

City of Morrill
Morrill, Kansas

Report on the Audit of the Basic Financial Statements
As of and for the Year Ended
December 31, 2021

City of Morrill
Morrill, Kansas
For the Year Ended
December 31, 2021

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Roger Price
Members of the City Council
City of Morrill, Kansas
Morrill, Kansas

We have audited the accompanying fund summary statements of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Morrill, Kansas as of and for the year ended December 31, 2021, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide (KMAAG) as described in Note 1; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the Kansas Municipal Audit and Accounting Guide (KMAAG). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves preforming procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Municipality 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 statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements 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 of Morrill, Kansas 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 financial statements referred to above present fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Morrill, Kansas, 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 1.

Other Matters
Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget , schedule of regulatory basis receipts and expenditures-agency funds are presented for 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 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 1.



Julie D. Bauman, CPA, P.C.
July 18, 2022

BASIC FINANCIAL STATEMENTS

City of Morrill, Kansas
Summary Statement of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2021

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General Operating	$ 26,136	$ 76,078	$ 80,497	$ 21,717
Special Revenue Funds:				
Special Street	21,395	6,560	15,000	12,955
Morrill Fire Department	113,859	46,040	18,014	141,885
Employee Benefits	2,253	21,264	21,076	2,441
Capital Outlay Fund	88,763	21,500	2,876	107,387
Enterprise Funds:				
Water Utility Funds:				
Water Utility	33,642	76,903	66,798	43,747
Water Deposits	320	-	225	95
Electric Utility Fund:				
Electric Utility	108,333	191,575	226,459	73,449
Electric Deposit	545	-	450	95
Sewer Utility Fund	7,652	17,157	19,663	5,146
Trash Collection	7,219	12,197	12,420	6,996
Agency Funds:				
Petty Cash	50	395	320	125
Total Reporting Entity	$ 410,167	$ 469,669	$ 463,798	$ 416,038
Transfers		-	-	
Net Receipts and Disbursements		$ 469,669	$ 463,798	

Composition of Cash:	
Cash at Bank of Blue Valley	$ 323,040
Certificates of Deposits	92,873
Cash on Hand	125
	$ 416,038

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Summary of Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	Cash Disbursements	Budget	Variance Favorable (Unfavorable)
General Fund	$ 80,497	$ 93,700	$ 13,203
Special Revenue Funds:			
Special Street	15,000	15,000	-
Morrill Fire Department	18,014	37,000	18,986
Employee Benefits	21,076	22,200	1,124
Enterprise Funds:			
Water Utility	67,023	71,500	4,477
Electric Utility	226,909	246,700	19,791
Sewer Fund	19,663	35,000	15,337
Trash Fund	12,420	14,000	1,580
Total Budget Funds	$ 460,602	$ 535,100	$ 74,498

The accompanying notes are an intregral part of these financial statements.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

