

CITY OF MARION, KANSAS
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
RELATED TO THE AUDIT FOR THE
YEAR ENDED DECEMBER 31, 2018



Honorable Mayor and City Council
City of Marion, Kansas 66861

We have audited the Summary Statement of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis (financial statement) of the City of Marion, Kansas as of and for the year ended December 31, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), 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 dated February 27, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

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 of Marion, Kansas are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the City of Marion, Kansas 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. There are no sensitive accounting estimates noted affecting the financial statement.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered during 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole.

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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 March 27, 2019.

Management's 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 of Marion, Kansas' financial statement or a determination of the type of auditor's opinion that may be expressed on this 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 of Marion, Kansas' 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 regulatory-required supplementary information (RRSI), which accompany the financial statement. With respect to the RRSI, 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 statutory requirements pertaining to RRSI as prescribed by 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 RRSI to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

Communication of Significant Deficiencies and Other Control Deficiencies

In planning and performing our audit of the financial statement of the City of Marion, Kansas, as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Marion, Kansas' internal control over financial reporting (internal control) as a basis for designing our 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Marion, Kansas' internal control.

Communication of Significant Deficiencies and Other Control Deficiencies (Cont.)

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in City of Marion, Kansas' internal control to be significant deficiencies.

SIGNIFICANT DEFICIENCIES

FINANCIAL STATEMENT REPORTING

Condition: The City prepares its financial statement in accordance with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit and Accounting Guide* (KMAAG).

Our firm has been asked to prepare the financial statement for the City; however, our firm cannot be considered part of the internal control structure of the City in regard to the preparation of the financial statement. City personnel does have the skill and knowledge to process all the basic financial transactions and the ability to issue the internal financial statement needed to provide appropriate budget and operating information to the City governing body on an as needed basis. However, the City either has no documented policy or procedures related to the preparation of the external financial statement and/or the policies and procedures are not implemented and adequately followed to ensure the accuracy and completeness of the external financial statement. We consider this condition related to external financial statement preparation to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Status: Current management has continued to receive training and education in the financial statement preparation as recommended to strengthen internal controls over this area. We no longer consider this a condition.

Honorable Mayor and City Council
City of Marion
March 27, 2019
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OTHER CONTROL DEFICIENCIES

PRIOR YEAR POINTS REVISITED

None noted in 2017 except those noted above as a significant deficiency.

CURRENT YEAR POINTS

None noted in 2018.

SUMMARY

The matters discussed herein were considered during our examination of the financial statement as of December 31, 2018, and they do not modify the opinion expressed in our auditor's report dated March 27, 2019, on such financial statement.

We look forward to assisting the City in implementing the above suggestions. If you have any questions regarding comments included in this letter, please contact Scot Loyd at (620) 662-3358 or Jan Nolde at (620) 241-1826.

