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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

City Council
City of Hanston
203 North West Street #100A
Hanston, KS 67849

We have performed the procedures enumerated below on the financial records of the City of Hanston, Kansas, for the year ended December 31, 2024. The City of Hanston's management is responsible for the financial records.

The City of Hanston has agreed to and acknowledged that the procedures are appropriate to meet the intended purpose of complying with K.S.A. 75-1122(b). Additionally, the Kansas Division of Accounts and Reports, has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to the user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1. We tied the City's total cash per books at year end to source documents. This included determining the bank reconciliation for the last month of the year was accurate.

   No exceptions were found as a result of applying the procedure.

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

   The year-end cash balance agreed to the depository, but no official depository was designated by the City.

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

   No exceptions were found as a result of applying the procedure.

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

   No entry was found in the official minutes designating an institution as the official depository of the City.

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

   No exceptions were found as a result of applying the procedure.

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

   We were unable to perform these procedures because the City does not maintain a receipt book.

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

   There were two exceptions noted as a result of applying the procedure. Two of the non-payroll cash disbursements did not have supporting invoices. One was for postage and the other was for the purchase of a vehicle.

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

   We noted a general motion in the official minutes approving bills. However, the official minutes do not reflect the detailed listing of all approved disbursements.

9. Examine evidence of encumbrances and accounts payable, and determine if they have been properly stated in the financial statement as of the end of the year. Evidence of encumbrances would include unpaid purchase orders and contracts. Evidence of accounts payable would include unpaid invoices and receiving reports.

   The encumbrances and accounts payable stated on the City's financial statement were understated. A contract for the lagoon project as well as December 2024 bills were not encumbered. The total unrecorded encumbrances by fund:

General Fund	$ 1,993.93
Special Highway Fund	$ 1,343.08
Sewer Fund	$ 1,319.00
Lagoon Capital Project Fund	$ 229,507.00

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

    These procedures were not performed because the City does not utilize a credit card.

11. For a minimum of one monthly payroll, we determined that proper deductions and employer contributions are being remitted.

    No exceptions were found as a result of applying the procedure.

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

    The City did not have any covered employees for which contributions were made.

13. Compare the following items in the current year financial statement to the same items in the prior year financial statement to determine if there is a variance of more than 25% per fund: 1) total cash receipts, 2) total cash disbursements, 3) encumbrances and accounts payable, and 4) ending unencumbered cash balance. For variances larger than 25%, examine the variance, then document and report on the reason.

    a) General Fund – Total cash receipts decreased by 25.7%. This was due to a drop in taxes levied for 2024 compared to 2023.
    b) Library Fund – Total cash receipts increased 64.7%. This was due to an increase in taxes levied for 2024 compared to 2023. Total cash disbursements increased by 46.7% due to the increase in adopted budget.

c) Employee Benefits Fund – Total cash receipts increased by 1,642.8%. This was due to an increase in taxes levied for 2024 compared to 2023. Ending unencumbered cash balance increased by 78.7% which is due to the increase in total receipts over total disbursements.
d) Special Highway Fund – Total cash disbursements increased by 36% due to an increase in spending for sand/rock. Ending unencumbered cash balance increased by 94.7% which is due to the beginning fund balance being 727.8% higher in 2024 than in 2023.
e) Capital Improvement Fund - Total cash disbursements increased by 60% due to the purchase of a service vehicle. Ending unencumbered cash balance decreased by 39.9% due to the increase in total cash disbursements.
f) Sewer Fund - Total cash receipts increased 50.9% due to an increase in sewer rates of 80%. Total cash disbursements increased by 77.64% due to increase spending for sewer repairs.
g) Lagoon Capital Project Fund – Total cash receipts increased 100% due receiving KDHE Loan proceeds starting in 2024. Total cash disbursements decrease 98.5% due to the engineering contract being encumbered in 2023, and no construction contracts being approved in 2024. Ending unencumbered cash balance increased by 25.77% due to the increase cash of KDHE Loan proceeds.

14. For a minimum of two months, we determined that the ending unencumbered cash balance is greater than or equal to zero on the month-end statement of cash receipts and cash disbursement.

    One exception was noted as a result of applying the procedure. The Lagoon Capital Project Fund showed a negative cash balance for all of 2024. However, K.S.A. 12-1663 allows a negative unencumbered cash balance for funds awaiting federal aid.

15. For a minimum of two months, we determined whether the official minutes have been signed by the either the Mayor or City Council President.

    The official minutes were not signed by anyone.

16. We determined that all employees and officers entrusted with funds or property are covered by the City's surety (fidelity) bonds.

    No exceptions were found as a result of applying the procedure.

17. We determined whether the City complied with applicable statutes listed on the KMAAG general and entity specific compliance checklists. As a result of applying the procedure, we noted the following exceptions:

    a) K.S.A. 9-1401 – There was no designation of an official depository in the official minutes.
    b) K.S.A. 75-1120a(c)(1) - The City did not adopt a GAAP Waiver for 2024.

c) K.S.A. 12-1608 – The City Treasurer did not publish the 2024 financial statement showing, by fund: beginning and ending balances, receipts, and expenditures along with obligation/liability information.
d) K.S.A. 79-2988 – There was no indication in the official minutes of the approval of the 2024 budget after the budget hearing was held.
e) K.S.A. 12-105a – Funds were not disbursed as provided by law. Out of 249 disbursements, five were paid prior to council approval.
f) K.S.A. 79-2934 – The City was unable to provide a Kansas statute or city ordinance that allows for the transfer of funds from the Capital Improvement Fund to the Special Highway Fund.

We were engaged by the City of Hanston to perform this agreed upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial records of the City of Hanston, Kansas, for the year ended December 31, 2024. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Hanston and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagements.

This report is intended solely for the use of the City of Hanston and is not intended to be and should not be used by anyone other than those specified parties.

Mapes & Miller LLP
Certified Public Accountants
Quinter, Kansas

September 23, 2025