

CITY OF HIAWATHA, KANSAS

FINANCIAL STATEMENT – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2022

CITY OF HIAWATHA, KANSAS
FINANCIAL STATEMENT
REGULATORY BASIS
Year Ended December 31, 2022

TABLE OF CONTENTS

	Schedule	Page
Independent Auditors' Report		1-3
Financial Statement:		
Summary Statement of Receipts, Expenditures, and Unencumbered Cash – Regulatory Basis		4-5
Notes to Financial Statement		6-16
Supplementary Information:		
Summary of Expenditures – Budget and Actual – Regulatory Basis	1	17
Schedule of Receipts and Expenditures – Budget and Actual – Regulatory Basis:	2	
General Fund		18
Library Fund		19
Industrial Fund		20
Parks and Recreation Fund		21
Employee Benefit Fund		22
Special Highway Fund		23
Special Parks Fund		24
Special Events Fund		25
Special Streets Fund		26
Land Bank Fund		27
Bond and Interest Fund		28
Post Lantern Street Light Project Fund		29
Water Fund		30
Sewer Fund		31
Storm Water Utility Fund		32
Pool Fund		33
Airport Fund		34
Schedule of Receipts and Expenditures – Regulatory Basis:	3	
Liability Fund		35
History Center Fund		36
Hotel Economic Development Fund		37
MVE Inspection Fund		38
Safety Dividends Fund		39
ARPA Fund		40
Opioid Settlement Fund		41
Other Capital Projects Funds		42
Schedule of Receipts, Expenditures, and Unencumbered Cash – Trust Funds – Regulatory Basis	4	43

CITY OF HIAWATHA, KANSAS
FINANCIAL STATEMENT
REGULATORY BASIS
Year Ended December 31, 2022

TABLE OF CONTENTS
(Continued)

		Page
Summary of Receipts and Disbursements – Agency Funds – Regulatory Basis	5	44
Schedule of Receipts and Expenditures – Morrill Public Library – Related Municipal Entity – Regulatory Basis	6	45
Schedule of Expenditures of Federal Awards		46
Notes to Schedule of Expenditures of Federal Awards		47
Schedule of Findings and Questioned Costs		48-49
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of a Financial Statement Performed in Accordance with *Government Auditing Standards*		50-51
Independent Auditors' Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance		52-54

BT & Co. P.A.
Certified Public Accountants

4301 SW Huntoon St. Topeka, KS 66604 | t:785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: btandcocpa.com

INDEPENDENT AUDITORS' REPORT

Mayor and City Commission
City of Hiawatha, Kansas

Report on the Audit of the Financial Statement

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 Hiawatha, Kansas (the City) as of and for the year ended December 31, 2022 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 City as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2022, 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 2.

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 *(Government Auditing Standards)*, and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, 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 2 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Emphasis of Matter

As described in Note 10 to the financial statement, the December 31, 2021 financial statement has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 2; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern within one year after the date that the financial statement is issued or available to be issued.

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (the basic financial statement) as a whole. The schedules listed under supplementary information in the accompanying table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 2.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BT&Co., P.A.

March 31, 2023
Topeka, Kansas

CITY OF HIAWATHA, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
Year Ended December 31, 2022

Funds	Beginning Unencumbered Cash Balance, as Previously Stated	Prior Period Adjustment	Beginning Unencumbered Cash Balance, as Restated	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General fund	$ 912,432	$ (38,986)	$ 873,446	$ -	$ 1,509,323	$ 1,560,798	$ 821,971	$ 26,728	$ 848,699
Special purpose funds:									
Library	622	-	622	-	148,986	148,986	622	-	622
Industrial	129,279	-	129,279	-	204,639	227,500	106,418	-	106,418
Parks and recreation	216,752	(81,600)	135,152	-	453,617	405,335	183,434	2,385	185,819
Employee benefit	193,275	-	193,275	-	738,736	679,347	252,664	-	252,664
Special highway	384,662	(39,439)	345,223	-	496,060	444,543	396,740	1,649	398,389
Special parks	14,744	(800)	13,944	-	6,811	3,872	16,883	-	16,883
Liability	500	-	500	-	-	-	500	-	500
History Center	22,495	-	22,495	-	36,330	36,979	21,846	167	22,013
Special events	10,072	-	10,072	-	15,000	7,250	17,822	-	17,822
Special streets	835,483	-	835,483	-	409,272	300,000	944,755	-	944,755
Hotel economic development	(269)	-	(269)	-	103,915	98,902	4,744	-	4,744
MVE inspection	17,246	-	17,246	-	10,413	3,957	23,702	878	24,580
Safety dividends	24,972	-	24,972	-	1,119	18,810	7,281	7,618	14,899
Land bank	150	-	150	-	5,500	346	5,304	300	5,604
ARPA	109,375	-	109,375	-	237,918	123,599	223,694	-	223,694
Opioid Settlement	-	-	-	-	760	-	760	-	760
Bond and interest fund	311,543	-	311,543	-	1,053,622	1,021,096	344,069	-	344,069
Capital project funds:									
Post lantern street light project	99,431	-	99,431	-	193	4,901	94,723	-	94,723
Other capital projects	690,976	254,021	944,997	-	48,443	38,236	955,204	-	955,204
Business funds:									
Water	872,740	(72,317)	800,423	-	929,937	870,787	859,573	7,865	867,438
Sewer	662,675	(4,379)	658,296	-	865,935	1,202,280	321,951	5,044	326,995
Storm water utility	52,885	-	52,885	-	81,117	69,253	64,749	-	64,749
Pool	153,992	(16,500)	137,492	-	81,159	116,211	102,440	752	103,192
Airport	55,722	-	55,722	-	175,107	151,934	78,895	-	78,895
Trust funds	19,411	-	19,411	-	1,033	-	20,444	-	20,444
Total primary government	5,791,165	-	5,791,165	-	7,614,945	7,534,922	5,871,188	53,386	5,924,574
Related municipal entity:									
Morrill Public Library	318,058	-	318,058	-	334,227	321,885	330,400	3,103	333,503
Total reporting entity (excluding agency funds)	$ 6,109,223	$ -	$ 6,109,223	$ -	$ 7,949,172	$ 7,856,807	$ 6,201,588	$ 56,489	$ 6,258,077