RESTRICTION ON USE

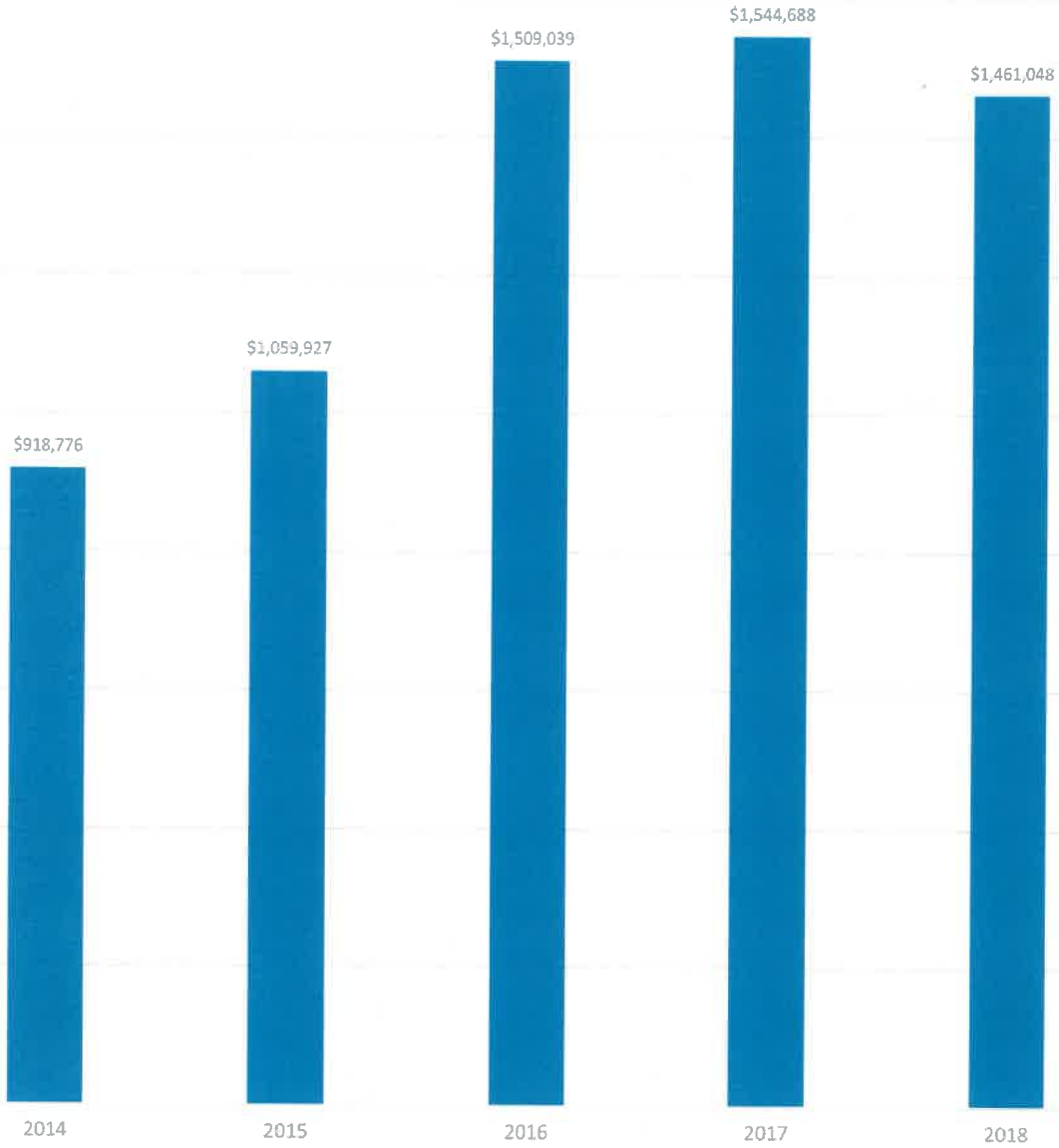
This communication is intended solely for the information and use of the Honorable Mayor, City Council and management of the City of Marion, Kansas and is not intended to be, and should not be, used by anyone other than these specified parties.

