

CITY OF CIMARRON, KANSAS

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

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Cimarron, 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 Cimarron, Kansas and its related municipal entity, the Cimarron 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 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 balances (basic financial statement) as a whole. The summary of regulatory basis expenditures — actual and budget and individual fund schedules of regulatory basis receipts and expenditures (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards is presented for additional analysis 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* (Uniform Guidance) 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 September 2, 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/accounts-reports/local-government/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 August 30, 2022 on our consideration of the City of Cimarron, 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 Cimarron, Kansas' internal control over financial reporting and compliance.

Kennedy McKee & Company LLP

August 30, 2022

CITY OF CIMARRON, KANSAS

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

For the Year Ended December 31, 2021

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>	<u>Receipts</u>
General fund:			
General	<u>\$ 668,190</u>	<u>\$ -</u>	<u>\$ 1,383,603</u>
Special purpose funds:			
Library	24,538	-	206,401
Special park and recreation	9,782	-	5,639
Special highway	114,332	-	63,904
Transient guest tax	48,327	-	9,312
PBC sales tax	149,612	-	337,862
Special park donation	10,341	-	6,500
Recreation committee	29,875	-	16
Community foundation	230	-	824
Equipment reserve	586,542	-	208,676
Capital improvement	793,507	-	2,195,670
SPARKS	(2,182)	-	2,182
ARPA	<u>-</u>	<u>-</u>	<u>167,946</u>
Total special purpose funds	<u>1,764,904</u>	<u>-</u>	<u>3,204,932</u>
Bond and interest fund:			
Bond and interest	<u>72,302</u>	<u>-</u>	<u>283,309</u>
Trust fund:			
Pearl Luther endowment	<u>22,039</u>	<u>-</u>	<u>11</u>
Business funds:			
Light enterprise	623,974	-	2,783,839
Water enterprise	545,803	-	490,202
Trash enterprise	213,696	-	247,022
Sewer enterprise	443,808	-	311,500
Sewer plant replacement	<u>265,331</u>	<u>-</u>	<u>63,600</u>
Total business funds	<u>2,092,612</u>	<u>-</u>	<u>3,896,163</u>
Total City of Cimarron	<u>4,620,047</u>	<u>-</u>	<u>8,768,018</u>
Related municipal entity:			
Cimarron City Library:			
General	111,869	-	273,097
Special purpose fund:			
Friends of the Library	<u>-</u>	<u>-</u>	<u>10,103</u>
Total Cimarron City Library	<u>111,869</u>	<u>-</u>	<u>283,200</u>
Total municipal financial reporting entity	<u>\$ 4,731,916</u>	<u>\$ -</u>	<u>\$ 9,051,218</u>

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add encumbrances and accounts payable</u>	<u>Ending cash balance</u>
<u>\$ 1,383,770</u>	<u>\$ 668,023</u>	<u>\$ 36,497</u>	<u>\$ 704,520</u>
210,200	20,739	(102)	20,637
-	15,421	-	15,421
35,895	142,341	-	142,341
-	57,639	-	57,639
215,868	271,606	-	271,606
4,914	11,927	-	11,927
-	29,891	-	29,891
437	617	-	617
-	795,218	-	795,218
2,503,698	485,479	458,612	944,091
-	-	-	-
-	167,946	-	167,946
<u>2,971,012</u>	<u>1,998,824</u>	<u>458,510</u>	<u>2,457,334</u>
<u>87,011</u>	<u>268,600</u>	<u>-</u>	<u>268,600</u>
<u>-</u>	<u>22,050</u>	<u>-</u>	<u>22,050</u>
2,905,209	502,604	96,484	599,088
525,945	510,060	10,010	520,070
238,812	221,906	19,177	241,083
214,086	541,222	4,803	546,025
-	328,931	-	328,931
<u>3,884,052</u>	<u>2,104,723</u>	<u>130,474</u>	<u>2,235,197</u>
<u>8,325,845</u>	<u>5,062,220</u>	<u>625,481</u>	<u>5,687,701</u>
255,706	129,260	886	130,146
-	10,103	-	10,103
<u>255,706</u>	<u>139,363</u>	<u>886</u>	<u>140,249</u>
<u><u>\$ 8,581,551</u></u>	<u><u>\$ 5,201,583</u></u>	<u><u>\$ 626,367</u></u>	<u><u>\$ 5,827,950</u></u>

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

For the Year Ended December 31, 2021

Composition of cash:

Petty cash	\$ 200
Clerk's petty cash checking	5,886
Operating checking	1,506,590
Money market checking	400,025
Certificates of deposit	<u>3,775,000</u>
 Total City of Cimarron	 5,687,701
Related municipal entity	<u>140,249</u>
 Total municipal financial reporting entity	 <u><u>\$ 5,827,950</u></u>

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

CITY OF CIMARRON, 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 Cimarron is a municipal corporation governed by an elected mayor and five-member council. This regulatory financial statement presents the City of Cimarron (the Municipality) and its related municipal entities. The related municipal entities are included in the City's reporting entity because they were established to benefit the City and/or its constituents.