(Continued)

CITY OF HIAWATHA, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Composition of cash:	
GN Bank:	
General fund	$ 4,390,103
Economic development grant fund	1,126
Sewer project fund	274,891
Post lantern fund	90,481
Insurance proceeds fund	92
Todd Widman memorial fund	1,691
Aquatic park capital improvement fund	148,362
Reserve account	185,897
Municipal court cash bond account	3,910
Petty cash	500
Total GN Bank	5,097,053
Morrill & Janes Bank:	
Citywide street sales tax	832,407
Petty cash	250
Total Morrill & Janes Bank	832,657
Citizens State Bank & Trust:	
Library checking	8,404
Library savings	994
Library investments	3,272
Total Citizens State Bank & Trust	12,670
Edward Jones:	
Library investments	320,653
Cash on hand:	
Primary government	525
Library	180
Total cash on hand	705
Total cash	6,263,738
Less agency funds per schedule 5	(5,661)
Total reporting entity (excluding agency funds)	$ 6,258,077

See accompanying notes to financial statement.

1 - Municipal Financial Reporting Entity

The City of Hiawatha, Kansas (the City) is a municipal corporation governed by a five-member commission. This financial statement includes only the primary government of the City and the Morrill Public Library (the Library) related municipal entity. The Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Bond issuances must also be approved by the City. The financial statement excludes one of the related municipal entities for which the City is considered financially accountable:

The Housing Authority of the City of Hiawatha (the Housing Authority)

A separate related municipal entity financial statement may be obtained directly from the Housing Authority.

2 - Summary of Significant Accounting Policies

(a) 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.

(b) Regulatory Basis Fund Types

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

The following regulatory basis fund types comprise the financial activities of the City for the year ended December 31, 2022:

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 receipts sources (other than major capital projects 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, 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 of the goods or services.

Trust Fund – funds used to report assets held in trust for the benefit of the City.

Agency Fund – funds used to report assets held by the City in a purely custodial capacity.

(c) 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), the bond and interest fund, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget is adjusted to on or before September 20th. The City 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 revenue 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 was amended for the Sewer Fund in 2022.

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 statements are presented for each budgeted fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a

document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds other than the Post Lantern Street Light Project fund, trust funds, agency funds, and the following special purpose funds:

Liability, History Center, Hotel Economic Development, MVE Inspection, Safety Dividends, ARPA, and Opioid Settlement

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.

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the County Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payment.

These taxes become a lien against all property on November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by the County.

Taxes levied to finance the budget are made available to the City after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the City, is on or before January 20th of the ensuing year. Additional amounts are distributed on four subsequent dates through the calendar year.

(d) Annual Personal and Sick Leave Benefits

Under the terms of the City's personnel policy, City employees are granted annual personal and sick leave in varying amounts.

Full-time employees accrue vacation each year at a rate of eighty hours beginning after six months of employment. After five full years of consecutive service, employees accrue vacation each year at a rate of eighty hours plus eight additional hours for each consecutive year of service in excess of five years, to a maximum of two-hundred hours per year.

Upon termination or resignation, employees are compensated for unused vacation time, up to a maximum of the yearly amount of vacation time earned. As of December 31, 2022, the liability for earned vacation pay is approximately $ 77,000.

(e) Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase.

(f) Use of Estimates

The preparation of the financial statement in compliance with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of encumbrances at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

3 - Long-Term Debt

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and business activities. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

Revolving Loan Payable. During 2020, the City entered into a loan agreement with KDHE. According to the agreement, KDHE will loan an amount not to exceed $ 309,177 to the City for the purpose of developing a sanitary sewer peak flow management and pump station study. The interest rate on the loan is 1.50%. The first payment of principal and interest on the loan is to be made the earlier of two years after receipt by the City of the first disbursement under the loan or one year after project completion. The project is complete, and the loan amount and repayment schedule have been finalized. As of December 31, 2022, the entirety of the available loan balance has been drawn down and project costs of $ 309,177 have been incurred for this project. Principal and interest payments of $ 60,444 and $ 3,856, respectively, were made during 2022 The outstanding balance as of December 31, 2022 is $ 248,733.

Finance leases. The City has entered into lease agreements as lessee for financing the acquisition of equipment.