City of Morrill, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem	$ 20,311	$ 20,577	$ 20,510	$ 67
Local Compensating Use Tax	3,933	5,208	3,600	1,608
Redemptions	690	528	3,000	(2,472)
Reimbursements	87	703	6,500	(5,797)
Motor Vehicle Tax	3,510	3,491	3,493	(2)
Recreational Vehicle Tax	79	213	78	135
Local Retail Sales Tax	18,579	18,637	18,000	637
KPL Franchise Fees	4,185	4,492	5,000	(508)
Late Charges	2,623	2,317	4,000	(1,683)
Dog Tags	18	10	20	(10)
Miscellaneous	27,641	7,678	3,366	4,312
Insurance Proceeds	3,564	3,633	3,800	(167)
Embarq Franchise	100	-	250	(250)
Parks and Recreation	696	600	2,500	(1,900)
Federal/State Withholding Tax	7,860	7,991	10,000	(2,009)
Total Cash Receipts	93,876	76,078	84,117	(8,039)
CASH DISBURSEMENTS:				
Administration	26,266	23,505	24,000	495
Police Department	131	-	1,000	1,000
Fire Department	25,000	25,000	25,000	-
Parks Department	1,453	1,409	2,500	1,091
Street Lighting Department	911	719	2,000	1,281
Highway Department	9,403	8,630	18,000	9,370
Cemetary Department	7,000	10,000	10,000	-
Federal Withholding	5,115	5,252	5,000	(252)
Kansas Withholding	2,660	2,732	3,000	268
Transfer	2,250	3,250	3,200	(50)
Total Cash Disbursements	80,189	80,497	93,700	13,203
Receipts over (under) disbursements	13,687	(4,419)		
CASH, BEGINNING BALANCE	12,449	26,136		
CASH, ENDING BALANCE	$ 26,136	$ 21,717		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Fire Department Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
City Support	$ 33,796	$ 39,526	$ 21,000	$ 18,526
Kansas Gas Service	1,245	1,479	5,000	(3,521)
Support Other	809	5,035	-	5,035
Total Cash Receipts	35,850	46,040	26,000	20,040
CASH DISBURSEMENTS:				
Vehicle Expense	1,981	1,140	8,000	6,860
Mileage	2,753	2,188	6,000	3,812
Utilities	1,267	2,845	4,000	1,155
Equipment Maintenance	660	1,100	3,000	1,900
Miscellaneous	336	338	1,000	662
Building Maintenance	95	-	1,000	1,000
Supplies	1,729	26	5,000	4,974
Insurance	4,638	5,132	8,000	2,868
Capital Outlay	-	5,245	1,000	(4,245)
Total Cash Disbursements	13,459	18,014	37,000	18,986
Receipts over (under) disbursements	22,391	28,026		
CASH, BEGINNING BALANCE	91,468	113,859		
CASH, ENDING BALANCE	$ 113,859	$ 141,885		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Special Street
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Special Street and Highway Tax	$ 5,920	$ 6,560	$ 8,000	$ (1,440)
Transfers	-	-		-
Total Cash Receipts	5,920	6,560	8,000	(1,440)
CASH DISBURSEMENTS:				
Street Materials	-	15,000	15,000	-
Total Cash Disbursements	-	15,000	15,000	-
Receipts over (under) disbursements	5,920	(8,440)		
CASH, BEGINNING BALANCE	15,475	21,395		
CASH, ENDING BALANCE	$ 21,395	$ 12,955		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Employee Benefit
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem	$ 6,297	$ 4,171	$ 4,132	$ 39
Deliquent Tax	27	5	91	(86)
Motor Vehicle Tax	1,361	1,124	1,100	24
Recreational Vehicle Tax	-	-	24	(24)
Employee Contributions	10,228	10,445	10,000	445
16/20M Vehicle Tax	-	-	116	(116)
KPERS	381	5,000	500	4,500
Redemption Distribution	187	519	500	19
Total Cash Receipts	18,481	21,264	16,463	4,801
CASH DISBURSEMENTS:				
Social Security	10,519	10,551	11,000	449
Retirement	10,518	10,458	11,000	542
Unemployment	-	67	200	133
Total Cash Disbursements	21,037	21,076	22,200	1,124
Receipts over (under) disbursements	(2,556)	188		
CASH, BEGINNING BALANCE	4,809	2,253		
CASH, ENDING BALANCE	$ 2,253	$ 2,441		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Water Sales	$ 55,628	$ 55,153	$ 61,000	$ (5,847)
Grant	-	17,321	-	17,321
Reconnect Fees	250	250	500	(250)
Miscellaneous	16,601	2,188	-	2,188
Water Protection Fees	147	1,991	350	1,641
Total Cash Receipts	72,626	76,903	61,850	15,053
CASH DISBURSEMENTS:				
Water Purchased	24,956	22,197	26,000	3,803
Personnel Services	15,326	18,133	21,500	3,367
Contractual Services	12,771	5,697	10,000	4,303
Commodities	2,333	9,221	8,000	(1,221)
Transfer to Capital Outlay	11,025	11,275	3,000	(8,275)
Miscellaneous	408	275	-	(275)
Total Cash Disbursements	66,819	66,798	68,500	1,702
Receipts over (under) disbursements	5,807	10,105		
CASH, BEGINNING BALANCE	27,835	33,642		
CASH, ENDING BALANCE	$ 33,642	$ 43,747		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Electric Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sales	$ 192,811	$ 191,425	$ 218,000	$ (26,575)
Reconnect Fees	150	150	500	(350)
Material Sales	3,643	-	7,500	(7,500)
Miscellaneous	197	-	-	-
Total Cash Receipts	196,801	191,575	226,000	(34,425)
CASH DISBURSEMENTS:				
Capital Outlay - Equipment	-	-	6,000	6,000
Electrical Energy Purchased	91,190	104,443	118,000	13,557
Personnel Services	22,598	30,979	32,000	1,021
Contractural Services	1,240	1,100	16,000	14,900
Commodities	15,906	35,551	31,000	(4,551)
Insurance	33,735	36,780	32,000	(4,780)
Sales Tax	3,642	3,881	6,700	2,819
Transfer to Capital Outlay	43,000	13,725	5,000	(8,725)
Total Cash Disbursements	211,311	226,459	246,700	20,241
Receipts over (under) disbursements	(14,510)	(34,884)		
CASH, BEGINNING BALANCE	122,843	108,333		
CASH, ENDING BALANCE	$ 108,333	$ 73,449		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Sewer Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Services	$ 17,566	$ 17,157	$ 25,000	$ (7,843)
Transfer In	-	-	5,000	$ (5,000)
Total Cash Receipts	17,566	17,157	30,000	$ (12,843)
CASH DISBURSEMENTS:				
Personnel Services	9,152	3,389	10,000	6,611
Contractural Services	11,406	9,458	21,000	11,542
Commodities	7,884	3,566	1,000	(2,566)
Transfer to Capital Outlay	3,000	3,250	3,000	(250)
Total Cash Disbursements	31,442	19,663	35,000	15,337
Receipts over (under) disbursements	(13,876)	(2,506)		
CASH, BEGINNING BALANCE	21,528	7,652		
CASH, ENDING BALANCE	$ 7,652	$ 5,146		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Trash Collection
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual	2021 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
User Fees	$ 11,294	$ 12,197	$ 14,000	$ (1,803)
Total Cash Receipts	11,294	12,197	14,000	(1,803)
CASH DISBURSEMENTS:				
Contractural Services	11,692	12,420	14,000	1,580
Total Cash Disbursements	11,692	12,420	14,000	1,580
Receipts over (under) disbursements	(398)	(223)		
CASH, BEGINNING BALANCE	7,617	7,219		
CASH, ENDING BALANCE	$ 7,219	$ 6,996		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Capital Outlay Fund
Schedule of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2021