Public Building Commission. The Commission was authorized by City Ordinance, pursuant to K.S.A. 12-1757 et. seq., and all amendments thereto, and as amended, supplemented, and limited by a City of Cimarron, Kansas Charter Ordinance establishing the composition thereof, and purposes for which established. For financial reporting, the financial activities of the Public Building Commission are accounted for within a budgeted special purpose fund.

Cimarron City Library. The Library provides library services to the community. The Library operates as a separate governing body, but the City levies taxes for the Library and pays most employees' salaries. The City Council approves appointments to the Library Board.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation – Fund Accounting (Continued)

REGULATORY BASIS FUND TYPES (CONTINUED)

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.

Trust fund – used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e., pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

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.).

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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. The budget of the following fund was amended:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
Light Enterprise	\$ 2,234,000	\$ 3,326,837

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

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

A legal operating budget is not required for trust funds and the following special purpose and business funds:

Special Park Donation	Capital Improvement
Recreation Committee	SPARKS
Community Foundation	ARPA
Equipment Reserve	Sewer Plant Replacement

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.

5. Special Assessments

Projects financed in part by special assessments are financed through issuance of general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as receipts in the Bond and Interest Fund.

B. 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.

At December 31, 2021, the City's carrying amount of deposits was \$5,687,501 and the bank balance was \$5,865,865. Of the bank balance, \$250,000 was covered by federal depository insurance and \$5,615,865 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the municipal financial reporting entity 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:					
2016 Refunding					
issued October 13, 2016					
in the amount of \$1,315,000					
at interest rates of 0.90% to 3.00%					
maturing September 1, 2031	\$ 515,000	\$ -	\$ 515,000	\$ -	\$ 5,288
Sewer improvements					
issued September 26, 2013					
in the amount of \$525,000					
at interest rates of 0.90% to 4.40%					
maturing September 1, 2034	435,000	-	435,000	-	8,035
2021 Refunding					
issued February 18, 2021					
in the amount of \$975,000					
at interest rates of 0.45% - 2.00%					
maturing September 1, 2034	-	975,000	80,000	895,000	7,011
Total general obligation bonds	950,000	975,000	1,030,000	895,000	20,334

C. LONG-TERM DEBT (CONTINUED)

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
Revenue bonds:					
Public Building Commission Refunding revenue bonds issued November 14, 2016 in the amount of \$1,955,000 at interest rates of 1.20% to 2.80% maturing December 1, 2026	\$ 795,000	\$ -	\$ 190,000	\$ 605,000	\$ 17,745
Loans:					
KDOT – Highway improvement issued March 1, 2010 in the amount of \$184,940 at interest rate of 3.68% maturing August 1, 2029	98,733	-	9,503	89,230	3,633
KDHE – Wetlands Project issued February 18, 2020 in the amount of \$1,754,900 at interest rate of 1.62% maturing September 1, 2041	1,754,900	-	-	1,754,900	4,516
Kansas State Treasurer – Weather Event issued March 19, 2021 in the amount of \$597,837 at interest rate of 0.25% maturing on January 1, 2031	-	597,837	597,837	-	423
Total loans	1,853,633	597,837	607,340	1,844,130	8,572
Capital lease:					
FNB – Vac Truck Issued August 20, 2019 In the amount of \$309,521 At interest rate of 4.00% Maturing August 20, 2024	228,049	-	60,395	167,654	8,017
Total long-term debt	\$3,826,682	\$1,572,837	\$1,887,735	\$3,511,784	\$ 54,668

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

	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2022	\$ 80,000	\$ 12,718	\$ 92,718
2023	80,000	12,357	92,357
2024	80,000	11,838	91,838
2025	80,000	11,317	91,317
2026	75,000	10,638	85,638
2027-2031	410,000	33,900	443,900
2032-2034	90,000	3,600	93,600
Total	\$ 895,000	\$ 96,368	\$ 991,368

C. LONG-TERM DEBT (CONTINUED)

Current maturities of revenue bonds and interest through maturity are as follows:

	Principal due	Interest due	Total due
2022	\$ 195,000	\$ 13,945	\$ 208,945
2023	200,000	9,752	209,752
2024	205,000	5,153	210,153
2025	<u>5,000</u>	<u>130</u>	<u>5,130</u>
Total	<u>\$ 605,000</u>	<u>\$ 28,980</u>	<u>\$ 633,980</u>