Changes in long-term debt for the City for the year ended December 31, 2022 were as follows:

Issue	Interest Rates	Date of Issue	Date of Final Maturity	Original Amount Issued	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General obligation bonds*:									
Series 2011	2.75 - 3.75%	08/15/11	10/01/26	$ 400,000	$ 155,000	$ -	$ 30,000	$ 125,000	$ 5,813
Series 2012	2.00 - 2.75%	03/15/12	08/01/26	1,265,000	485,000	-	110,000	375,000	11,732
Series 2012-B	2.25 - 4.00%	10/01/12	10/01/43	6,530,000	4,080,000	-	260,000	3,820,000	136,640
Series 2014-A	2.75%	01/28/14	01/28/54	998,000	891,507	-	16,932	874,575	24,516
Series 2014-B	3.50%	01/28/14	01/28/24	258,400	87,049	-	28,024	59,025	3,047
Series 2016-A	1.75%	06/15/16	06/15/56	1,373,000	1,248,782	-	26,163	1,222,619	21,854
Series 2016-B	1.75%	06/15/16	06/15/56	93,000	84,586	-	1,772	82,814	1,480
Series 2019	1.75%	02/14/19	02/14/59	1,885,000	1,818,554	-	34,098	1,784,456	31,825
Series 2021	2.25%	07/28/21	07/28/51	6,000,000	6,000,000	-	142,200	5,857,800	135,000
Total general obligation bonds					14,850,478	-	649,189	14,201,289	371,907
Revolving loan payable:									
Kansas Water Pollution Control Revolving Fund	1.50%	04/16/20	09/01/26	309,177	309,177	-	60,444	248,733	3,856
Finance leases:									
Sweeper	2.59%	08/06/20	07/06/23	97,109	51,944	-	32,741	19,203	959
Excavator	3.40%	01/15/20	01/15/27	147,971	114,584	-	14,991	99,593	3,896
Water Department Tractor	0.00%	07/26/22	08/01/25	75,387	-	75,387	10,657	64,730	-
Copiers	0.00%	09/29/22	09/01/27	24,474	-	24,474	1,223	23,251	-
Park's Tractor/Loader	3.70%	03/11/22	04/01/24	30,250	-	10,526	3,382	7,144	1,118
Total finance leases					166,528	110,387	62,994	213,921	5,973
Total long-term debt					$ 15,326,183	$ 110,387	$ 772,627	$ 14,663,943	$ 381,736

* Portions of the above general obligation bonds were used to finance projects related to the Water, Sewer, and Post Lantern Street Light Project Funds or were used to refund debt previously incurred by those funds. Transfers are made each year from these funds to the Debt Service fund to pay for the portions of the debt related to their respective projects. See more details of these transfers at Note 8.

Annual debt service requirements to maturity for the general obligation bonds, the revolving loan payable and finance leases are as follows:

	Year												
	2023	2024	2025	2026	2027	2028-2032	2033-2037	2038-2042	2043-2047	2048-2052	2053-2057	2058-2060	Total
Principal:													
General obligation bonds:													
Series 2011	$ 30,000	$ 30,000	$ 30,000	$ 35,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 125,000
Series 2012	110,000	100,000	80,000	85,000	-	-	-	-	-	-	-	-	375,000
Series 2012-B	270,000	280,000	290,000	105,000	110,000	595,000	705,000	1,195,000	270,000	-	-	-	3,820,000
Series 2014-A	17,398	17,876	18,368	18,873	19,392	105,257	120,548	138,061	158,116	181,088	79,598	-	874,575
Series 2014-B	29,005	30,020	-	-	-	-	-	-	-	-	-	-	59,025
Series 2016-A	26,621	27,087	27,561	28,043	28,534	150,335	163,959	178,817	195,021	212,692	183,949	-	1,222,619
Series 2016-B	1,803	1,835	1,867	1,899	1,933	10,183	11,106	12,112	13,210	14,407	12,459	-	82,814
Series 2019	34,694	35,302	35,919	36,548	37,188	195,929	213,684	233,049	254,166	277,199	302,316	128,462	1,784,456
Series 2021	145,400	148,319	152,008	155,428	158,925	849,285	949,610	1,061,404	1,186,362	1,051,059	-	-	5,857,800
Total general obligation bonds	664,921	670,439	635,723	465,791	355,972	1,905,989	2,163,907	2,818,443	2,076,875	1,736,445	578,322	128,462	14,201,289
Revolving loan payable:													
Kansas Water Pollution Control Revolving Fund	60,797	61,712	62,640	63,584	-	-	-	-	-	-	-	-	248,733
Finance leases:													
Sweeper	19,203	-	-	-	-	-	-	-	-	-	-	-	19,203
Excavator	15,502	16,029	16,573	17,137	34,352	-	-	-	-	-	-	-	99,593
Water Department Tractor	10,656	10,656	43,418	-	-	-	-	-	-	-	-	-	64,730
Copiers	4,895	4,895	4,895	4,895	3,671	-	-	-	-	-	-	-	23,251
Park's Tractor/Loader	3,507	3,637	-	-	-	-	-	-	-	-	-	-	7,144
Total finance leases	53,763	35,217	64,886	22,032	38,023	-	-	-	-	-	-	-	213,921
Total principal	$ 779,481	$ 767,368	$ 763,249	$ 551,407	$ 393,995	$ 1,905,989	$ 2,163,907	$ 2,818,443	$ 2,076,875	$ 1,736,445	$ 578,322	$ 128,462	$ 14,663,943
Interest:													
General obligation bonds:													
Series 2011	$ 4,688	$ 3,563	$ 2,564	$ 1,313	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,128
Series 2012	9,100	6,413	3,988	1,788	-	-	-	-	-	-	-	-	21,289
Series 2012-B	130,140	123,390	116,390	109,865	107,503	490,583	380,000	201,000	10,800	-	-	-	1,669,671
Series 2014-A	24,051	23,572	23,081	22,576	22,057	101,985	86,694	69,181	49,125	26,155	3,298	-	451,775
Series 2014-B	2,066	1,051	-	-	-	-	-	-	-	-	-	-	3,117
Series 2016-A	21,396	20,987	20,456	19,974	19,483	89,845	76,164	61,300	45,090	27,421	8,120	-	410,236
Series 2016-B	1,449	1,422	1,386	1,353	1,320	6,086	5,159	4,152	3,054	1,857	550	-	27,788
Series 2019	31,228	30,537	30,085	29,374	28,735	133,610	115,992	96,562	75,444	52,389	27,313	3,382	654,651
Series 2021	131,801	128,881	125,192	121,772	118,275	536,715	436,390	324,596	199,638	59,919	-	-	2,183,179
Total general obligation bonds	355,919	339,816	323,142	308,015	297,373	1,358,824	1,100,399	756,791	383,151	167,741	39,281	3,382	5,433,834
Revolving loan payable:													
Kansas Water Pollution Control Revolving Fund	3,503	2,588	1,660	718	-	-	-	-	-	-	-	-	8,469
Finance leases:													
Sweeper	454	-	-	-	-	-	-	-	-	-	-	-	454
Excavator	3,386	2,859	2,314	1,751	1,168	-	-	-	-	-	-	-	11,478
Water Department Tractor	-	-	-	-	-	-	-	-	-	-	-	-	-
Copiers	-	-	-	-	-	-	-	-	-	-	-	-	-
Park's Tractor/Loader	993	863	-	-	-	-	-	-	-	-	-	-	1,856
Total finance leases	4,833	3,722	2,314	1,751	1,168	-	-	-	-	-	-	-	13,788
Total interest	$ 364,255	$ 346,126	$ 327,116	$ 310,484	$ 298,541	$ 1,358,824	$ 1,100,399	$ 756,791	$ 383,151	$ 167,741	$ 39,281	$ 3,382	$ 5,456,091
Total principal and interest	$1,143,736	$ 1,113,494	$ 1,090,365	$ 861,891	$ 692,536	$ 3,264,813	$ 3,264,306	$ 3,575,234	$ 2,460,026	$ 1,904,186	$ 617,603	$ 131,844	$ 20,120,034

