

CITY OF HIAWATHA, KANSAS

FINANCIAL STATEMENT – REGULATORY BASIS
YEAR ENDED DECEMBER 31, 2021

CITY OF HIAWATHA, KANSAS
FINANCIAL STATEMENT
REGULATORY BASIS
Year Ended December 31, 2021

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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, 2021 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

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

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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 April 20, 2022 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.

April 20, 2022
Topeka, Kansas

CITY OF HIAWATHA, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General fund	$ 889,656	$ -	$ 1,405,180	$ 1,382,404	$ 912,432	$ 15,818	$ 928,250
Special purpose funds:							
Library	622	-	148,428	148,428	622	-	622
Industrial	116,197	-	193,082	180,000	129,279	-	129,279
Parks and recreation	180,184	-	376,426	339,858	216,752	1,462	218,214
Employee benefit	203,706	-	672,294	682,725	193,275	-	193,275
Special highway	412,244	-	477,820	505,402	384,662	1,133	385,795
Special parks	16,852	-	6,445	8,553	14,744	-	14,744
Liability	500	-	-	-	500	-	500
History Center	35,588	-	27,896	40,989	22,495	167	22,662
Special events	10,072	-	14,500	14,500	10,072	-	10,072
Special streets	538,029	-	391,965	94,511	835,483	-	835,483
Hotel economic development	(15,660)	-	97,291	81,900	(269)	-	(269)
MVE inspection	8,628	-	11,233	2,615	17,246	878	18,124
Safety dividends	36,852	-	3,366	15,246	24,972	7,618	32,590
Land bank	-	-	450	300	150	300	450
ARPA	-	-	237,918	128,543	109,375	-	109,375
Bond and interest fund	232,989	-	756,181	677,627	311,543	-	311,543
Capital project funds:							
Post lantern street light project	104,291	-	129	4,989	99,431	-	99,431
Other capital projects	1,429,229	-	6,011,720	6,749,973	690,976	-	690,976
Business funds:							
Water	774,247	-	900,356	801,863	872,740	2,211	874,951
Sewer	374,720	-	1,160,380	872,425	662,675	3,837	666,512
Storm water utility	107,338	-	80,430	134,883	52,885	-	52,885
Pool	165,869	-	91,553	103,430	153,992	254	154,246
Airport	(8,215)	-	92,934	28,997	55,722	-	55,722
Trust funds	18,379	-	1,032	-	19,411	-	19,411
Total primary government	5,632,317	-	13,159,009	13,000,161	5,791,165	33,678	5,824,843
Related municipal entity:							
Morrill Public Library	438,922	-	322,062	442,926	318,058	2,980	321,038
Total reporting entity (excluding agency funds)	$ 6,071,239	$ -	$ 13,481,071	$ 13,443,087	$ 6,109,223	$ 36,658	$ 6,145,881

(Continued)

CITY OF HIAWATHA, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

Composition of cash:		
GN Bank:		
General fund	$	4,290,360
Economic development grant fund		1,124
Sewer project fund		274,025
Post lantern fund		90,289
Insurance proceeds fund		19,003
Todd Widman memorial fund		1,686
Aquatic park capital improvement fund		147,964
Reserve account		185,897
Municipal court cash bond account		4,100
Petty cash		1,210
Total GN Bank		5,015,658
Morrill & Janes Bank:		
Citywide street sales tax		833,627
Petty cash		294
Total Morrill & Janes Bank		833,921
Citizens State Bank & Trust:		
Library checking		685
Library savings		2,412
Library investments		6,496
Total Citizens State Bank & Trust		9,593
Edward Jones:		
Library investments		311,265
Cash on hand:		
Primary government		300
Library		180
Total cash on hand		480
Total cash		6,170,917
Less agency funds per schedule 5		(25,036)
Total reporting entity (excluding agency funds)	$	6,145,881

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, 2021:

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.

Beginning in 2022, 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 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 City had no budget amendments for the year ended December 31, 2021.

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, Land Bank, and ARPA

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, 2021, the liability for earned vacation pay is approximately $ 102,000.