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

	Principal due	Interest due	Total due
2022	\$ 84,775	\$ 31,419	\$ 116,194
2023	86,355	29,839	116,194
2024	87,969	28,225	116,194
2025	89,617	26,577	116,194
2026	91,299	24,895	116,194
2027-2031	456,031	98,442	554,473
2032-2036	454,931	60,458	515,389
2037-2041	<u>493,153</u>	<u>22,236</u>	<u>515,389</u>
Total	<u>\$ 1,844,130</u>	<u>\$ 322,091</u>	<u>\$ 2,166,221</u>

Current maturities of capital leases and interest through maturity are as follows:

	Principal due	Interest due	Total due
2022	\$ 57,529	\$ 5,182	\$ 62,711
2023	65,195	3,217	68,412
2024	<u>44,930</u>	<u>678</u>	<u>45,608</u>
Total	<u>\$ 167,654</u>	<u>\$ 9,077</u>	<u>\$ 176,731</u>

D. DEFEASED DEBT

Series 2021 Refunding General Obligation Bonds

On February 18, 2021, the City of Cimarron, Kansas issued \$975,000 in refunding general obligation bonds with interest rates ranging from 0.45% to 2.00% to advance refund \$435,000 of outstanding series 2013 general obligation bonds and \$515,000 of 2016 refunding bonds with interest rates ranging from 0.90% to 4.40%. The net proceeds of \$964,218 (\$975,000 issue plus premium of \$21,218 less payments of \$20,300 for issuance costs and \$11,700 for underwriter's discount) were paid to the Treasurer of the State of Kansas to call the series 2013 general obligation bonds and series 2016 refunding bonds. As a result, those bonds are considered to be defeased and the liability has been removed from the long-term debt footnote.

D. DEFEASED DEBT (CONTINUED)

The City advance refunded the series 2013 general obligation bonds and 2016 refunding bonds to reduce its total debt service payments over the next 14 years by \$94,807 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$85,005.

E. TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory authority</u>
General	Capital improvement	\$ 300,000	K.S.A. 12-1,118
Water enterprise	Equipment reserve	200,000	K.S.A. 12-825d
Sewer enterprise	Sewer plant replacement	<u>63,600</u>	K.S.A. 12-825d
		<u>\$ 563,600</u>	

Transfers to the related municipal entity were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Library	Cimarron City Library	\$ 210,200
General	Cimarron City Library	<u>8,063</u>
		<u>\$ 218,263</u>

F. 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>
Streetscape Project	\$ 67,960	\$ 48,601
WWTF Wetlands	1,713,900	1,483,443
KDOT KA-5430-01	48,998	31,599
Airport Fueling Station	116,843	88,163
KDOT CCLIP Resurfacing Project	<u>36,000</u>	<u>27,000</u>
Total	<u>\$ 1,983,701</u>	<u>\$ 1,678,806</u>

G. LAW ENFORCEMENT SERVICES AGREEMENT

On July 31, 2018, the City entered into an agreement with Gray County, Kansas to provide police protection and perform all law enforcement functions and services within the boundaries of the City. The agreement is for a period of five years, beginning January 1, 2019, and called for a beginning annual payment of \$140,000 with annual increases of 10%. The agreement also calls for an even split of the net revenue generated by the municipal court. Payments of \$205,974 were made to the County in 2021. The remaining minimum contractual commitments are as follows:

2022	\$ 186,340
2023	<u>204,864</u>
Total	<u>\$ 391,204</u>

H. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

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

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

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERs) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. The employer contribution rate was set at 1% and contributions were \$3,326 for the year ended December 31, 2021.

Section 125 Plan. The City offers a Section 125 flexible benefit plan to all eligible employees. It is used for medical insurance premiums, unreimbursed medical expenses, and childcare expenses. The plan is administered by the health insurance provider. The City withholds the amounts from the employee's paychecks and remits the withholding to the plan administrator.

Compensated Absences. Full-time employees accumulate sick leave at the rate of one day per month beginning at the end of the first month of employment. Sick leave that is unused at year-end may be carried over to the next year up to a limit of sixty days. Full-time employees who have worked at least one year receive two weeks of vacation, and those who have worked five years or more receive three weeks. After fifteen years of service, employees receive four weeks of vacation. Employees are allowed to carry over five days of unused vacation to the following year.

I. DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plan

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its 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 the City and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation.

Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for KPERS for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$65,024 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 \$434,648. 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.