Special Assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through 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 regulatory receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as regulatory receipts in the Bond and Interest Fund. The special assessment debt is a contingent liability of the City to the extent of property owner defaults which have historically been immaterial.

Conduit Debt Obligations. From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statement. As of December 31, 2022, there were two series of Industrial Revenue Bonds outstanding, with an aggregate original principal amount payable of $ 7,545,000 and an outstanding balance of $ 5,615,000.

4 - 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 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.

K.S.A. 12-1225(h) authorizes library boards to invest or reinvest gifts and donations and any dividends, interest, rent, or income derived from the gifts in the manner the board deems will best serve the interest of the library. The Library's investments are recorded at cost. The fair value of the Library's unsecured cash and investments from gifts and donations at December 31, 2022 is $ 273,125.

Fair value measurement. The Library categorizes its fair value measurements within the fair value hierarchy. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended December 31, 2022, all Library investments are considered Level 1, except for $ 1,000 which is considered Level 3.

Concentration of Credit Risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Library's allocation of investments as of December 31, 2022, is as follows:

Investment Type	Percentage of Investments
Cash and cash equivalents	8.52%
Stocks and mutual funds	91.15%
Other investments	0.33%

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. Kansas statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custodial 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.

At December 31, 2022, the City's and Library's carrying amounts of deposits were $ 5,929,710 and $ 9,398, respectively, and the bank balances were $ 6,018,191 and $ 12,631, respectively. The City's and Library's bank balances were held by three banks resulting in a concentration of credit risk. Of the City's bank balance, $ 500,000 was covered by federal depository insurance and the remainder was collateralized with securities held by the pledging financial institutions' agents in the City's name. The Library's bank balance was fully covered by federal depository insurance.

Custodial Credit Risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

5 - Defined Benefit Pension Plan

Plan Description. The City and Library participate 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 statement and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas Avenue, 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 of 6.00% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

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 8.9% for the fiscal year ended December 31, 2022. Contributions to the pension plan from the City and Library were $ 130,717 and $ 11,622, respectively, for the year ended December 31, 2022.

Net Pension Liability

At December 31, 2022, the City's and Library's proportionate share of the collective net pension liability reported by KPERS was $ 1,455,229 and $ 129,382, respectively. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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 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.

6 - 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; and natural disasters for which the City carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have not been significant reductions in coverage from prior years.

7 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement as of December 31, 2022.

8 - Interfund Transfers

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	Special Events	KSA 12-1118	$ 12,500
General	Land Bank	KSA 12-1118	5,000
General	Bond and Interest	Debt Service	31,071
Industrial	Bond and Interest	Debt Service	212,200
Special Streets	Bond and Interest	Debt Service	300,000
Pool	Employee Benefit	KSA 12-825d	6,479
Water	Employee Benefit	KSA 12-825d	97,321
Water	Pool	KSA 12-825d	40,000
Water	Bond and Interest	Debt Service	122,315
Sewer	Employee Benefit	KSA 12-825d	89,530
Sewer	Bond and Interest	Debt Service	338,873

9 - 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 this 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.

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 is set at 1% for the year ended December 31, 2022.

10 - Prior Period Adjustment

The City Commission approved a transfer of 2021 capital funds to the Capital Reserve Fund in February 2022. A prior period adjustment is shown in the financial statement to reflect the impact of the transfer. The net impact on total beginning unencumbered cash is zero. The details of the approved transfer are as follows:

From	To	Regulatory Authority	Amount
General (Administration)	Capital Reserve	City Ordinance	$ 3,278
General (Police)	Capital Reserve	City Ordinance	12,732
General (Fire)	Capital Reserve	City Ordinance	21,818
General (Lights)	Capital Reserve	City Ordinance	1,158
Special Parks	Capital Reserve	City Ordinance	800
Parks and Recreation	Capital Reserve	City Ordinance	81,600
Special Highway	Capital Reserve	City Ordinance	39,439
Pool	Capital Reserve	City Ordinance	16,500
Water	Capital Reserve	City Ordinance	72,317
Sewer	Capital Reserve	City Ordinance	4,379
			$ 254,021

11 - Subsequent Events

The City has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statement is available to be issued.

