenditures	14,807	15,951		
Unencumbered cash, beginning of year	4,707	19,514	\$ 12,590	\$ 6,924
Unencumbered cash, end of year	\$ 19,514	\$ 35,465		

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

EQUIPMENT RESERVE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Operating transfers in	<u>\$ 39,083</u>	<u>\$ 109,175</u>
Expenditures:		
Debt service:		
Principal	46,090	75,903
Interest	2,443	599
Capital outlay	<u>11,025</u>	<u>18,072</u>
Total expenditures	<u>59,558</u>	<u>94,574</u>
Receipts over (under) expenditures	(20,475)	14,601
Unencumbered cash, beginning of year	<u>55,988</u>	<u>35,513</u>
Unencumbered cash, end of year	<u><u>\$ 35,513</u></u>	<u><u>\$ 50,114</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

CAPITAL IMPROVEMENTS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Operating transfers in	\$ 82,072	\$ 23,000
Expenditures:		
Capital outlay	<u>9,505</u>	<u>4,532</u>
Receipts over (under) expenditures	72,567	18,468
Unencumbered cash, beginning of year	<u>21,945</u>	<u>94,512</u>
Unencumbered cash, end of year	<u><u>\$ 94,512</u></u>	<u><u>\$ 112,980</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

ENEL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Donations	\$ -	\$ 25,000
Expenditures:		
Minneola bucks	<u>-</u>	<u>20,703</u>
Receipts over (under) expenditures	-	4,297
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ 4,297</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

INSURANCE PROCEEDS FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Miscellaneous	\$ -	\$ 12,000
Expenditures:		
House fire	<u>-</u>	<u>12,000</u>
Receipts over (under) expenditures	-	-
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

ARPA FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Federal aid	\$ -	\$ 51,811
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	-	51,811
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ 51,811</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 8,378	\$ 17	\$ -	\$ 17
Delinquent tax	520	-	750	(750)
Motor vehicle tax	2,191	1,805	1,996	(191)
Recreational vehicle tax	34	33	24	9
16/20M truck tax	1	14	1	13
Operating transfers in	30,000	-	-	-
Neighborhood revitalization	(115)	-	-	-
Total receipts	<u>41,009</u>	<u>1,869</u>	<u>\$ 2,771</u>	<u>\$ (902)</u>
Expenditures:				
Debt service:				
Principal	50,000	-	\$ -	\$ -
Interest	2,125	-	-	-
Cash basis reserve	-	-	6,433	6,433
Total expenditures	<u>52,125</u>	<u>-</u>	<u>\$ 6,433</u>	<u>\$ 6,433</u>
Receipts over (under) expenditures	(11,116)	1,869		
Unencumbered cash, beginning of year	<u>13,668</u>	<u>2,552</u>	<u>\$ 3,662</u>	<u>\$ (1,110)</u>
Unencumbered cash, end of year	<u>\$ 2,552</u>	<u>\$ 4,421</u>		

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

STREETSCAPE FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
State aid	<u>\$ -</u>	<u>\$ 19,200</u>
Expenditures:		
Debt service:		
Issuance costs	-	15,878
Miscellaneous	<u>-</u>	<u>320</u>
Total expenditures	<u>-</u>	<u>16,198</u>
Receipts over (under) expenditures	-	3,002
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>
Unencumbered cash (deficit), end of year	<u><u>\$ -</u></u>	<u><u>\$ 3,002</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

WATERLINE PROJECT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Interest	\$ 3,604	\$ 1,832
Debt proceeds	<u>-</u>	<u>2,697,000</u>
Total receipts	<u>3,604</u>	<u>2,698,832</u>
Expenditures:		
Public works:		
Contractual services	131,270	195,074
Capital outlay	4,072	2,106,370
Debt service:		
Principal	-	2,655,000
Interest	50,888	62,245
Issuance costs	<u>750</u>	<u>4,451</u>
Total expenditures	<u>186,980</u>	<u>5,023,140</u>
Receipts over (under) expenditures	(183,376)	(2,324,308)
Unencumbered cash, beginning of year	<u>1,999,734</u>	<u>1,816,358</u>
Unencumbered cash (deficit), end of year	<u>\$ 1,816,358</u>	<u>\$ (507,950)</u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