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

J. 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 resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

K. 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.

L. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 30, 2022 and does not believe any events have occurred which affect the financial statement as presented except for the ongoing concern regarding the novel strain of coronavirus (COVID-19) as discussed in Note K above.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF CIMARRON, 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	\$ 1,546,711	\$ -	\$ 1,546,711	\$ 1,383,770	\$ 162,941
Special purpose funds:					
Library	210,200	-	210,200	210,200	-
Special park and recreation	17,000	-	17,000	-	17,000
Special highway	143,116	-	143,116	35,895	107,221
Transient guest tax	60,000	-	60,000	-	60,000
PBC sales tax	759,095	-	759,095	215,868	543,227
Bond and interest fund:					
Bond and interest	143,720	-	143,720	87,011	56,709
Business funds:					
Light enterprise	3,326,837	-	3,326,837	2,905,209	421,628
Water enterprise	819,000	-	819,000	525,945	293,055
Trash enterprise	450,000	-	450,000	238,812	211,188
Sewer enterprise	580,412	-	580,412	214,086	366,326
Total	<u>\$ 8,056,091</u>	<u>\$ -</u>	<u>\$ 8,056,091</u>	<u>\$ 5,816,796</u>	<u>\$ 2,239,295</u>

See Independent Auditor's Report.

CITY OF CIMARRON, 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:				
Ad valorem tax	\$ 653,256	\$ 654,139	\$ 637,077	\$ 17,062
Delinquent tax	7,204	19,958	2,000	17,958
Vehicle tax	96,939	150,657	131,596	19,061
Shared receipts:				
Local alcohol liquor fund	3,979	5,639	2,036	3,603
Local sales tax	226,594	266,279	175,000	91,279
State of Kansas - connecting link	39,177	39,123	15,000	24,123
Licenses, permits and fees:				
Franchise fees	41,362	43,137	35,000	8,137
Other licenses, permits and fees	7,537	9,681	2,000	7,681
Fines, forfeitures and penalties:				
Fines - police	33,757	112,551	20,000	92,551
Charges for services:				
Swimming pool	43,916	44,910	40,000	4,910
Interest on idle funds	8,826	2,696	5,000	(2,304)
Other:				
Rent	1,943	1,943	1,000	943
Recreation sponsor fees	-	3,650	1,000	2,650
Miscellaneous	35,442	60,021	-	60,021
Neighborhood revitalization rebate	(25,160)	(30,781)	(29,077)	(1,704)
Total receipts	1,174,772	1,383,603	\$ 1,037,632	\$ 345,971
Expenditures:				
General government:				
General administration:				
Personal services	44,280	44,735	\$ 50,000	\$ 5,265
Contractual services	104,479	139,346	102,000	(37,346)
Commodities	32,721	47,495	50,000	2,505
Capital outlay	-	2,960	-	(2,960)
Subtotal	181,480	234,536	202,000	(32,536)
Employee benefits:				
Health and life insurance	26,733	19,425	42,000	22,575
Payroll taxes and benefits	45,786	46,558	58,000	11,442
Subtotal	72,519	65,983	100,000	34,017
Total general government	253,999	300,519	302,000	1,481

CITY OF CIMARRON, 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)
Public safety:				
Police department:				
Personal services	\$ 4,571	\$ 4,629	\$ 6,000	\$ 1,371
Contractual services	181,937	240,569	225,000	(15,569)
Commodities	2	9	-	(9)
Subtotal	186,510	245,207	231,000	(14,207)
Fire department:				
Personal services	3,971	7,017	7,000	(17)
Contractual services	990	5,964	500	(5,464)
Commodities	1,204	551	2,000	1,449
Capital outlay	1,808	-	500	500
Reimbursed expenditures	(8,500)	(10,850)	-	10,850
Subtotal	(527)	2,682	10,000	7,318
Total public safety	185,983	247,889	241,000	(6,889)
Public works:				
Street and alley:				
Contractual services	88,884	100,053	130,000	29,947
Commodities	58,212	27,528	106,000	78,472
Capital outlay	11,239	206	-	(206)
Subtotal	158,335	127,787	236,000	108,213
Airport:				
Contractual services	3,781	4,172	28,000	23,828
Commodities	714	896	1,000	104
Capital outlay	-	-	1,000	1,000
Subtotal	4,495	5,068	30,000	24,932
Total public works	162,830	132,855	266,000	133,145
Culture and recreation:				
Park department:				
Personal services	49,781	58,156	49,000	(9,156)
Contractual services	554	838	15,000	14,162
Commodities	8,226	9,715	13,000	3,285
Capital outlay	-	-	3,000	3,000
Subtotal	58,561	68,709	80,000	11,291