(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. These bonds are reported in the business funds if they are expected to be repaid from business fund regulatory receipts. 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.

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, 2021, the entirety of the available loan balance has been drawn down and project costs of $ 309,177 have been incurred for this project. The first payment of principal and interest on the loan is due March 1, 2022. The outstanding balance of $ 309,177 is shown as an outstanding liability for the City.

Changes in long-term debt for the City for the year ended December 31, 2021 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	$ 185,000	$ -	$ 30,000	$ 155,000	$ 6,937
Series 2012	2.00 - 2.75%	03/15/12	08/01/26	1,265,000	595,000	-	110,000	485,000	14,119
Series 2012-B	2.25 - 4.00%	10/01/12	10/01/43	6,530,000	4,335,000	-	255,000	4,080,000	144,290
Series 2014-A	2.75%	01/28/14	01/28/54	998,000	891,507	-	-	891,507	-
Series 2014-B	3.50%	01/28/14	01/28/24	258,400	87,049	-	-	87,049	-
Series 2016-A	1.75%	06/15/16	06/15/56	1,373,000	1,274,495	-	25,713	1,248,782	22,304
Series 2016-B	1.75%	06/15/16	06/15/56	93,000	86,328	-	1,742	84,586	1,511
Series 2019	1.75%	02/14/19	02/14/59	1,885,000	1,852,065	-	33,511	1,818,554	32,500
Series 2021	2.25%	07/28/21	07/28/51	6,000,000	-	6,000,000	-	6,000,000	-
Total general obligation bonds					9,306,444	6,000,000	455,966	14,850,478	221,661
Temporary note:									
Series 2018	3.15%	12/07/18	12/01/21	6,000,000	6,000,000	-	6,000,000	-	127,050
Revolving loan payable:									
Kansas Water Pollution Control Revolving Fund	1.50%	04/16/20	09/01/26	309,177	-	309,177	-	309,177	-
Total long-term debt					$ 15,306,444	$ 6,309,177	$ 6,455,966	$ 15,159,655	$ 348,711

* 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 9.

See Note 8 for capital lease debt.