CCLIP GRANT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
State aid	\$ -	\$ 46,028
Expenditures:		
Public works:		
Capital outlay	<u>25,877</u>	<u>20,151</u>
Receipts over (under) expenditures	(25,877)	25,877
Unencumbered cash (deficit), beginning of year	<u>-</u>	<u>(25,877)</u>
Unencumbered cash (deficit), end of year	<u><u>\$ (25,877)</u></u>	<u><u>\$ -</u></u>

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

WATER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Charges for services	\$ 256,628	\$ 273,144	\$ 250,000	\$ 23,144
Miscellaneous	20,933	6,315	5,000	1,315
Total receipts	277,561	279,459	\$ 255,000	\$ 24,459
Expenditures:				
Public works:				
Personal services	55,524	62,006	\$ 63,000	\$ 994
Contractual services	51,972	58,349	65,000	6,651
Commodities	4,514	5,503	20,000	14,497
Capital outlay	600	600	104,000	103,400
Debt service:				
Principal	32,312	-	-	-
Interest and fees	3,738	-	53,100	53,100
Operating transfers out	30,000	-	-	-
Total expenditures	178,660	126,458	\$ 305,100	\$ 178,642
Receipts over (under) expenditures	98,901	153,001		
Unencumbered cash, beginning of year	80,549	179,450	\$ 50,653	\$ 128,797
Unencumbered cash, end of year	\$ 179,450	\$ 332,451	\$ 553	\$ 331,898

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

SEWER UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Charges for services	\$ 81,247	\$ 81,701	\$ 80,000	\$ 1,701
Miscellaneous	-	-	1,000	(1,000)
Total receipts	81,247	81,701	\$ 81,000	\$ 701
Expenditures:				
Public works:				
Personal services	44,544	44,720	\$ 46,300	\$ 1,580
Contractual services	18,353	22,265	30,000	7,735
Commodities	7,631	4,421	13,000	8,579
Capital outlay	-	-	20,000	20,000
Total expenditures	70,528	71,406	\$ 109,300	\$ 37,894
Receipts over (under) expenditures	10,719	10,295		
Unencumbered cash, beginning of year	36,413	47,132	\$ 29,113	\$ 18,019
Unencumbered cash, end of year	\$ 47,132	\$ 57,427	\$ 813	\$ 56,614

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

TRASH UTILITY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		Variance
	2020	Actual	Budget	favorable (unfavorable)
Receipts:				
Charges for services	\$ 47,769	\$ 48,233	\$ 52,000	\$ (3,767)
Expenditures:				
Public works:				
Contractual services	45,863	45,131	\$ 56,000	\$ 10,869
Operating transfers out	-	10,000	10,000	-
Total expenditures	45,863	55,131	\$ 66,000	\$ 10,869
Receipts over (under) expenditures	1,906	(6,898)		
Unencumbered cash, beginning of year	12,043	13,949	\$ 14,043	\$ (94)
Unencumbered cash, end of year	\$ 13,949	\$ 7,051	\$ 43	\$ 7,008

See Independent Auditor's Report.

CITY OF MINNEOLA, KANSAS

MINNEOLA CITY LIBRARY
(RELATED MUNICIPAL ENTITY)SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASISFor the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u>	<u>2021</u>
Receipts:		
Transfers from City:		
General	\$ 22,410	\$ 21,600
Employee benefits	2,400	2,400
County appropriation	10,533	18,703
State aid	2,367	843
SWKLS grants	6,260	6,260
Memorials	-	125
Other income	3,003	2,610
Interest on investments	128	109
Summer reading	1,150	1,150
	<u>48,251</u>	<u>53,800</u>
Total receipts		
Expenditures:		
Culture and recreation:		
Materials	5,048	3,886
Operations	3,591	22,326
Personnel	20,095	14,562
Technology	3,604	6,302
Courier service	300	250
	<u>32,638</u>	<u>47,326</u>
Total expenditures		
Receipts over (under) expenditures	15,613	6,474
Unencumbered cash, beginning of year	83,782	99,395
	<u>\$ 99,395</u>	<u>\$ 105,869</u>
Unencumbered cash, end of year		

See Independent Auditor's Report.