CITY OF CIMARRON, 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)
Culture and recreation (continued):				
Recreation department:				
Personal services	\$ 207	\$ 1,832	\$ 5,000	\$ 3,168
Contractual services	5,254	3,827	7,500	3,673
Commodities	3,005	13,632	30,000	16,368
Capital outlay	1,418	1,348	7,500	6,152
Appropriation to recreation	5,000	5,000	5,000	-
Subtotal	14,884	25,639	55,000	29,361
Golf course:				
Appropriation to Cimarron Golf Club	181,467	185,000	185,000	-
Swimming pool:				
Personal services	37,147	47,428	50,000	2,572
Contractual services	979	2,662	10,000	7,338
Commodities	20,228	28,316	25,000	(3,316)
Capital outlay	-	710	-	(710)
Subtotal	58,354	79,116	85,000	5,884
Economic development:				
Personal services	34,215	31,101	50,000	18,899
Contractual services	3,774	4,835	5,000	165
Commodities	40	44	5,000	4,956
Capital outlay	-	-	5,000	5,000
Subtotal	38,029	35,980	65,000	29,020
Total culture and recreation	351,295	394,444	470,000	75,556
Transfers:				
Capital improvement	225,000	300,000	125,000	(175,000)
Equipment reserve	-	-	135,000	135,000
Total transfers	225,000	300,000	260,000	(40,000)
Transfer to related municipal entity:				
Cimarron City Library	6,365	8,063	7,711	(352)
Total expenditures	1,185,472	1,383,770	\$ 1,546,711	\$ 162,941
Receipts over (under) expenditures	(10,700)	(167)		
Unencumbered cash, beginning of year	678,890	668,190	\$ 509,079	\$ 159,111
Unencumbered cash, end of year	\$ 668,190	\$ 668,023		

See Independent Auditor's Report.

CITY OF CIMARRON, 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:				
Ad valorem tax	\$ 165,262	\$ 171,349	\$ 166,893	\$ 4,456
Delinquent tax	1,784	4,918	-	4,918
Vehicle tax	24,666	38,198	33,291	4,907
Neighborhood revitalization rebate	(6,365)	(8,064)	(7,711)	(353)
Total receipts	185,347	206,401	\$ 192,473	\$ 13,928
Expenditures:				
Culture and recreation	(15,816)	-	\$ -	\$ -
Transfer to related municipal entity	194,990	210,200	210,200	-
Total expenditures	179,174	210,200	\$ 210,200	\$ -
Receipts over (under) expenditures	6,173	(3,799)		
Unencumbered cash, beginning of year	18,365	24,538	\$ 17,727	\$ 6,811
Unencumbered cash, end of year	\$ 24,538	\$ 20,739		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SPECIAL PARK AND RECREATION 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:				
Shared receipts:				
Local alcohol liquor fund	\$ 3,980	\$ 5,639	\$ 6,000	\$ (361)
Expenditures:				
Culture and recreation:				
Contractual services	-	-	\$ 3,500	\$ 3,500
Commodities	-	-	3,500	3,500
Capital outlay	-	-	10,000	10,000
Total expenditures	-	-	\$ 17,000	\$ 17,000
Receipts over (under) expenditures	3,980	5,639		
Unencumbered cash, beginning of year	5,802	9,782	\$ 11,302	\$ (1,520)
Unencumbered cash, end of year	\$ 9,782	\$ 15,421	\$ 302	\$ 15,119

See Independent Auditor's Report.

CITY OF CIMARRON, 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:				
Shared receipts:				
State of Kansas - gas tax	\$ 57,397	\$ 63,825	\$ 49,500	\$ 14,325
Interest on idle funds	620	79	1,000	(921)
Total receipts	58,017	63,904	\$ 50,500	\$ 13,404
Expenditures:				
Public works:				
Contractual services	35,000	22,759	\$ -	\$ (22,759)
Commodities	7,443	-	130,000	130,000
Debt service:				
Principal	9,166	9,503	9,475	(28)
Interest and commissions	3,971	3,633	3,641	8
Total expenditures	55,580	35,895	\$ 143,116	\$ 107,221
Receipts over (under) expenditures	2,437	28,009		
Unencumbered cash, beginning of year	111,895	114,332	\$ 93,389	\$ 20,943
Unencumbered cash, end of year	\$ 114,332	\$ 142,341	\$ 773	\$ 141,568

