

INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE CITY OF MULLINVILLE
FOR THE YEAR ENDED DECEMBER 31, 2019



INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED UPON PROCEDURES

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

We have performed the procedures enumerated below, which were agreed to by the City of Mullinville, solely to assist you with respect to the accounting records of the City of Mullinville, for the year ended December 31, 2019. The City of Mullinville's management is responsible for the City's accounting records. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows for the year ended December 31, 2019:

1. We tied the City's total cash per books at year end to source documents, and reviewed the bank reconciliation for the last month of the year.

The City's total cash per the books at year end agreed with source documents and the bank reconciliation for the last month of the year.

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

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

3. Using the last bank statement of the year, we compared total deposits in excess of FDIC insurance to securities pledged to secure the excess deposits, as evidenced by joint custody receipts.

The City was adequately secured at year end.

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

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

5. For a minimum of two months, we traced any interest income from the bank statement to the City's cash receipts records.

Of the two months selected, we were able to trace the interest income from the bank statement to the City's cash receipts records.

6. For a minimum of two separate months, we traced non-mail cash receipts from the receipt book to the bookkeeping records to determine if the receipts were properly recorded. Also, for the same two months, we traced bookkeeping entries for cash receipts to the bank statement to determine if receipts were deposited intact and on a timely basis.

Receipts were issued only when requested or for cash for the "non-mail" cash receipts for one of the months selected; we determined that recorded receipts were properly recorded using other documentation.

7. For approximately ten percent of the non-payroll cash disbursements, we traced disbursements from the bookkeeping records to the related invoice, bank statement, and canceled check.

We traced one hundred, thirty-six non-payroll cash disbursements and noted five instances where there were no related invoices for the disbursements.

8. For a minimum of one month, we compared the disbursements as recorded in the check register to an entry in the official minutes that approved the disbursements.

For the month of September, we were not able to compare disbursements to the approval in the minutes.

9. We examined evidence of encumbrances and accounts payable, and determined if they were properly stated in the financial statement as of the end of the year.

The encumbrances and accounts payables were not properly stated in the financial statement at year end. Accounts payables were understated by \$3,670.

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

The City does have a credit card. However, there were no credit card transactions during 2019.

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

11. We reviewed payroll for a minimum of one month to determine that proper deductions and employer contributions were being remitted.

Proper deductions and employer contributions were remitted for the month of December 2019.

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

There were two eligible employees subject to KPERS withholding at year end. Only one employee's withholdings was calculated and remitted.

13. We compared the following items in the current year financial statement to the same items in the prior year financial statement to determine if there was a variance of more than 25% per fund: 1) total cash receipts, 2) total cash disbursements, 3) encumbrances and accounts payable, and 4) ending unencumbered cash balance.

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

Total cash receipts				
Fund	2019	2018	Variance	Circumstance
Fire	\$ 8,916.11	\$ 4,042.69	54.66%	There was a transfer made in 2019 of \$2,500 to correct the deficit cash balance from 2018. There were also tax receipts reclassified between funds after publication of prior year financial statement.
Special Street	37,933.80	4,932.10	87.00%	There was a transfer made in 2019 of \$30,000 to correct the deficit cash balance from 2018. In addition, the City received more special highway money in 2019 versus 2018 by approximately \$1,766.
Equipment	17,161.34	735.25	95.72%	There was a transfer made in 2019 of \$14,000 to correct the deficit cash balance from 2018. There were also tax receipts reclassified between funds after publication of current year financial statement of approximately \$2,124.
Meter Deposit	850.00	60.00	92.94%	There was a transfer from the Utility fund of \$850 in 2019. After accounting for the transferring the remaining variance is below 25%.