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

	Year												
	2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2059	Total
Principal:													
General obligation bonds:													
Series 2011	$ 30,000	$ 30,000	$ 30,000	$ 30,000	$ 35,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 155,000
Series 2012	110,000	110,000	100,000	80,000	85,000	-	-	-	-	-	-	-	485,000
Series 2012-B	260,000	270,000	280,000	290,000	105,000	580,000	675,000	1,095,000	525,000	-	-	-	4,080,000
Series 2014-A	16,932	17,398	17,876	18,368	18,873	102,440	117,322	134,366	153,884	176,241	117,807	-	891,507
Series 2014-B	28,024	29,005	30,020	-	-	-	-	-	-	-	-	-	87,049
Series 2016-A	26,163	26,621	27,087	27,561	28,043	147,750	161,139	175,741	191,667	209,034	227,976	-	1,248,782
Series 2016-B	1,772	1,803	1,835	1,867	1,899	10,008	10,915	11,904	12,982	14,159	15,442	-	84,586
Series 2019	34,098	34,694	35,302	35,919	36,548	192,560	210,009	229,040	249,795	272,431	297,117	191,041	1,818,554
Series 2021	142,200	145,400	148,319	152,008	155,428	830,863	928,447	1,038,048	1,160,256	1,299,031	-	-	6,000,000
Total general obligation bonds	649,189	664,921	670,439	635,723	465,791	1,863,621	2,102,832	2,684,099	2,293,584	1,970,896	658,342	191,041	14,850,478
Revolving loan payable:													
Kansas Water Pollution Control Revolving Fund	60,444	60,797	61,712	62,640	63,584	-	-	-	-	-	-	-	309,177
Total principal	$ 709,633	$ 725,718	$ 732,151	$ 698,363	$ 529,375	$ 1,863,621	$ 2,102,832	$ 2,684,099	$ 2,293,584	$ 1,970,896	$ 658,342	$ 191,041	$ 15,159,655
Interest:													
General obligation bonds:													
Series 2011	$ 5,813	$ 4,688	$ 3,563	$ 2,564	$ 1,313	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,941
Series 2012	11,644	9,100	6,413	3,988	1,788	-	-	-	-	-	-	-	32,933
Series 2012-B	136,640	130,140	123,390	116,390	109,865	507,223	406,063	244,800	31,800	-	-	-	1,806,311
Series 2014-A	24,516	24,051	23,572	23,081	22,576	104,802	89,920	72,876	53,357	31,001	6,538	-	476,290
Series 2014-B	3,047	2,066	1,051	-	-	-	-	-	-	-	-	-	6,164
Series 2016-A	21,854	21,396	20,987	20,456	19,974	92,385	79,031	64,376	48,444	31,068	12,120	-	432,091
Series 2016-B	1,480	1,449	1,422	1,386	1,353	6,258	5,353	4,361	3,281	2,104	821	-	29,268
Series 2019	31,825	31,228	30,537	30,085	29,374	137,049	119,539	100,629	79,816	57,180	32,479	6,735	686,476
Series 2021	135,000	131,801	128,881	125,192	121,772	555,137	457,553	347,952	225,744	89,147	-	-	2,318,179
Total general obligation bonds	371,819	355,919	339,816	323,142	308,015	1,402,854	1,157,459	834,994	442,442	210,500	51,958	6,735	5,805,653
Revolving loan payable:													
Kansas Water Pollution Control Revolving Fund	3,855	3,503	2,588	1,660	718	-	-	-	-	-	-	-	12,324
Total interest	$ 375,674	$ 359,422	$ 342,404	$ 324,802	$ 308,733	$ 1,402,854	$ 1,157,459	$ 834,994	$ 442,442	$ 210,500	$ 51,958	$ 6,735	$ 5,817,977
Total principal and interest	$1,085,307	$ 1,085,140	$ 1,074,555	$1,023,165	$ 838,108	$ 3,266,475	$ 3,260,291	$ 3,519,093	$ 2,736,026	$ 2,181,396	$ 710,300	$ 197,776	$ 20,977,632

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, 2021, 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 $ 5,960,000.

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 had the following unsecured investments from gifts and donations at December 31, 2021:

Investment Type	Fair Value
Citizens State Bank & Trust:	
Cash and cash equivalents	$ 5,496
Stocks and mutual funds	100
Other investments	900
Edward Jones:	
Cash and cash equivalents	3,024
Stocks and mutual funds	308,241
Total	$ 317,761

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

Custodial Credit Risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Kansas statutes require the deposits 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, 2021, the City's and Library's carrying amounts of deposits were $ 5,849,575 and $ 3,097, respectively, and the bank balances were $ 5,886,712 and $ 18,597, 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 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City and Library were $ 123,872 and $ 9,915, respectively, for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City's and Library's proportionate share of the collective net pension liability reported by KPERS was $ 882,208 and $ 70,617, respectively. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial 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 basic financial statement as of December 31, 2021.

8 - Capital Leases of Equipment

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

During the year ended December 31, 2021, the following changes occurred in capital leases:

	January 1, 2021	Additions	Retirements	December 31, 2021	Interest Paid
Capital lease obligations:					
Governmental funds	$ 244,261	$ -	$ 77,733	$ 166,528	$ 7,121

Annual debt service requirements to maturity for capital leases are as follows:

Year Ending December 31,	
2022	$ 52,587
2023	38,546
2024	18,888
2025	18,888
2026	18,888
2027-2028	35,518
Total principal and interest	183,315
Less: interest and fees	16,787
Total principal	$ 166,528

9 - Interfund Transfers

Transfers by fund for 2021 are as follows:

From	To	Regulatory Authority	Amount
General	Special Events	KSA 12-1118	$ 12,000
General	Bond and Interest	Debt Service	31,070
Industrial	Bond and Interest	Debt Service	164,700
Pool	Employee Benefit	KSA 12-825d	6,268
Water	Employee Benefit	KSA 12-825d	92,189
Water	Bond and Interest	Debt Service	122,395
Water	Pool	KSA 12-825d	45,000
Sewer	Employee Benefit	KSA 12-825d	86,555
Sewer	Bond and Interest	Debt Service	340,135

10 - 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, 2021.