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

TRANSIENT GUEST TAX

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		
	2020	Actual	Budget	Variance favorable (unfavorable)
Receipts:				
Shared receipts:				
Transient guest tax	\$ 5,938	\$ 9,293	\$ 10,000	\$ (707)
Interest on idle funds	126	19	500	(481)
Total receipts	6,064	9,312	\$ 10,500	\$ (1,188)
Expenditures:				
Community services:				
Contractual services	-	-	\$ 15,000	\$ 15,000
Commodities	-	-	15,000	15,000
Capital outlay	6,310	-	30,000	30,000
Total expenditures	6,310	-	\$ 60,000	\$ 60,000
Receipts over (under) expenditures	(246)	9,312		
Unencumbered cash, beginning of year	48,573	48,327	\$ 49,573	\$ (1,246)
Unencumbered cash, end of year	\$ 48,327	\$ 57,639	\$ 73	\$ 57,566

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

PBC SALES TAX 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:				
Shared receipts:				
Sales tax	\$ 335,785	\$ 337,626	\$ 250,000	\$ 87,626
Interest on idle funds	1,836	236	1,000	(764)
Total receipts	<u>337,621</u>	<u>337,862</u>	<u>\$ 251,000</u>	<u>\$ 86,862</u>
Expenditures:				
Culture and recreation:				
Capital outlay	-	8,123	\$ 540,000	\$ 531,877
Debt service:				
Principal	610,000	190,000	190,000	-
Interest	<u>33,461</u>	<u>17,745</u>	<u>29,095</u>	<u>11,350</u>
Total expenditures	<u>643,461</u>	<u>215,868</u>	<u>\$ 759,095</u>	<u>\$ 543,227</u>
Receipts over (under) expenditures	(305,840)	121,994		
Unencumbered cash, beginning of year	<u>455,452</u>	<u>149,612</u>	<u>\$ 508,937</u>	<u>\$ (359,325)</u>
Unencumbered cash, end of year	<u>\$ 149,612</u>	<u>\$ 271,606</u>	<u>\$ 842</u>	<u>\$ 270,764</u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

NON-BUDGETED SPECIAL PURPOSE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021

	Special park donation	Recreation committee	Community foundation
Receipts:			
Donations	\$ 6,500	\$ -	\$ -
Interest on idle funds	-	16	-
Federal aid	-	-	-
State aid	-	-	-
Grant proceeds	-	-	824
Miscellaneous	-	-	-
Transfers	-	-	-
Total receipts	6,500	16	824
Expenditures:			
Commodities	-	-	437
Capital outlay	4,914	-	-
Total expenditures	4,914	-	437
Receipts over (under) expenditures	1,586	16	387
Unencumbered cash, beginning of year	10,341	29,875	230
Unencumbered cash, end of year	\$ 11,927	\$ 29,891	\$ 617

See Independent Auditor's Report.

<u>Equipment reserve</u>	<u>Capital improvement</u>	<u>SPARKS</u>	<u>ARPA</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,500
276	195	-	-	487
-	406,639	2,182	167,946	576,767
-	1,488,656	-	-	1,488,656
-	-	-	-	824
8,400	180	-	-	8,580
200,000	300,000	-	-	500,000
<u>208,676</u>	<u>2,195,670</u>	<u>2,182</u>	<u>167,946</u>	<u>2,581,814</u>
-	-	-	-	437
-	2,503,698	-	-	2,508,612
<u>-</u>	<u>2,503,698</u>	<u>-</u>	<u>-</u>	<u>2,509,049</u>
208,676	(308,028)	2,182	167,946	72,765
586,542	793,507	(2,182)	-	1,418,313
<u>\$ 795,218</u>	<u>\$ 485,479</u>	<u>\$ -</u>	<u>\$ 167,946</u>	<u>\$ 1,491,078</u>

CITY OF CIMARRON, 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:				
Ad valorem tax	\$ 37,840	\$ 62,476	\$ 60,870	\$ 1,606
Delinquent tax	562	1,628	250	1,378
Vehicle tax	6,661	9,082	7,619	1,463
Special assessments	90,689	97,587	-	97,587
Debt proceeds	-	115,401	-	115,401
Interest on idle funds	572	79	-	79
Transfers:				
Water enterprise	107,170	-	-	-
Neighborhood revitalization rebate	(1,456)	(2,944)	(2,815)	(129)
Total receipts	242,038	283,309	\$ 65,924	\$ 217,385
Expenditures:				
Debt service:				
Principal	170,000	80,000	\$ 65,000	\$ (15,000)
Interest and commissions	31,170	7,011	28,720	21,709
Cash basis reserve	-	-	50,000	50,000
Total expenditures	201,170	87,011	\$ 143,720	\$ 56,709
Receipts over (under) expenditures	40,868	196,298		
Unencumbered cash, beginning of year	31,434	72,302	\$ 77,796	\$ (5,494)
Unencumbered cash, end of year	\$ 72,302	\$ 268,600		