SUPPLEMENTARY INFORMATION

CITY OF HIAWATHA, KANSAS
SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
Year Ended December 31, 2022

FUNDS	Certified Budget	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental type funds:			
General fund	$ 2,139,335	$ 1,560,798	$ (578,537)
Special purpose funds:			
Library	152,702	148,986	(3,716)
Industrial	227,500	227,500	-
Parks and recreation	531,142	405,335	(125,807)
Employee benefit	937,688	679,347	(258,341)
Special highway	471,755	444,543	(27,212)
Special parks	4,852	3,872	(980)
Special events	15,000	7,250	(7,750)
Special streets	300,000	300,000	-
Land bank	5,000	346	(4,654)
Bond and interest fund	1,368,190	1,021,096	(347,094)
Capital projects fund:			
Post lantern street light project	99,000	4,901	(94,099)
Business funds:			
Water	975,425	870,787	(104,638)
Sewer*	1,306,946	1,202,280	(104,666)
Storm water utility	79,000	69,253	(9,747)
Pool	134,873	116,211	(18,662)
Airport	628,950	151,934	(477,016)
Totals	$ 9,377,358	$ 7,214,439	

*Budget was amended

CITY OF HIAWATHA, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 935,218	$ 1,050,696	$ 115,478
Licenses and permits	16,650	20,906	4,256
Charges for services	30,582	755	(29,827)
Fines and fees	245,000	288,169	43,169
Use of money and property	29,000	35,919	6,919
Reimbursed expenses	59,303	82,707	23,404
Miscellaneous	-	30,171	30,171
Total receipts	$ 1,315,753	1,509,323	$ 193,570
Expenditures, encumbrances and transfers:			
General government	$ 1,025,485	618,556	$ (406,929)
Public safety	885,888	782,109	(103,779)
Highways and streets	90,413	76,584	(13,829)
Culture and recreation	400	400	-
Ambulance	34,578	34,578	-
Miscellaneous	4,000	-	(4,000)
Transfers out	98,571	48,571	(50,000)
Total expenditures, encumbrances and transfers	$ 2,139,335	1,560,798	$ (578,537)
Receipts under expenditures, encumbrances and transfers		(51,475)	
Unencumbered cash, beginning, as previously stated		912,432	
Prior period adjustment		(38,986)	
Unencumbered cash, beginning, as restated		873,446	
Unencumbered cash, ending		$ 821,971	

(Continued)

CITY OF HIAWATHA, KANSAS
LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 150,638	$ 148,986	$ (1,652)
Expenditures:			
Appropriation - related municipal entity	$ 152,702	148,986	$ (3,716)
Receipts over expenditures		-	
Unencumbered cash, beginning		622	
Unencumbered cash, ending		$ 622	

(Continued)

CITY OF HIAWATHA, KANSAS
INDUSTRIAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 187,500	$ 204,637	$ 17,137
Use of money and property	-	2	2
Total receipts	$ 187,500	204,639	$ 17,139
Expenditures and transfers:			
Contractual	$ 15,300	15,300	$ -
Transfers out	212,200	212,200	-
Total expenditures and transfers	$ 227,500	227,500	$ -
Receipts under expenditures and transfers		(22,861)	
Unencumbered cash, beginning		129,279	
Unencumbered cash, ending		$ 106,418	

(Continued)

CITY OF HIAWATHA, KANSAS
PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 377,335	$ 387,543	$ 10,208
Charges for services	34,720	52,597	17,877
Use of money and property	12,750	-	(12,750)
Reimbursements	-	13,477	13,477
Total receipts	$ 424,805	453,617	$ 28,812
Expenditures and encumbrances:			
Personal services	$ 191,074	187,017	$ (4,057)
Contractual	209,618	116,447	(93,171)
Commodities	50,750	45,689	(5,061)
Capital outlay	79,700	56,182	(23,518)
Total expenditures and encumbrances	$ 531,142	405,335	$ (125,807)
Receipts over expenditures and encumbrances		48,282	
Unencumbered cash, beginning, as previously stated		216,752	
Prior period adjustment		(81,600)	
Unencumbered cash, beginning, as restated		135,152	
Unencumbered cash, ending		$ 183,434	

(Continued)