	2020 Actual	2021 Actual
CASH RECEIPTS:		
Transfer from General Fund	$ 3,000	$ 3,250
Transfer from Water Fund	11,025	11,275
Transfer from Sewer Fund	3,000	3,250
Transfer from Electric Fund	2,250	3,725
Total Cash Receipts	19,275	21,500
CASH DISBURSEMENTS:		
Capital outlay	22,175	2,876
Total Cash Disbursements	22,175	2,876
Receipts over (under) disbursements	(2,900)	18,624
CASH, BEGINNING BALANCE	91,663	88,763
CASH, ENDING BALANCE	$ 88,763	$ 107,387

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Trust and Agency Funds
Schedule of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2021

	Petty Cash
CASH RECEIPTS:	
Cash Receipts	$ 395
Total Cash Receipts	395
CASH DISBURSEMENTS:	
Disbursements	320
Total Cash Disbursements	320
CASH, BEGINNING BALANCE	50
CASH, ENDING BALANCE	$ 125

The accompanying notes are an intregral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation – Fund Accounting -

The accounts of the City of Morrill, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2021.

Governmental funds:

General fund – to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds – to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds – to account for major capital expenditures not financed by other funds.

Proprietary funds:

Enterprise funds – to account for operations that are financed and operated in a manner similar to business enterprises-where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges-or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds:

Agency funds – to account for assets held by the governmental entity as trustee or agent for others.

B. Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

C. Departure from Generally Accepted Accounting Principles

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The 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 municipality 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 municipality to use the regulatory basis of accounting.

D. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statue), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating

1. Preparation of the budget for the succeeding calendar year on or before July 20. Determine if this will exceed the Revenue Neutral Rate.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statues 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. There were no such 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 fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

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

E. Reporting Entity

This report includes all of the services provided by the City of Morrill to residents and businesses within its boundaries and includes all of its component units

Note 2 – Deposits

At year-end, the carrying amount of the City's deposits was $323,040 and the bank balance was $323,040. The difference between the carrying amount and the bank balance is December interest earned. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and insurance.

Composition of Cash and Investments

	Amount
Bank of Blue Valley:	
Checking	$ 323,040
Cash on Hand	125
Total	$ 323,165
Certificate of Deposit	$ 92,873
Total Cash and Investments	$ 416,038

Note 3 – Taxes

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2021, the City received the following from county and state taxes:

	General Fund	Street Fund	Employee Benefit Fund
Property Taxes	$ 20,961	$ -	$ 4,223
Motor Vehicle Taxes	3,493	-	1,100
Sales and Use Taxes	18,000	-	-
Other Vehicle Taxes	78	-	-
State Highway Aid	-	8,000	-
	$ 42,532	$ 8,000	$ 5,323

The assessed valuation in 2021 was $1,486,947, which was used to determine the mill levy for 2021. The mill levy was 16.913 for 2021.