11 - Capital Projects

During 2019, the City started construction work towards improving the City streets, alleys and parking, and other transportation related needs. The original authorization for the Citywide Sales Tax Street Improvements contract was issued on August 20, 2018 in the amount of $ 5,564,188. There have been change orders to date totaling $ 34,078, and total expenditures incurred for the project as of December 31, 2021 were $ 5,087,389.

12 - Statutory Compliance

The Hotel Economic Development Fund had a deficit cash balance of $ 269 at December 31, 2021 that will be recovered from future tax revenues.

13 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the City operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the pandemic.

It is unknown how long the adverse conditions associated with the pandemic will last and what the complete financial effect will be to the City. Accordingly, while management cannot quantify the financial and other impacts to the City as of December 31, 2021, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

14 - 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, 2021

FUNDS	Certified Budget	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental type funds:			
General fund	$ 2,040,908	$ 1,382,404	$ (658,504)
Special purpose funds:			
Library	152,448	148,428	(4,020)
Industrial	180,000	180,000	-
Parks and recreation	527,640	339,858	(187,782)
Employee benefit	865,083	682,725	(182,358)
Special highway	561,130	505,402	(55,728)
Special parks	11,800	8,553	(3,247)
Special events	14,500	14,500	-
Special streets	340,000	94,511	(245,489)
Bond and interest fund	1,388,020	677,627	(710,393)
Capital projects fund:			
Post lantern street light project	101,524	4,989	(96,535)
Business funds:			
Water	910,141	801,863	(108,278)
Sewer	875,500	872,425	(3,075)
Storm water utility	136,500	134,883	(1,617)
Pool	129,677	103,430	(26,247)
Airport	628,950	28,997	(599,953)
Totals	$ 8,863,821	$ 5,980,595	

CITY OF HIAWATHA, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 959,918	$ 1,047,994	$ 88,076
Licenses and permits	16,250	18,241	1,991
Charges for services	30,582	698	(29,884)
Fines and fees	260,000	249,531	(10,469)
Use of money and property	32,450	25,526	(6,924)
Reimbursed expenses	8,000	38,961	30,961
Miscellaneous	-	24,229	24,229
Total receipts	$ 1,307,200	1,405,180	$ 97,980
Expenditures, encumbrances and transfers:			
General government	$ 1,007,826	497,890	$ (509,936)
Public safety	809,197	729,359	(79,838)
Highways and streets	90,837	77,294	(13,543)
Culture and recreation	400	213	(187)
Ambulance	34,578	34,578	-
Miscellaneous	5,000	-	(5,000)
Transfers out	93,070	43,070	(50,000)
Total expenditures, encumbrances and transfers	$ 2,040,908	1,382,404	$ (658,504)
Receipts over expenditures, encumbrances and transfers		22,776	
Unencumbered cash, beginning		889,656	
Unencumbered cash, ending		$ 912,432	

(Continued)

CITY OF HIAWATHA, KANSAS
LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 149,276	$ 148,428	$ (848)
Expenditures:			
Appropriation - related municipal entity	$ 152,448	148,428	$ (4,020)
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, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 180,000	$ 192,440	$ 12,440
Reimbursed expenses	-	641	641
Use of money and property	-	1	1
Total receipts	$ 180,000	193,082	$ 13,082
Expenditures and transfers:			
Contractual	$ 15,300	15,300	$ -
Transfers out	164,700	164,700	-
Total expenditures and transfers	$ 180,000	180,000	$ -
Receipts over expenditures and transfers		13,082	
Unencumbered cash, beginning		116,197	
Unencumbered cash, ending		$ 129,279	

(Continued)