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS**PEARL LUTHER ENDOWMENT 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 on idle funds	\$ 122	\$ 11
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	122	11
Unencumbered cash, beginning of year	<u>21,917</u>	<u>22,039</u>
Unencumbered cash, end of year	<u><u>\$ 22,039</u></u>	<u><u>\$ 22,050</u></u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

LIGHT ENTERPRISE 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:				
Sales	\$ 1,704,316	\$ 2,185,414	\$ 2,100,000	\$ 85,414
Debt proceeds	-	597,837	597,837	-
Interest on idle funds	5,236	588	5,422	(4,834)
Total receipts	1,709,552	2,783,839	\$ 2,703,259	\$ 80,580
Expenditures:				
Public works:				
Personal services	345,510	385,342	\$ 400,000	\$ 14,658
Contractual services	147,850	198,700	200,000	1,300
Commodities	1,075,893	1,689,000	1,800,000	111,000
Capital outlay	-	10,000	104,000	94,000
Debt service:				
Principal	20,398	618,951	618,953	2
Interest	3,527	3,216	3,884	668
Transfers:				
Capital improvement	125,000	-	100,000	100,000
Equipment reserve	-	-	100,000	100,000
Total expenditures	1,718,178	2,905,209	\$ 3,326,837	\$ 421,628
Receipts over (under) expenditures	(8,626)	(121,370)		
Unencumbered cash, beginning of year	632,600	623,974	\$ 623,974	\$ -
Unencumbered cash, end of year	\$ 623,974	\$ 502,604	\$ 396	\$ 502,208

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

WATER ENTERPRISE 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:				
Sales	\$ 502,578	\$ 489,765	\$ 500,000	\$ (10,235)
Interest on idle funds	3,840	437	5,000	(4,563)
Total receipts	506,418	490,202	\$ 505,000	\$ (14,798)
Expenditures:				
Public works:				
Personal services	109,709	125,104	\$ 120,000	\$ (5,104)
Contractual services	70,188	81,524	100,000	18,476
Commodities	64,184	95,584	100,000	4,416
Capital outlay	3,016	-	175,000	175,000
Debt service:				
Principal	20,500	20,940	21,116	176
Interest and commissions	3,527	2,793	2,884	91
Transfers:				
Bond and interest	107,170	-	-	-
Equipment reserve	-	200,000	100,000	(100,000)
Capital improvement	125,000	-	200,000	200,000
Total expenditures	503,294	525,945	\$ 819,000	\$ 293,055
Receipts over (under) expenditures	3,124	(35,743)		
Unencumbered cash, beginning of year	542,679	545,803	\$ 314,509	\$ 231,294
Unencumbered cash, end of year	\$ 545,803	\$ 510,060	\$ 509	\$ 509,551

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

TRASH ENTERPRISE 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 favorable (unfavorable)
	2020	Actual	Budget	
Receipts:				
Sales	\$ 249,336	\$ 246,866	\$ 300,000	\$ (53,134)
Interest on idle funds	1,256	156	1,000	(844)
Total receipts	250,592	247,022	\$ 301,000	\$ (53,978)
Expenditures:				
Public works:				
Contractual services	230,912	238,684	\$ 330,000	\$ 91,316
Commodities	388	128	20,000	19,872
Transfers:				
Equipment reserve	-	-	50,000	50,000
Capital improvement	25,000	-	50,000	50,000
Total expenditures	256,300	238,812	\$ 450,000	\$ 211,188
Receipts over (under) expenditures	(5,708)	8,210		
Unencumbered cash, beginning of year	219,404	213,696	\$ 149,404	\$ 64,292
Unencumbered cash, end of year	\$ 213,696	\$ 221,906	\$ 404	\$ 221,502

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

SEWER ENTERPRISE 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:				
Sales	\$ 223,805	\$ 311,266	\$ 240,000	\$ 71,266
Interest on idle funds	1,948	234	1,000	(766)
Total receipts	225,753	311,500	\$ 241,000	\$ 70,500
Expenditures:				
Public works:				
Personal services	61,829	76,167	\$ 100,000	\$ 23,833
Contractual services	16,064	23,251	50,000	26,749
Commodities	14,340	25,780	30,000	4,220
Capital outlay	914	-	105,000	105,000
Debt service:				
Principal	8,802	18,341	17,959	(382)
Interest and commissions	1,811	6,947	2,453	(4,494)
Transfers:				
Sewer plant replacement	63,600	63,600	175,000	111,400
Equipment reserve	-	-	100,000	100,000
Total expenditures	167,360	214,086	\$ 580,412	\$ 366,326
Receipts over (under) expenditures	58,393	97,414		
Unencumbered cash, beginning of year	385,415	443,808	\$ 341,604	\$ 102,204
Unencumbered cash, end of year	\$ 443,808	\$ 541,222	\$ 2,192	\$ 539,030

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS**SEWER PLANT REPLACEMENT 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:		
Transfers:		
Sewer enterprise	\$ 63,600	\$ 63,600
Expenditures	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	63,600	63,600
Unencumbered cash, beginning of year	<u>201,731</u>	<u>265,331</u>
Unencumbered cash, end of year	<u><u>\$ 265,331</u></u>	<u><u>\$ 328,931</u></u>

See Independent Auditor's Report.