Swindoll, Janzen, Hawk & Loyd, LLC

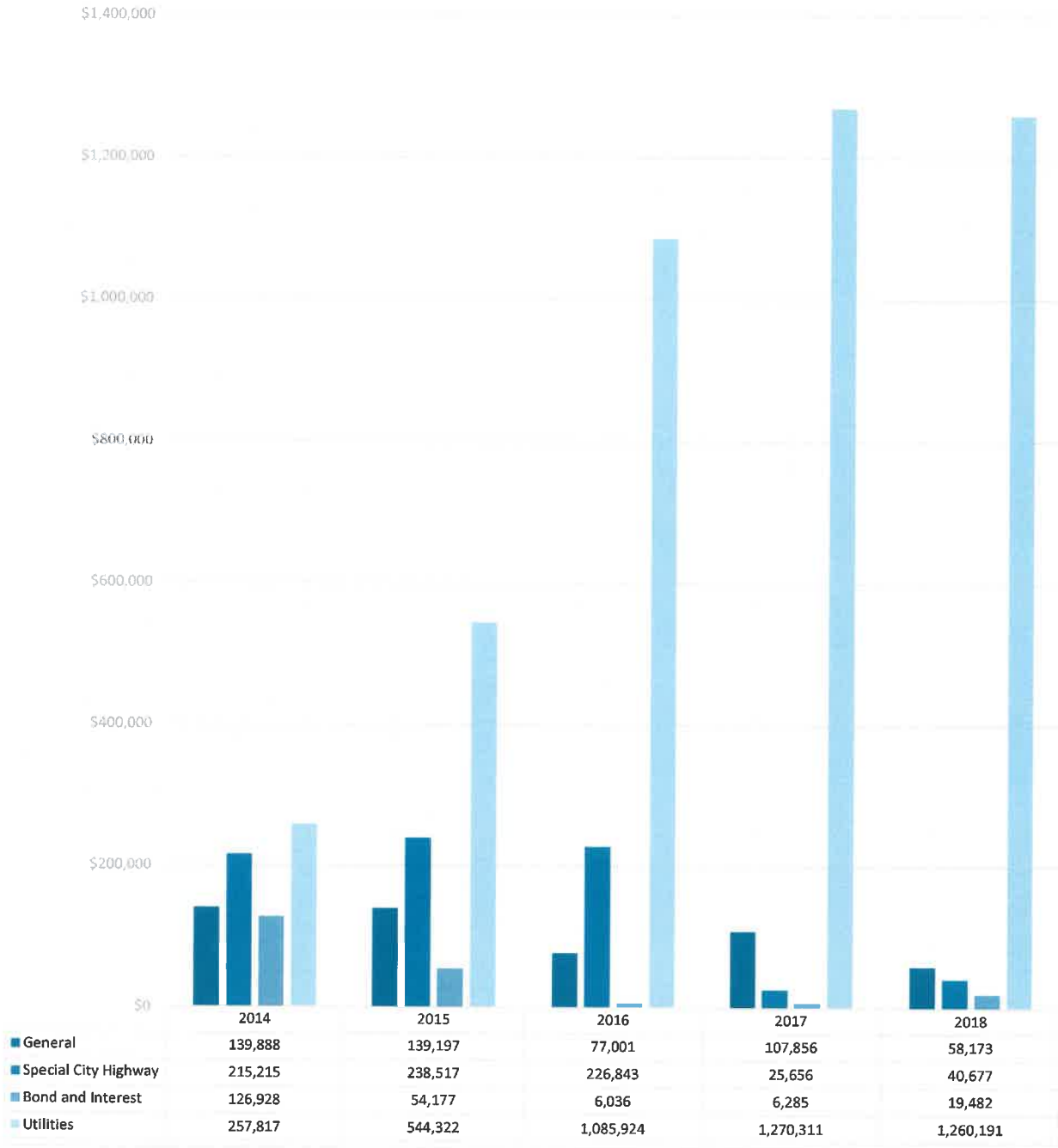
SWINDOLL, JANZEN, HAWK & LOYD, LLC
CERTIFIED PUBLIC ACCOUNTANTS