APPENDICES

Kennedy
McKee & Company LLP Certified Public Accountants

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

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

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

The Honorable Mayor and City Council
Minneola, 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 of the City of Minneola, Kansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Minneola, Kansas' basic financial statement, and have issued our report thereon dated November 17, 2022. Our report on the financial statement disclosed that, as described in Note A to the financial statement, the City has prepared this financial statement 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.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Minneola, Kansas' 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 of Minneola, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Minneola, Kansas' 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 City of Minneola, Kansas' 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 City'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.

Kennedy McKee & Company LLP

November 17, 2022

Kennedy
McKee & Company LLP Certified Public Accountants

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

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

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

The Honorable Mayor and City Council
Minneola, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Minneola, Kansas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Minneola, Kansas' major federal programs for the year ended December 31, 2021. The City of Minneola, Kansas' 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 of Minneola, Kansas 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 of Minneola, Kansas 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 of Minneola, Kansas' 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 of Minneola, Kansas' 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 of Minneola, Kansas' 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 of Minneola, Kansas' 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 of Minneola, Kansas' 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 of Minneola, Kansas' 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 of Minneola, Kansas' internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Minneola, Kansas' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Minneola, Kansas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Minneola, Kansas' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Minneola, Kansas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Kennedy McKee & Company LLP

November 17, 2022

CITY OF MINNEOLA, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

<u>Federal grantor/ pass-through grantor/ program title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Rural Utility Services			
Direct Program:			
Water and Waste Disposal System for Rural Communities	10.760	N/A	<u>\$ 2,305,895</u>
Total expenditures of federal awards			<u><u>\$ 2,305,895</u></u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

CITY OF MINNEOLA, KANSAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City of Minneola, Kansas under programs of the federal government for the year ended December 31, 2021. The information in this 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 Schedule is presented using a regulatory basis of accounting prescribed by the *Kansas Municipal Audit and Accounting Guide* (as described in Note A to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

B. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are prepared using the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

C. INDIRECT COST RATE

The City has not elected to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

D. AWARDS TO SUBRECIPIENTS

There were no awards passed through to subrecipients.

E. LOAN BALANCES

The City received a loan commitment from the USDA in 2019 in the amount of \$2,697,000. As part of this loan, the City obtained interim financing of \$2,655,000. Expenditures from this temporary financing are included as federal expenditures as incurred in accordance with federal guidelines. In December of 2021, general obligation bonds were issued by the City and purchased by USDA in the amount of \$2,697,000, and the City's interim financing was paid off.

CITY OF MINNEOLA, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an adverse opinion on whether the financial statement of the City of Minneola, Kansas was prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statement of the City of Minneola, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency relating to the audit of internal control over major federal award programs is reported in the Report on Compliance to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for the City of Minneola, Kansas expresses an unmodified opinion on all major programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
7. The programs tested as a major program included:

Water and Waste Disposal System for Rural Communities	CFDA 10.760
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8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. The City of Minneola did not qualify as a low-risk auditee.

B. FINDINGS--FINANCIAL STATEMENTS AUDIT

None noted.

CITY OF MINNEOLA, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended December 31, 2021

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF AGRICULTURE SIGNIFICANT DEFICIENCY

2021-001: Water and Waste Disposal System for Rural
Communities – CFDA No. 10.760
Grant period: Year Ended December 31, 2021

Condition: The City does not have a complete set of written procurement policies and procedures, a written conflict of interest and code of conduct for employees, or a written cash management or procurement policy required by the Uniform Guidance. The lack of written procedures did not result in any material noncompliance, fraud, or abuse with respect to the major program.

Criteria: The Uniform Guidance requires Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the cash management standards set out at 2 CFR Section 305 and procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the cash management and procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200.

Cause: The City was unaware of the written cash management and procurement policy requirements required by the Uniform Guidance.

Effect: An important component of internal controls is the existence of operating policies and procedures and that they are clearly understood and communicated. Without clear written policies and procedures, there is a higher risk of noncompliance with program requirements.

Recommendation: Management should determine the scope of written policies needed for compliance with all federal programs and develop policies and procedures to comply with the Uniform Guidance.

View of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and recommendation. The City will create necessary procedures in order to meet the Uniform Guidance requirements. Once policies are drafted, the policies will be presented to the Governing Body for review and approval.