CITY OF HIAWATHA, KANSAS
EMPLOYEE BENEFIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Taxes	$ 542,458	$ 525,612	$ (16,846)
Reimbursed expenses	-	19,794	19,794
Transfers in	193,330	193,330	-
Total receipts and transfers	$ 735,788	738,736	$ 2,948
Expenditures:			
Social security	$ 133,663	120,254	$ (13,409)
Retirement	143,611	131,276	(12,335)
Unemployment	1,200	1,130	(70)
Worker's compensation insurance	49,938	67,631	17,693
Health insurance	399,526	359,056	(40,470)
Contractual	209,750	-	(209,750)
Total expenditures	$ 937,688	679,347	$ (258,341)
Receipts and transfers over expenditures		59,389	
Unencumbered cash, beginning		193,275	
Unencumbered cash, ending		$ 252,664	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 375,000	$ 409,272	$ 34,272
Intergovernmental	80,180	85,732	5,552
Miscellaneous	-	788	788
Reimbursed expenses	-	268	268
Total receipts	$ 455,180	496,060	$ 40,880
Expenditures and encumbrances:			
Personal services	$ 153,600	131,942	$ (21,658)
Contractual	46,150	39,731	(6,419)
Commodities	66,920	45,270	(21,650)
Capital outlay	205,085	227,600	22,515
Total expenditures and encumbrances	$ 471,755	444,543	$ (27,212)
Receipts over expenditures and encumbrances		51,517	
Unencumbered cash, beginning, as previously stated		384,662	
Prior period adjustment		(39,439)	
Unencumbered cash, beginning, as restated		345,223	
Unencumbered cash, ending		$ 396,740	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL PARKS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 4,852	$ 6,811	$ 1,959
Expenditures:			
Capital outlay	$ -	1,290	$ 1,290
Commodities	4,852	2,582	(2,270)
Total expenditures	$ 4,852	3,872	$ (980)
Receipts over expenditures		2,939	
Unencumbered cash, beginning, as previously stated		14,744	
Prior period adjustment		(800)	
Unencumbered cash, beginning, as restated		13,944	
Unencumbered cash, ending		$ 16,883	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL EVENTS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Donations	$ 2,500	$ 2,500	$ -
Transfers in	12,500	12,500	-
Total receipts and transfers	$ 15,000	15,000	$ -
Expenditures:			
Events	$ 15,000	7,250	$ (7,750)
Receipts and transfers over expenditures		7,750	
Unencumbered cash, beginning		10,072	
Unencumbered cash, ending		$ 17,822	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL STREETS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 375,000	$ 409,272	$ 34,272
Transfers:			
Transfers out	$ 300,000	300,000	$ -
Receipts over transfers		109,272	
Unencumbered cash, beginning		835,483	
Unencumbered cash, ending		$ 944,755	

(Continued)

CITY OF HIAWATHA, KANSAS
LAND BANK FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Miscellaneous	$ -	$ 500	$ 500
Transfers in	5,000	5,000	-
Total receipts and transfers	$ 5,000	5,500	$ 500
Expenditures and encumbrances:			
Contractual	$ 2,000	346	$ (1,654)
Capital outlay	3,000	-	(3,000)
Total expenditures and encumbrances	$ 5,000	346	$ (4,654)
Receipts and transfers over expenditures and encumbrances		5,154	
Unencumbered cash, beginning		150	
Unencumbered cash, ending		$ 5,304	

(Continued)

CITY OF HIAWATHA, KANSAS
BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Taxes	$ 49,683	$ 49,163	$ (520)
Transfers in	1,004,459	1,004,459	-
Total receipts and transfers	$ 1,054,142	1,053,622	$ (520)
Expenditures:			
Principal	$ 703,055	649,189	$ (53,866)
Interest	340,842	371,907	31,065
Reserve	324,293	-	(324,293)
Total expenditures	$ 1,368,190	1,021,096	$ (347,094)
Receipts and transfers over expenditures		32,526	
Unencumbered cash, beginning		311,543	
Unencumbered cash, ending		$ 344,069	

(Continued)

CITY OF HIAWATHA, KANSAS
POST LANTERN STREET LIGHT PROJECT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Use of money and property	$ -	$ 193	$ 193
Expenditures:			
Capital outlay	$ 99,000	4,901	$ (94,099)
Receipts under expenditures		(4,708)	
Unencumbered cash, beginning		99,431	
Unencumbered cash, ending		$ 94,723	

(Continued)

CITY OF HIAWATHA, KANSAS
WATER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 877,700	$ 918,246	$ 40,546
Reimbursed expenses	14,601	11,680	(2,921)
Miscellaneous	-	11	11
Total receipts	$ 892,301	929,937	$ 37,636
Expenditures, encumbrances and transfers:			
Personal services	$ 279,240	254,753	$ (24,487)
Contractual	179,750	182,990	3,240
Commodities	90,700	89,334	(1,366)
Capital outlay	151,500	84,074	(67,426)
Transfers out	274,235	259,636	(14,599)
Total expenditures, encumbrances and transfers	$ 975,425	870,787	$ (104,638)
Receipts over expenditures, encumbrances and transfers		59,150	
Unencumbered cash, beginning, as previously stated		872,740	
Prior period adjustment		(72,317)	
Unencumbered cash, beginning, as restated		800,423	
Unencumbered cash, ending		$ 859,573	

(Continued)

CITY OF HIAWATHA, KANSAS
SEWER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 848,000	$ 864,431	$ 16,431
Reimbursed expenses	-	638	638
Use of money and property	1,000	866	(134)
Total receipts	$ 849,000	865,935	$ 16,935
Expenditures, encumbrances and transfers:			
Personal services	$ 175,676	180,170	$ 4,494
Contractual	636,067	504,174	(131,893)
Commodities	24,050	22,216	(1,834)
Capital outlay	42,750	67,317	24,567
Transfers out	428,403	428,403	-
Total expenditures, encumbrances and transfers	$ 1,306,946	1,202,280	$ (104,666)
Receipts under expenditures, encumbrances and transfers		(336,345)	
Unencumbered cash, beginning, as previously stated		662,675	
Prior period adjustment		(4,379)	
Unencumbered cash, beginning, as restated		658,296	
Unencumbered cash, ending		$ 321,951	

(Continued)

CITY OF HIAWATHA, KANSAS
STORM WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 79,000	$ 80,609	$ 1,609
Reimbursed expenses	-	508	508
Total receipts	$ 79,000	81,117	$ 2,117
Expenditures:			
Contractual	$ 1,300	1,000	$ (300)
Commodities	34,000	33,425	(575)
Personal services	10,751	7,761	(2,990)
Capital outlay	32,949	27,067	(5,882)
Total expenditures	$ 79,000	69,253	$ (9,747)
Receipts over expenditures		11,864	
Unencumbered cash, beginning		52,885	
Unencumbered cash, ending		$ 64,749	