CITY OF HIAWATHA, KANSAS
PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 311,280	$ 323,366	$ 12,086
Charges for services	34,010	49,126	15,116
Use of money and property	17,000	-	(17,000)
Reimbursements	-	3,934	3,934
Total receipts	$ 362,290	376,426	$ 14,136
Expenditures and encumbrances:			
Personal services	$ 187,095	176,453	$ (10,642)
Contractual	181,320	92,537	(88,783)
Commodities	46,225	37,556	(8,669)
Capital outlay	113,000	33,312	(79,688)
Total expenditures and encumbrances	$ 527,640	339,858	$ (187,782)
Receipts over expenditures and encumbrances		36,568	
Unencumbered cash, beginning		180,184	
Unencumbered cash, ending		$ 216,752	

(Continued)

CITY OF HIAWATHA, KANSAS
EMPLOYEE BENEFIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Taxes	$ 480,308	$ 476,986	$ (3,322)
Reimbursed expenses	-	10,296	10,296
Transfers in	185,012	185,012	-
Total receipts and transfers	$ 665,320	672,294	$ 6,974
Expenditures:			
Social security	$ 127,042	121,022	$ (6,020)
Retirement	133,067	140,493	7,426
Unemployment	1,548	806	(742)
Worker's compensation insurance	47,563	49,340	1,777
Health insurance	372,133	371,064	(1,069)
Contractual	183,730	-	(183,730)
Total expenditures	$ 865,083	682,725	$ (182,358)
Receipts and transfers under expenditures		(10,431)	
Unencumbered cash, beginning		203,706	
Unencumbered cash, ending		$ 193,275	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 360,000	$ 384,880	$ 24,880
Intergovernmental	71,130	90,115	18,985
Miscellaneous	-	1,447	1,447
Reimbursed expenses	-	1,378	1,378
Total receipts	$ 431,130	477,820	$ 46,690
Expenditures and encumbrances:			
Personal services	$ 150,884	146,353	$ (4,531)
Contractual	40,015	46,286	6,271
Commodities	52,870	64,710	11,840
Capital outlay	317,361	248,053	(69,308)
Total expenditures and encumbrances	$ 561,130	505,402	$ (55,728)
Receipts under expenditures and encumbrances		(27,582)	
Unencumbered cash, beginning		412,244	
Unencumbered cash, ending		$ 384,662	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL PARKS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 5,833	$ 6,445	$ 612
Expenditures:			
Capital outlay	$ 5,600	4,800	$ (800)
Commodities	6,200	3,753	(2,447)
Total expenditures	$ 11,800	8,553	$ (3,247)
Receipts under expenditures		(2,108)	
Unencumbered cash, beginning		16,852	
Unencumbered cash, ending		$ 14,744	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL EVENTS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Donations	$ 2,500	$ 2,500	$ -
Transfers in	12,000	12,000	-
Total receipts and transfers	$ 14,500	14,500	$ -
Expenditures:			
Events	$ 14,500	14,500	$ -
Receipts and transfers over expenditures		-	
Unencumbered cash, beginning		10,072	
Unencumbered cash, ending		$ 10,072	

(Continued)

CITY OF HIAWATHA, KANSAS
SPECIAL STREETS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Taxes	$ 360,000	$ 384,880	$ 24,880
Reimbursed expenses	-	7,085	7,085
Total receipts	$ 360,000	391,965	$ 31,965
Expenditures and transfers:			
Transfers out	$ 340,000	-	$ (340,000)
Contractual	-	11	11
Interest and other charges	-	94,500	94,500
Total expenditures and transfers	$ 340,000	94,511	$ (245,489)
Receipts over expenditures and transfers		297,454	
Unencumbered cash, beginning		538,029	
Unencumbered cash, ending		$ 835,483	

(Continued)

CITY OF HIAWATHA, KANSAS
BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Taxes	$ 98,230	$ 97,881	$ (349)
Transfers in	983,300	658,300	(325,000)
Total receipts and transfers	$ 1,081,530	756,181	$ (325,349)
Expenditures:			
Principal	$ 707,076	455,966	$ (251,110)
Interest and other charges	368,069	221,661	(146,408)
Reserve	312,875	-	(312,875)
Total expenditures	$ 1,388,020	677,627	$ (710,393)
Receipts and transfers over expenditures		78,554	
Unencumbered cash, beginning		232,989	
Unencumbered cash, ending		$ 311,543	