MCPHERSON, KANSAS

March 27, 2019

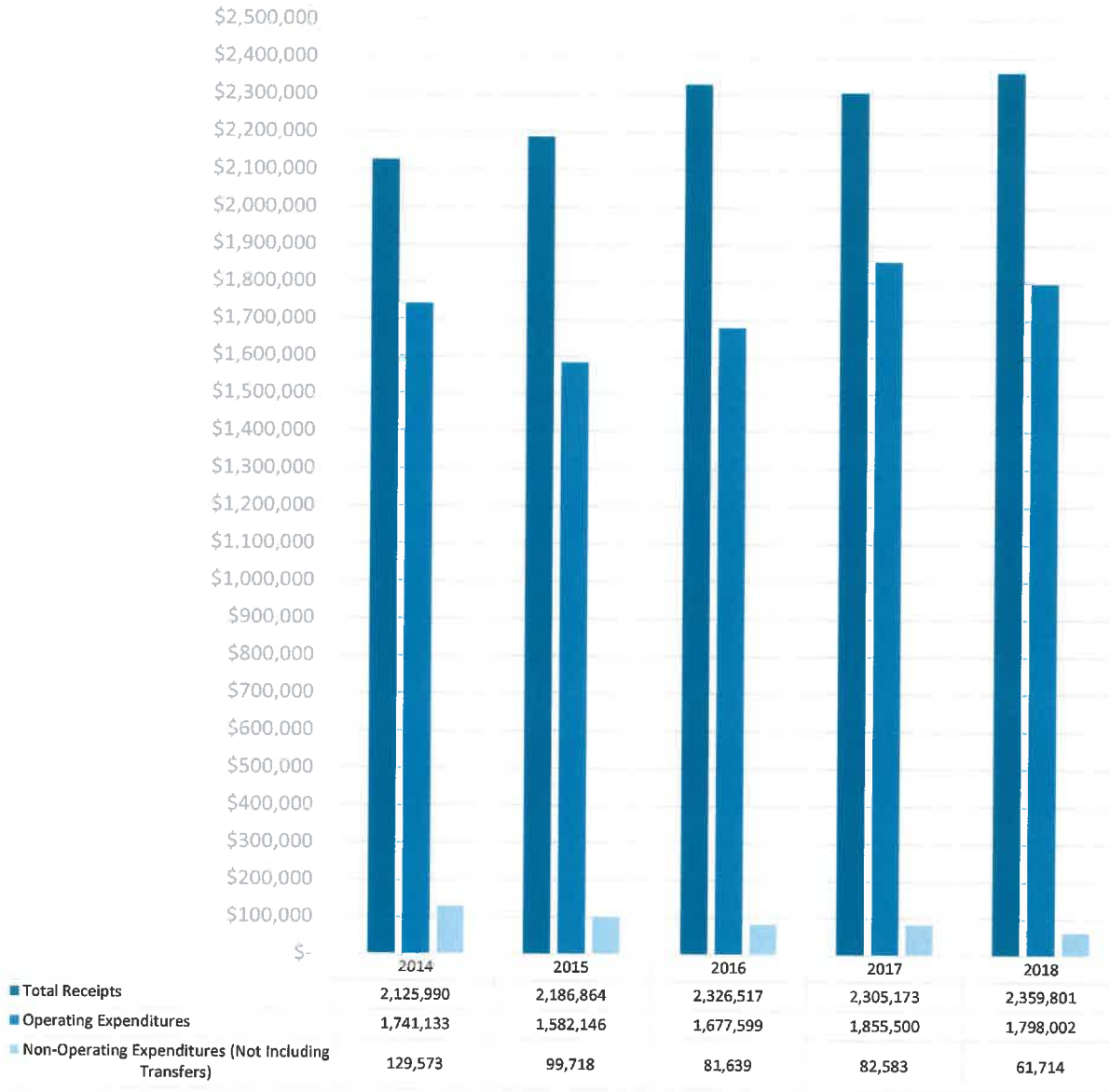
Unencumbered Cash Balances
All Funds (Excluding Agency Funds)