(Continued)

CITY OF HIAWATHA, KANSAS
POOL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Charges for services	$ 42,000	$ 39,753	$ (2,247)
Use of money and property	500	398	(102)
Reimbursed expenses	-	803	803
Miscellaneous	-	205	205
Transfers in	40,000	40,000	-
Total receipts and transfers	$ 82,500	81,159	$ (1,341)
Expenditures, encumbrances and transfers:			
Personal services	$ 69,164	64,423	$ (4,741)
Contractual	28,100	30,856	2,756
Commodities	14,630	6,965	(7,665)
Capital outlay	16,500	7,488	(9,012)
Transfers out	6,479	6,479	-
Total expenditures, encumbrances and transfers	$ 134,873	116,211	$ (18,662)
Receipts and transfers under expenditures, encumbrances and transfers		(35,052)	
Unencumbered cash, beginning, as previously stated		153,992	
Prior period adjustment		(16,500)	
Unencumbered cash, beginning, as restated		137,492	
Unencumbered cash, ending		$ 102,440	

(Continued)

CITY OF HIAWATHA, KANSAS
AIRPORT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 5,000	$ 7,770	$ 2,770
Reimbursed expenses	603,250	146,638	(456,612)
Land rent	20,700	20,699	(1)
Total receipts	$ 628,950	175,107	$ (453,843)
Expenditures:			
Contractual	$ 89,120	20,776	$ (68,344)
Capital outlay	539,830	131,128	(408,702)
Commodities	-	30	30
Total expenditures	$ 628,950	151,934	$ (477,016)
Receipts over expenditures		23,173	
Unencumbered cash, beginning		55,722	
Unencumbered cash, ending		$ 78,895	

CITY OF HIAWATHA, KANSAS
LIABILITY FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2022

Unencumbered cash, beginning	$	500
Unencumbered cash, ending	$	500

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
HISTORY CENTER FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Receipts:		
Miscellaneous	$	27,580
Reimbursed expenses		8,750
Total receipts		36,330
Expenditures and encumbrances:		
Contractual		36,979
Receipts under expenditures and encumbrances		(649)
Unencumbered cash, beginning		22,495
Unencumbered cash, ending	$	21,846

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
HOTEL ECONOMIC DEVELOPMENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Receipts:		
Taxes	$	103,915
Expenditures:		
Contractual		98,902
Receipts over expenditures		5,013
Unencumbered cash, beginning		(269)
Unencumbered cash, ending	$	4,744

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
MVE INSPECTION FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Receipts:		
Charges for services	$	10,413
Expenditures and encumbrances:		
Commodities		3,957
Receipts over expenditures and encumbrances		6,456
Unencumbered cash, beginning		17,246
Unencumbered cash, ending	$	23,702

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
SAFETY DIVIDENDS FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Receipts:		
Reimbursed expenses	$	1,119
Expenditures and encumbrances:		
Capital outlay		18,810
Receipts under expenditures and encumbrances		(17,691)
Unencumbered cash, beginning		24,972
Unencumbered cash, ending	$	7,281

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
ARPA FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Receipts:		
Grant proceeds	$	237,918
Expenditures:		
Capital outlay		123,599
Receipts over expenditures		114,319
Unencumbered cash, beginning		109,375
Unencumbered cash, ending	$	223,694

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
OPIOID SETTLEMENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

Receipts:		
Miscellaneous	$	760
Unencumbered cash, beginning		-
Unencumbered cash, ending	$	760

(Continued)

CITY OF HIAWATHA, KANSAS
OTHER CAPITAL PROJECTS FUNDS*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2022

	Capital Reserve	Fisher Building	Skate Park	School & Fitness Trail	Bruning Upgrades	Grant/ Donation	Sales Tax Streets	Brick Streets KDOT Grant	Water Improvement	Total
Receipts:										
Grant proceeds	$ -	$ -	$ -	$ -	$ -	$ 37,125	$ -	$ -	$ -	$ 37,125
Donations	-	-	-	-	-	11,146	-	-	-	11,146
Use of money and property	-	-	-	-	-	-	172	-	-	172
Total receipts	-	-	-	-	-	48,271	172	-	-	48,443
Expenditures:										
Contractual	-	-	1	-	-	-	-	-	-	1
Capital outlay	-	-	-	-	-	32,833	1,392	-	-	34,225
Commodities	-	-	-	-	-	4,010	-	-	-	4,010
Total expenditures	-	-	1	-	-	36,843	1,392	-	-	38,236
Receipts over (under) expenditures	-	-	(1)	-	-	11,428	(1,220)	-	-	10,207
Unencumbered cash, beginning, as previously stated	(244,205)	202	1	94	918	41,340	833,626	(204)	59,204	690,976
Prior period adjustment	254,021	-	-	-	-	-	-	-	-	254,021
Unencumbered cash, beginning, as restated	9,816	202	1	94	918	41,340	833,626	(204)	59,204	944,997
Unencumbered cash, ending	$ 9,816	$ 202	$ -	$ 94	$ 918	$ 52,768	$ 832,406	$ (204)	$ 59,204	$ 955,204

* These funds are not required to be budgeted.