(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, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Interest income	$ -	$ 129	$ 129
Expenditures:			
Capital outlay	$ 101,524	4,989	$ (96,535)
Receipts under expenditures		(4,860)	
Unencumbered cash, beginning		104,291	
Unencumbered cash, ending		$ 99,431	

(Continued)

CITY OF HIAWATHA, KANSAS
WATER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 865,540	$ 887,569	$ 22,029
Reimbursed expenses	14,601	12,136	(2,465)
Miscellaneous	-	30	30
Interest income	-	621	621
Total receipts	$ 880,141	900,356	$ 20,215
Expenditures, encumbrances and transfers:			
Personal services	$ 276,157	271,559	$ (4,598)
Contractual	177,399	154,922	(22,477)
Commodities	87,100	92,815	5,715
Capital outlay	95,300	22,983	(72,317)
Transfers out	274,185	259,584	(14,601)
Total expenditures, encumbrances and transfers	$ 910,141	801,863	$ (108,278)
Receipts over expenditures, encumbrances and transfers		98,493	
Unencumbered cash, beginning		774,247	
Unencumbered cash, ending		$ 872,740	

(Continued)

CITY OF HIAWATHA, KANSAS
SEWER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 850,500	$ 850,374	$ (126)
Reimbursed expenses	-	267	267
Use of money and property	5,000	562	(4,438)
Proceeds from debt issuance	-	309,177	309,177
Total receipts	$ 855,500	1,160,380	$ 304,880
Expenditures, encumbrances and transfers:			
Personal services	$ 176,535	183,319	$ 6,784
Contractual	172,807	202,433	29,626
Commodities	26,960	20,491	(6,469)
Capital outlay	72,508	39,492	(33,016)
Transfers out	426,690	426,690	-
Total expenditures, encumbrances and transfers	$ 875,500	872,425	$ (3,075)
Receipts over expenditures, encumbrances and transfers		287,955	
Unencumbered cash, beginning		374,720	
Unencumbered cash, ending		$ 662,675	

(Continued)

CITY OF HIAWATHA, KANSAS
STORM WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 79,500	$ 80,430	$ 930
Expenditures:			
Contractual	$ 1,300	1,000	$ (300)
Commodities	22,500	21,092	(1,408)
Personal services	10,543	10,848	305
Capital outlay	102,157	101,943	(214)
Total expenditures	$ 136,500	134,883	$ (1,617)
Receipts under expenditures		(54,453)	
Unencumbered cash, beginning		107,338	
Unencumbered cash, ending		$ 52,885	

(Continued)

CITY OF HIAWATHA, KANSAS
POOL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts and transfers:			
Charges for services	$ 42,000	$ 44,331	$ 2,331
Use of money and property	1,200	260	(940)
Reimbursed expenses	-	1,802	1,802
Miscellaneous	-	160	160
Transfers in	45,000	45,000	-
Total receipts and transfers	$ 88,200	91,553	$ 3,353
Expenditures, encumbrances and transfers:			
Personal services	$ 63,309	62,570	$ (739)
Contractual	29,320	27,991	(1,329)
Commodities	14,280	6,601	(7,679)
Capital outlay	16,500	-	(16,500)
Transfers out	6,268	6,268	-
Total expenditures, encumbrances and transfers	$ 129,677	103,430	$ (26,247)
Receipts and transfers under expenditures, encumbrances and transfers		(11,877)	
Unencumbered cash, beginning		165,869	
Unencumbered cash, ending		$ 153,992	

(Continued)