CITY OF CIMARRON, KANSAS

CIMARRON CITY LIBRARY
(A RELATED MUNICIPAL ENTITY)SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021

	General	Special purpose Friends of the Library fund	Total
Receipts:			
Transfers from City of Cimarron	\$ 218,263	\$ -	\$ 218,263
Gray County Library Board	13,100	-	13,100
State of Kansas	626	-	626
Grants	12,744	-	12,744
Fines, photocopies and other charges	1,034	-	1,034
Donations and memorials	14,944	10,100	25,044
Interest	403	3	406
Program income	8,033	-	8,033
Other	3,720	-	3,720
Total receipts	273,097	10,103	283,200
Expenditures:			
Salaries and payroll taxes	162,489	-	162,489
Books and periodicals	16,935	-	16,935
Supplies	4,908	-	4,908
Audios and videos	2,877	-	2,877
Computer software	2,757	-	2,757
Utilities	8,610	-	8,610
Repairs and maintenance	9,711	-	9,711
Dues and contracts	15,149	-	15,149
Contractual services	4,910	-	4,910
Capital outlay	6,558	-	6,558
Grant/program expense	15,027	-	15,027
Miscellaneous	5,775	-	5,775
Total expenditures	255,706	-	255,706
Receipts over (under) expenditures	17,391	10,103	27,494
Unencumbered cash, beginning of year	111,869	-	111,869
Unencumbered cash, end of year	\$ 129,260	\$ 10,103	\$ 139,363

See Independent Auditor's Report.

APPENDICES

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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 FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and City Council
City of Cimarron, 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 Cimarron, Kansas, as of and for the year ended December 31, 2021, and the related notes to the financial statement and have issued our report thereon dated August 30, 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 statements, we considered City of Cimarron, 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 City of Cimarron, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of City of Cimarron, 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 the City of Cimarron, Kansas' financial statement is 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 statement. 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

August 30, 2022

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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**

The Honorable Mayor and City Council
City of Cimarron, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Cimarron, 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 Cimarron, Kansas' major federal programs for the year ended December 31, 2021. The City of Cimarron, 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 Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, 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 City of Cimarron, Kansas' response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Cimarron, 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. 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 Cimarron, Kansas' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Cimarron, 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 requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kennedy McKee & Company LLP

August 30, 2022

CITY OF CIMARRON, 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>Passed through to subrecipients</u>
U.S. Department of Transportation				
Federal Aviation Administration				
Direct Programs:				
Reconstruct Apron and Taxilane	20.106	3-20-0116-009-2016	\$ 462,095	\$ -
Airport Fueling System	20.106	AV-2019-03	74,939	-
U.S. Department of Transportation				
Federal Aviation Administration				
U.S. 50 Waterline Relocation	20.205	US050-035 KA-2383-01	<u>346,600</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 883,634</u>	<u>\$ -</u>

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

CITY OF CIMARRON, 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 Cimarron, 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.

CITY OF CIMARRON, 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 statements of the City of Cimarron, Kansas, were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statement were 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 Cimarron, 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 the major federal award programs is reported in the Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weakness is reported.
5. The auditor's report on compliance for the major federal award programs for the City of Cimarron, 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:

Reconstruct Apron and Taxilane	CFDA 20.106
Airport Fueling Station	CFDA 20.106
8. The threshold for distinguishing Type A and Type B programs was \$750,000.
9. The City of Cimarron did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None noted.

CITY OF CIMARRON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended December 31, 2021

C. FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2021-001 – Procurement Policy

Condition: The City does not have a written 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: In accordance with 2 CFR Section 200.319(c), non-federal entities must have written procedures for procurement transactions. Such policy should incorporate all requirements within 2 CFR 200.318 through 200.326 of the Uniform Guidance.

Cause: The City was unaware of the requirements required by the Uniform Guidance. The City's procurement policy does not incorporate all requirements of 2 CFR Section 200.318 through 200.326 of 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: City personnel agree with the finding and will attempt to implement the recommendation.