CITY OF HIAWATHA, KANSAS
TRUST FUNDS
SCHEDULE OF RECEIPTS, EXPENDITURES, AND
UNENCUMBERED CASH
REGULATORY BASIS
Year Ended December 31, 2022

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Permanent funds:							
C.H. Janes Poor Memorial	$ 4,749	$ -	$ -	$ -	$ 4,749	$ -	$ 4,749
G.A.R. Memorial	1,946	-	-	-	1,946	-	1,946
Morrissee Memorial	2,834	-	-	-	2,834	-	2,834
Daisy Hassenpflug Memorial	1,303	-	-	-	1,303	-	1,303
Private purpose trust funds:							
Lake	3,307	-	1,030	-	4,337	-	4,337
Child safety	1,758	-	-	-	1,758	-	1,758
Kiwanis	56	-	-	-	56	-	56
Bruning Memorial	541	-	-	-	541	-	541
Widman Memorial	1,688	-	3	-	1,691	-	1,691
Envisioning	99	-	-	-	99	-	99
Hockey rink	1,130	-	-	-	1,130	-	1,130
Total trust funds	$ 19,411	$ -	$ 1,033	$ -	$ 20,444	$ -	$ 20,444

Schedule 5

CITY OF HIAWATHA, KANSAS
AGENCY FUNDS
SUMMARY OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS
Year Ended December 31, 2022

Fund	Beginning Unencumbered Cash Balance	Receipts	Disbursements	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Sales tax	$ 772	$ 20,958	$ 24,068	$ (2,338)	$ 3,997	$ 1,659
Municipal court bond	4,015	13,241	13,376	3,880	30	3,910
Insurance proceeds	19,003	16,187	35,098	92	-	92
Total agency funds	$ 23,790	$ 50,386	$ 72,542	$ 1,634	$ 4,027	$ 5,661

CITY OF HIAWATHA, KANSAS
MORRILL PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
Year Ended December 31, 2022

Receipts:		
Grants and state appropriations	$	36,427
City appropriation		148,986
Fines and fees		3,771
Gifts and donations		80,990
Interest and interest earnings		13,915
Farm income		37,278
Miscellaneous		12,860
Total receipts		334,227
Expenditures and encumbrances:		
Salary and benefits		198,707
Books, periodical, videos, and film		30,043
Supplies		25,443
Repairs and maintenance		13,927
Utilities		17,859
Insurance		10,216
Professional fees		11,202
Capital improvements		9,483
Miscellaneous and postage		5,005
Total expenditures and encumbrances		321,885
Receipts over expenditures and encumbrances		12,342
Unencumbered cash, beginning		318,058
Unencumbered cash, ending	$	330,400

CITY OF HIAWATHA, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Expenditures
U.S. Department of Agriculture:		
Community Facilities Loans and Grants - Loan Number 11	10.766	$ 87,049
Community Facilities Loans and Grants - Loan Number 17	10.766	6,001,392
Total U.S. Department of Agriculture		6,088,441
U.S. Department of the Treasury:		
Passed through the State of Kansas:		
COVID-19 American Rescue Plan Act	21.027	123,599
Total U.S. Department of the Treasury		123,599
Total federal expenditures		$ 6,212,040

See accompanying notes to schedule of expenditures of federal awards

CITY OF HIAWATHA, KANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2022

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Hiawatha, Kansas under programs of the federal government for the year ended December 31, 2022. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statement. 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 financial position, or cash flows of the City.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the regulatory basis of accounting, as described in Note 2 to the City's financial statement. 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.

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

3 - Federal Loan Programs

The City administers water and waste disposal systems for rural communities and community facilities loan programs funded by the U.S. Department of Agriculture. Balances and transactions relating to this program are included in City's basic financial statement. There were no federally funded new loans provided under these programs in the current year. Per the Uniform Guidance, loan proceeds that were received and expended in prior years related to the Community Facilities Loans and Grants program are shown on the Schedule as those loans were determined to have continuing compliance requirements.

The balances of the loans outstanding at December 31, 2022 by program are as follows.

Assistance Listing Number	Program Name	Outstanding Balance
10.766	Community Facilities Loans and Grants – Loan 11	$ 59,025
10.766	Community Facilities Loans and Grants – Loan 17	$ 5,857,800

CITY OF HIAWATHA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2022

Section I – Summary of Auditors' Results

Financial Statement

Type of report issued on whether the financial statement audited was prepared in accordance with GAAP:	Adverse
Type of auditors' report issued on the basis of accounting used by the City:	Unmodified – Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None noted
Noncompliance material to the financial statement:	None

Federal Awards

Type of auditors' report issued on compliance for major programs	Unmodified
Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None noted
Audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a):	None
Identification of major programs:	

Assistance Listing Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants

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

(Continued)

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

BT & Co. P.A.
Certified Public Accountants

4301 SW Huntoon St. Topeka, KS 66604 | t:785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: btandcocpa.com

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

Mayor and City Commission
City of Hiawatha, 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 *(Government Auditing Standards)*, the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Hiawatha, Kansas (the City) as of and for the year ended December 31, 2022, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated March 31, 2023. Our report contained an adverse opinion because the financial statement was presented using accounting practices prescribed or permitted by the State of Kansas.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement 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.

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BT&Co., P.A.

March 31, 2023
Topeka, Kansas

BT & Co. P.A.
Certified Public Accountants

4301 SW Huntoon St. Topeka, KS 66604 | t:785.234.3427 | toll-free: 800.530.5526 | f: 785.233.1768 | w: btandcocpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Mayor and City Commission
City of Hiawatha, Kansas

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hiawatha, Kansas, and the related municipal entity of the Morrill Public Library's (collectively, the City) 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 the City's major federal program for the year ended December 31, 2022. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

An Independently Owned Member, RSM US Alliance

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

BT&Co., P.A.

March 31, 2023
Topeka, Kansas

Summary Schedule of Prior Audit Findings

There were no findings in the prior year.