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October 29, 2020

The Honorable Mayor,
City Council and Management
Medicine Lodge, Kansas

We have audited the financial statement of the City of Medicine Lodge, Kansas for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you November 18, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note A to the financial statement. No new accounting policies were adopted, and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statement were:

Management's estimates of encumbrances and accounts payable are based on bids, contracts, order forms, or invoices. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statement taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statement are the summary of significant accounting policies in Note A and the disclosure of long-term debt in Note C.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- The recording of \$33,979 of accrued wages payable in the General, Water Utility, and Sewer Utility funds.
- To move expenses of \$2,000 from the Solid Waste fund to the General fund to correct a cash basis violation.
- To move salaries of \$22,000 from the Sewer Utility fund to the Water Utility fund to correct a budget violation.
- Other reclassifications for reporting purposes.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statement or a determination of the type of auditor's opinion that may be expressed on that statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on the summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures, which accompany the financial statement and are regulatory-required supplementary information. With respect to the supplementary information accompanying the financial statement, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the *Kansas Municipal Audit and Accounting Guide*, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

Restriction on Use

This information is intended solely for the use of the Mayor, City Council, and management of the City of Medicine Lodge, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

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