Total cash disbursements				
Fund	2019	2018	Variance	Circumstance
Fire	\$ 4,453.81	\$ 6,228.22	-39.84%	Utilities for the fire department are down \$1,880 from 2018 to 2019.
Utility	51,510.10	72,216.31	-40.20%	Bond payment of \$6,000 was paid out of General fund instead of Utility in 2019. Well repair costs down approximately \$4,500 in 2019. After accounting for those changes the remaining variance is below 25%.
Special Street	21,345.00	-	100.00%	Resurfacing Main street project in 2019.
Equipment	8,753.35	11,606.55	-32.60%	There was an additional lease in 2019 of \$4,916 that was reclassified after publication of current year report. There were also approximately \$7,650 of expenditures that were reclassified in 2018 after the report was published.
Meter Deposit	369.24	-	100.00%	In 2018, there were no customer deposits remitted.

Ending unencumbered cash balance					Circumstance
Fund	2019	2018	Variance		
Fire	\$ 2,276.77	\$ (2,185.53)	195.99%		There was a transfer made in 2019 of \$2,500 to correct the deficit cash balance from 2018. There were also tax receipts reclassified between funds after publication of prior year financial statement. Utilities for the fire department are down \$1,880 from 2018 to 2019.
Utility	10,305.74	(11,870.97)	215.19%		There was a transfer made in 2019 of \$5,000 to correct the deficit cash balance from 2018. Bond payment of \$6,000 was paid out of General fund instead of Utility in 2019. Well repair costs down approximately \$4,500 in 2019.
Special Street	21,520.90	4,932.10	77.08%		There was a transfer made in 2019 of \$30,000 to correct the deficit cash balance from 2018.
Equipment	2,452.69	(10,871.30)	543.24%		There was a transfer made in 2019 of \$14,000 to correct the deficit cash balance from 2018. There were also tax receipts reclassified between funds after publication of current year financial statement of approximately \$2,124. There was an additional lease in 2019 of \$4,916 that was reclassified after publication of current year report. There was also approximately \$7,650 of expenditures that were reclassified in 2018 after the report was published.
Meter Deposit	540.76	60.00	88.90%		There was a transfer from the Utility fund of \$850 in 2019. After accounting for the transferring the remaining variance is below 25%.
Solid Waste	4,605.36	(2,540.91)	155.17%		There was a transfer made in 2019 of \$4,000 to correct the deficit cash balance from 2018. Solid waste fees were also up approximately \$2,000 in 2019.

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

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

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

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

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

All employees and officers entrusted with funds or property were covered by a surety bond as of December 31, 2019.

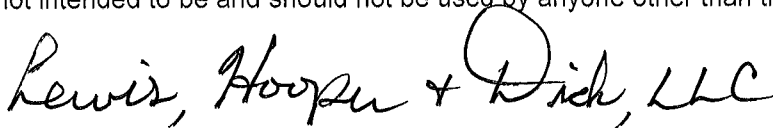
17. We reviewed the Kansas Regulatory Compliance Checklists for General - All Municipalities, and For a City for compliance.

The City failed to comply with the following checklist items:

- a. K.S.A. 79-2934 requires records to be kept for each fund showing the budget balance available for appropriation. During the year, the City had no reports reflecting the budget balance available for appropriation.
- b. K.S.A. 79-2935 requires no indebtedness be created in excess of budgeted limits in any fund. At December 31, 2019, expenditures in the Special Highway and Utility funds exceeded the funds' budget by \$2,645 and \$5,707, respectively. This was a result of excess expenditures for commodities and contractual. We recommend the City review debt schedules when preparing the annual budget to properly account for anticipated expenditures.
- c. K.S.A. 75-1120a requires governmental entities preparing their financial statements on the regulatory basis to pass an annual resolution waiving the use of generally accepted accounting principles. The Council did not pass a resolution for the waiver as required under the statute for calendar year 2019.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records of City of Mullinville for the year ended December 31, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

A handwritten signature in black ink that reads "Lewis, Hooper & Dick, LLC". The signature is written in a cursive, flowing style.

LEWIS, HOOPER & DICK, LLC

October 12, 2020