CITY OF HIAWATHA, KANSAS
AIRPORT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Budget	Actual	Variance - Over (Under)
Receipts:			
Charges for services	$ 5,000	$ 3,360	$ (1,640)
Reimbursed expenses	603,250	68,875	(534,375)
Land rent	20,700	20,699	(1)
Total receipts	$ 628,950	92,934	$ (536,016)
Expenditures:			
Contractual	$ 87,350	24,642	$ (62,708)
Capital outlay	541,600	4,325	(537,275)
Commodities	-	30	30
Total expenditures	$ 628,950	28,997	$ (599,953)
Receipts over expenditures		63,937	
Unencumbered cash, beginning		(8,215)	
Unencumbered cash, ending		$ 55,722	

CITY OF HIAWATHA, KANSAS
LIABILITY FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2021

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, 2021

Receipts:		
Miscellaneous	$	27,896
Expenditures and encumbrances:		
Contractual		40,989
Receipts under expenditures and encumbrances		(13,093)
Unencumbered cash, beginning		35,588
Unencumbered cash, ending	$	22,495

* 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, 2021

Receipts:		
Taxes	$	97,291
Expenditures:		
Contractual		81,900
Receipts over expenditures		15,391
Unencumbered cash, beginning		(15,660)
Unencumbered cash, ending	$	(269)

* 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, 2021

Receipts:		
Charges for services	$	11,233
Expenditures and encumbrances:		
Commodities		2,615
Receipts over expenditures and encumbrances		8,618
Unencumbered cash, beginning		8,628
Unencumbered cash, ending	$	17,246

* 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, 2021

Receipts:		
Reimbursed expenses	$	3,366
Expenditures and encumbrances:		
Capital outlay		15,246
Receipts under expenditures and encumbrances		(11,880)
Unencumbered cash, beginning		36,852
Unencumbered cash, ending	$	24,972

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
LAND BANK FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

Receipts:		
Miscellaneous	$	450
Expenditures and encumbrances:		
Contractual		300
Receipts over expenditures and encumbrances		150
Unencumbered cash, beginning		-
Unencumbered cash, ending	$	150

* 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, 2021

Receipts:		
Grant proceeds	$	237,918
Expenditures:		
Contractual		128,543
Receipts over expenditures		109,375
Unencumbered cash, beginning		-
Unencumbered cash, ending	$	109,375

* This fund is not required to be budgeted.

(Continued)

CITY OF HIAWATHA, KANSAS
OTHER CAPITAL PROJECTS FUNDS*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2021

	Capital Reserve Fund	Fisher Building	Skate Park	School & Fitness Trail	Bruning Upgrades	Grant/ Donation	Sales Tax Streets	Brick Streets KDOT Grant	Water Improvement	Total
Receipts:										
Grant proceeds	$ -	$ -	$ -	$ -	$ -	$ 5,780	$ -	$ -	$ -	$ 5,780
Donations	-	-	-	-	-	5,762	-	-	-	5,762
Use of money and property	-	-	-	-	-	-	178	-	-	178
Debt issuance proceeds	-	-	-	-	-	-	6,000,000			6,000,000
Total receipts	-	-	-	-	-	11,542	6,000,178	-	-	6,011,720
Expenditures:										
Contractual	-	-	295	-		-	2,376	-	-	2,671
Capital outlay	43,353	-	-	-	-	503	649,721	-	-	693,577
Commodities	-	-	-	-	-	3,061	-	-	18,114	21,175
Principal	-	-	-	-	-	-	6,000,000	-	-	6,000,000
Interest	-	-	-	-	-	-	32,550	-	-	32,550
Total expenditures	43,353	-	295	-	-	3,564	6,684,647	-	18,114	6,749,973
Receipts over (under) expenditures	(43,353)	-	(295)	-	-	7,978	(684,469)	-	(18,114)	(738,253)
Unencumbered cash, beginning	(200,852)	202	296	94	918	33,362	1,518,095	(204)	77,318	1,429,229
Unencumbered cash, ending	$ (244,205)	$ 202	$ 1	$ 94	$ 918	$ 41,340	$ 833,626	$ (204)	$ 59,204	$ 690,976