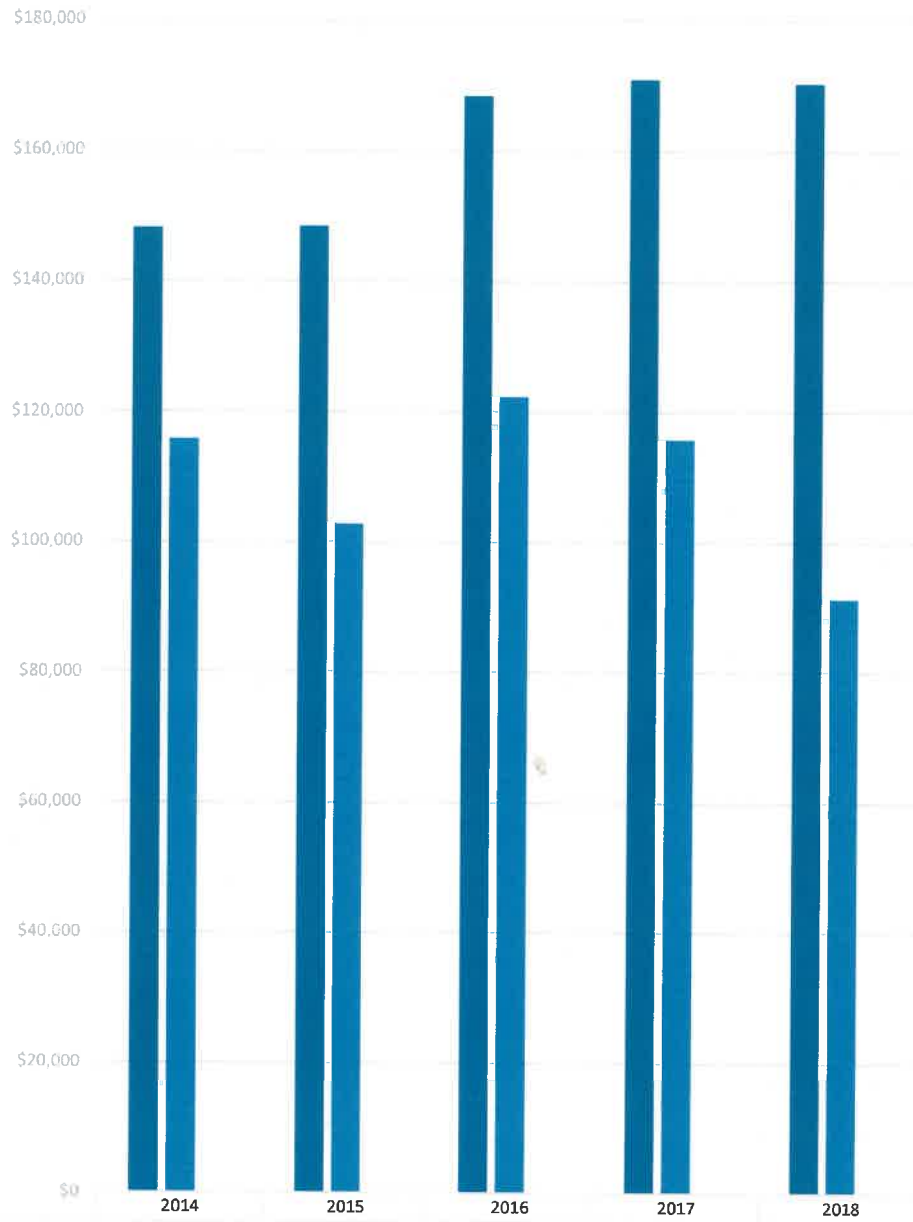
Unencumbered Cash Balances



Utilities Fund-Electric

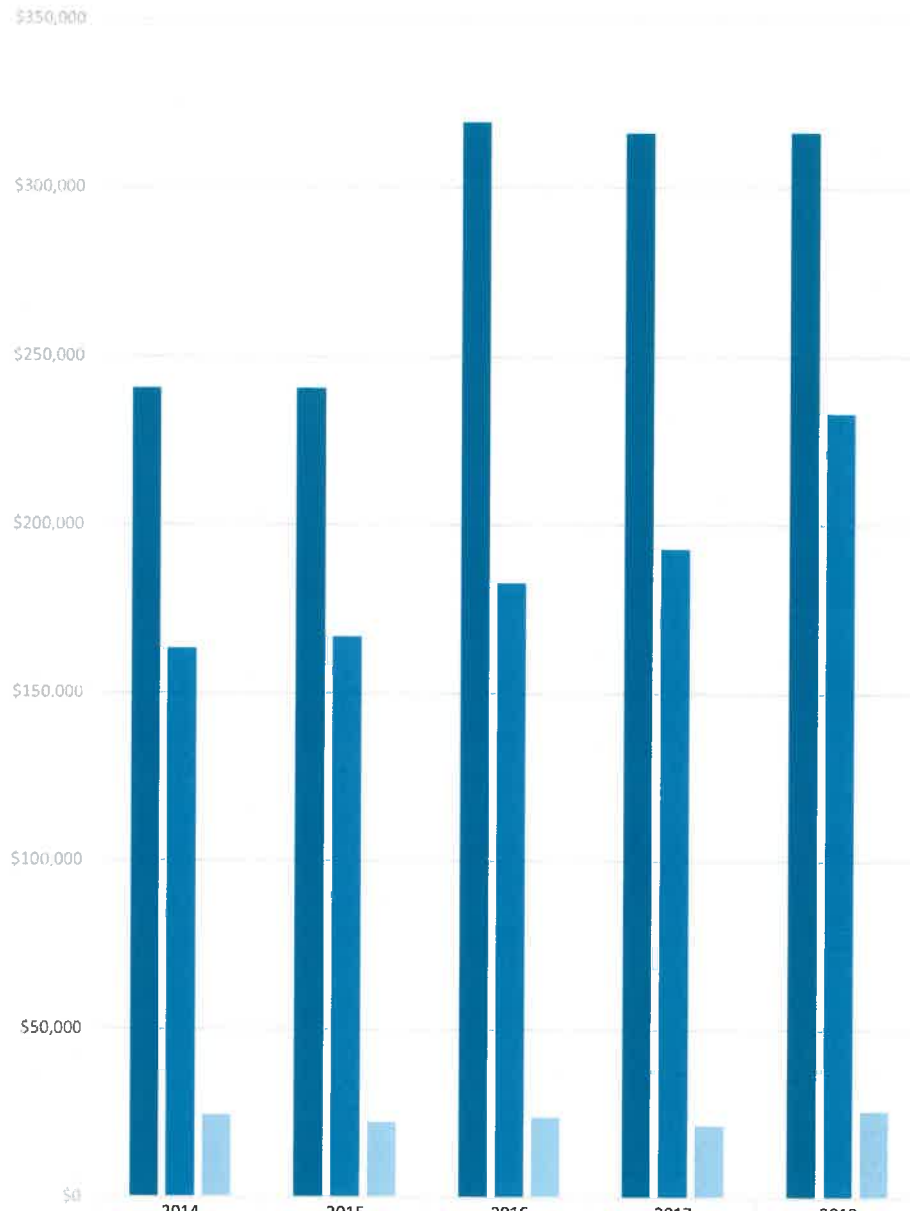


Utilities Fund-Refuse



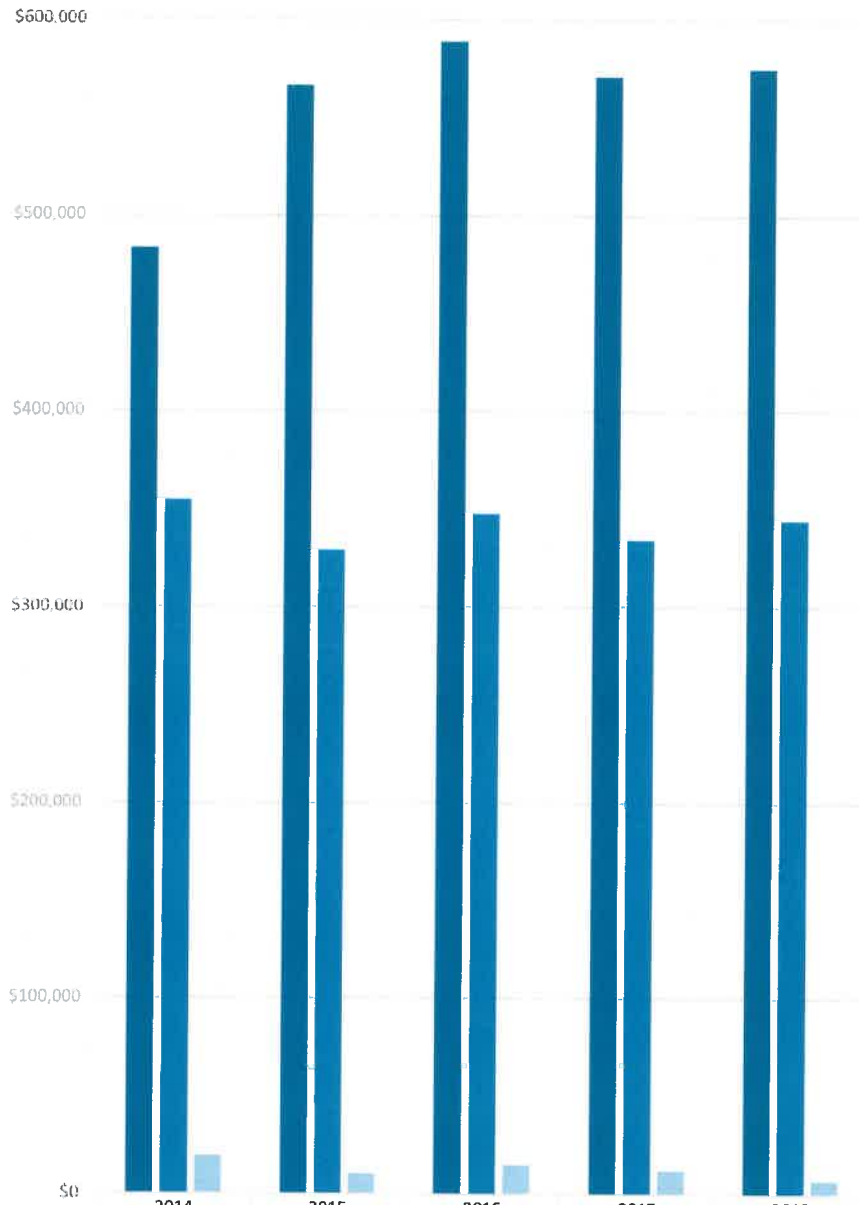
	2014	2015	2016	2017	2018
Total Receipts	148,008	148,306	168,387	170,898	170,305
Operating Expenditures	115,758	102,741	122,248	115,746	91,164
Non-Operating Expenditures (Not Including Transfers)	0	0	0	0	0

Utilities Fund-Sewer



	2014	2015	2016	2017	2018
Total Receipts	240,242	240,237	319,142	316,002	316,194
Operating Expenditures	163,243	166,791	182,605	192,793	232,798
Non-Operating Expenditures (Not Including Transfers)	24,539	22,452	23,942	21,599	25,888

Utilities Fund-Water



Total Receipts	482,934	566,221	588,424	570,755	574,538
Operating Expenditures	354,329	328,925	347,541	334,251	344,258
Non-Operating Expenditures (Not Including Transfers)	19,341	10,196	14,930	12,225	6,885