Note 4 – Utilities

The City provides water, sewer, electric and solid waste services. The City reads the meters at the 18th of each month and mails their utility bills on the 20th day of each month for the previous month's service. The utility bills are due the tenth day of the month. Payments received after this date, are subjected to a late charge of 10.0% on the unpaid bill. If bills are not paid by the twentieth of the month, services will be disconnected on the twenty-first.

The City requires that, at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount of $50 for water service and $100 for electric service, set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

Note 4 – Utilities (continued)

The amount due to the City for utility services as of December 31, 2021 was $29,987 (due January 10, 2022). The amount due to customers for utility deposits as of December 31, 2021 was water $95, electric $95.

Utility Rates as of December 31, 2021 are as follows:

Water Rates:

Minimum Charge	$26.52 for residents inside city limits includes 1,000 gallons
Minimum Charge	$31.14 for residents outside city limits includes 1,000 gallons
Next 1,000 Gallons	$5.39 per 1,000 gallons, inside the City limits
	$5.39 per 1,000 gallons, outside the City limits

Sewer Rates:

Flat Rate	$15.00 for residential
Flate Rate	$15.00 for commercial

Solid Waste:

Monthly Charge	$11.00 for residential
Monthly Charge	$25.00 for commercial

Electric Rates:

Monthly Charge	$9.00 for residential
Monthly Charge	$11.00 for commercial
All Customers	$0.15 per KWHR
	plus Energy Cost Adjustment

Note 5 – Pension Plan

Plan Description. The City of Morrill participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. Seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by 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 and 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 Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City of Morrill were $6,036 for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City of Morrill's proportionate share of the collective net pension liability reported by KPERS was $61,129. 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 of Morrill's proportion of the net pension liability was based on the ratio of the 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 these financial statements.

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.

Note 6 – Compliance with Kansas Law

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December

Note 7 – Water Purchase Contract

The City purchases its water from the City of Sabetha, Kansas at a rate of $4.08 per 1,000 gallons the original contract is dated August 29, 1991 and is subject to increases after each audit of the Sabetha water utility. The City sold 4,288,200 gallons of water to customers and purchased 4,735,400 gallons from the City of Sabetha, the water loss percentage was 10% in 2021.

Note 8 – Waste Management Contract

The City contracts with P&J Solid Waste Management, LLC for refuse collection at a rate of $11.00 per residential customer and $25.00 per commercial customer. All bulk item pickups are billed directly by P&J Solid Waste Management, LLC to the customer. The contract was initiated on November 21, 2016 and is extended on an annual basis.

Note 9 – Electrical Service Contract

The City purchases power from Evergy at a rate of $.1712 plus variable charges per kilowatt hour. The contract is effective August 2, 2010 and has a term of twenty years. The City sold 1,017,962 kilowatt hours to customers and purchased 1,139,724 kilowatt hours from Energy, the electricity loss percentage was 11% in 2021.

Note 10 – Compensated Absences

The City vacation and sick policies are as follows:

Vacation Leave:

Years of Service	Numbers of days received on anniversary date
0-1	5
1-10	10

After ten years of service the employee earns one extra day of vacation for each year over ten years the maximum accrual is 120 hours.

Sick Leave:

Employees earn 40 hours of sick time per year and can be carried over for two additional years. The maximum accumulated sick leave shall not exceed 120 hours.

Note 11 – Infrastructure

The City has elected not to comply with Government Accounting Standards Board 34 (GASB 34), which requires Cities to account for their infrastructure.

Note 12 – Concentrations

The City is engaged in the sale of water, trash, electric and sewer services to customers located in the City. The City grants credit to those customers and requires no collateral but does require a service deposit.

Note 13 – Risk Management

The City has various risks including general liabilities, employees injured while working, automobile, etc. The City insures these risks through various insurance policies.

Note 14 – Subsequent Events

On January 30, 2020, the World Health Oganization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Huhan , China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of this date of the report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company's financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Company is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for the year 2021.

Subsequent events have been evaluated through the July 18, 2022, the date that the financial statements were available to be issued. No events or transactions were noted to that date which requires further disclosure.