* 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, 2021

	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	2,277	-	1,030	-	3,307	-	3,307
Child safety	1,758	-	-	-	1,758	-	1,758
Kiwanis	56	-	-	-	56	-	56
Bruning Memorial	541	-	-	-	541	-	541
Widman Memorial	1,686	-	2	-	1,688	-	1,688
Envisioning	99	-	-	-	99	-	99
Hockey rink	1,130	-	-	-	1,130	-	1,130
Total trust funds	$ 18,379	$ -	$ 1,032	$ -	$ 19,411	$ -	$ 19,411

Schedule 5

CITY OF HIAWATHA, KANSAS
AGENCY FUNDS
SUMMARY OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS
Year Ended December 31, 2021

Fund	Beginning Unencumbered Cash Balance	Receipts	Disbursements	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Sales tax	$ 4,105	$ 16,054	$ 19,387	$ 772	$ 1,107	$ 1,879
Municipal court bond	4,286	15,430	15,701	4,015	139	4,154
Insurance proceeds	18,966	26,159	26,122	19,003	-	19,003
Total agency funds	$ 27,357	$ 57,643	$ 61,210	$ 23,790	$ 1,246	$ 25,036

CITY OF HIAWATHA, KANSAS
MORRILL PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
Year Ended December 31, 2021

Receipts:		
Grants and state appropriations	$	54,082
City appropriation		148,428
Fines and fees		2,255
Gifts and donations		36,477
Interest and interest earnings		22,077
Farm income		33,773
Miscellaneous		9,863
Gain of value on investments		15,107
Total receipts		322,062
Expenditures and encumbrances:		
Salary and payroll taxes		189,085
Books, periodical, videos, and film		29,871
Supplies		40,885
Repairs and maintenance		20,187
Utilities		14,428
Insurance		9,810
Continuing education		449
Professional fees		10,861
Capital improvements		105,489
Miscellaneous and postage		21,861
Total expenditures and encumbrances		442,926
Receipts under expenditures and encumbrances		(120,864)
Unencumbered cash, beginning		438,922
Unencumbered cash, ending	$	318,058

CITY OF HIAWATHA, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Expenditures
U.S. Department of Agriculture:		
Community Facilities Loans and Grants - Loan Number 17	10.766	$ 649,721
Total U.S. Department of Agriculture		649,721
U.S. Department of the Treasury:		
Passed through the State of Kansas:		
COVID-19 American Rescue Plan Act - City	21.027	128,543
COVID-19 American Rescue Plan Act - Library (RME)	21.027	16,517
Total U.S. Department of the Treasury		145,060
Total federal expenditures		$ 794,781

See accompanying notes to schedule of expenditures of federal awards

CITY OF HIAWATHA, KANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2021

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 and the Morrill Public Library (collectively, the City) under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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. During 2020, the City obtained interim financing and used a bank loan to pay for the construction costs. Expenditures from this commercial loan were repaid from the community facilities direct loan number 17. During the year ended December 31, 2021, loan number 17 was finalized, and the previously issued interim financing was extinguished. All draws made from the bank loan for loan number 17 during the year are included in the federal expenditures presented in the Schedule. The City also administers other loans through Assistance Listing No. 10.760.

The balances of the loans outstanding at December 31, 2021 by program are as follows.

Assistance Listing Number	Program Name	Outstanding Balance
10.760	Water and Waste Disposal Systems for Rural Communities	$ 4,043,429
10.766	Community Facilities Loans and Grants	6,087,049

CITY OF HIAWATHA, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2021

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

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND REPORT ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 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, 2021, and the related notes to the financial statement, which collectively comprise the City's basic financial statement, and have issued our report thereon dated April 20, 2022. 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 City'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 may exist that have not been 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.

April 20, 2022
Topeka, Kansas

BT & Co. P.A.
Certified Public Accountants

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

Mayor and City Commission
City of Hiawatha, Kansas

Report on Compliance for the 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 described 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, 2021. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

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

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 Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's 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 combination of deficiencies, in internal control over compliance, such that there is 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

April 20, 2022
Topeka, Kansas

Summary Schedule of Prior Audit Findings

There were no findings in the prior year.