

**The City of Strong City
Chase County, Kansas**

**Independent Auditors' Report and
Regulatory Basis Financial Statement
Year Ended December 31, 2019**

**Cindy Jensen, CPA
218 W. Main St.
Council Grove, Ks. 66846
(620) 767-5064**

The City of Strong City
Chase County, Kansas

Regulatory Basis Financial Statement
Year Ended December 31, 2019

Table of Contents

Page No.

Independent Auditors' Report	1-2
Summary Statement of Receipts, Expenditures, and Unencumbered Cash	3
Notes to the Financial Statement	4-10
Regulatory – Required Supplementary Information:	
Schedule 1 – Summary of Expenditures – Actual and Budget	11
Schedule 2 – Schedule of Receipts and Expenditures	
General Fund	12
Special Purpose Funds	
Special Highway Fund	13
Tourism Fund	14
Special Parks & Recreation	15
Equipment Reserve	16
Utility Short Lived Assets	17
Depot Donations	18
Capital Project Funds	
Community Trail Project	19
Sewer Project	20
Business Fund	
Sewer Fund	21
Water Fund	22

Cindy Jensen

Certified Public Accountant

218 W Main
Council Grove, KS 66846

620-767-5064
c.jensen@tctelco.net

Independent Auditors' Report

To the City Council
Strong City, Kansas

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Strong City, Kansas as of and for the year ended December 31, 2019 and the related notes to the financial statement.

Management's Responsibility 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 1 to meet the financial reporting requirements of the State of Kansas; 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

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards and the Kansas Municipal Audit and Accounting Guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes performing 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

As described in Note 1 of the financial statement, the City of Strong City, Kansas prepared this financial statement to meet the requirements of the State of Kansas 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 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on the U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles” paragraph, the 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 of Strong City, Kansas, as of December 31, 2019, or the changes in its financial position or cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Strong City, Kansas, as of December 31, 2019, 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.

Report on Regulatory – Required Supplementary Information

My audit was conducted for the purpose of forming an opinion on the 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 and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement but are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. All supplementary 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 my 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.

I also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Strong City, Kansas as of and for the year ended December 31, 2018 (not presented herein), and have issued my report dated October 2, 2019, which contained an unmodified opinion on the basic financial statement. The 2018 basic financial statement and my report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/chief-financial-officer/municipal-services/municipal-audits>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for analysis and are not a required part of the basic financial statement. Such 2018 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statement. The 2018 comparative information has been subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the 2018 comparative information is fairly stated in all material respects, in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.



Cindy Jensen, CPA
October 15, 2020

City of Strong City
Chase County, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2019

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & Accounts Payable	Ending Cash Balance
General Fund	\$ 201,754	\$ 0	\$ 262,763	\$ 392,276	\$ 72,241	\$ 15,824	\$ 88,065
Special Purpose Funds							
Special Highway	21,084	0	12,528	16,134	17,478	259	17,737
Tourism	6,623	0	43	0	6,666	0	6,666
Special Parks & Recreation	5,581	0	21,079	3,393	23,267	224	23,491
Equipment Reserve	25,763	0	3,600	0	29,363	0	29,363
Utility Short Lived Assets	36,215	0	9,567	6,069	39,713	311	40,024
Depot Donations	53	0	20	0	73	0	73
Capital Project Fund							
Community Trail	10,921	0	0	160	10,761	0	10,761
Sewer Project	(192,827)	0	559,992	399,712	(32,547)	32,675	128
Business Fund							
Sewer Fund	10,800	0	70,342	75,841	5,301	3,813	9,114
Utility-Water Fund	(2,956)	0	235,462	232,718	(212)	14,070	13,858
Total Reporting Entity	<u>\$ 123,011</u>	<u>\$ 0</u>	<u>\$ 1,175,396</u>	<u>\$ 1,126,303</u>	<u>\$ 172,104</u>	<u>\$ 67,176</u>	<u>\$ 239,280</u>

Composition of Cash Balance:

Checking	\$ 162,029
Certificates of Deposit	77,076
Petty Cash	175
Total Reporting Entity	<u>\$ 239,280</u>

The accompanying notes are an integral part of this statement

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 1 – Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The more significant of the City's accounting policies are described below.

Financial Reporting Entity

The City of Strong City is a governmental entity governed by an elected five-member council and mayor. The City's major operations include public safety, streets and highways, parks and recreation, and general administrative services. The City also operates two major business activities: a sewer system and a water system. The City also contracts for solid waste collection. The City's financial statement does not include any related municipal entities.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

General Fund – The chief operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

Capital Project Fund – used to account for the debt proceeds and other financial resources to be used for acquisition for acquisition or construction of major capital facilities or equipment.

Business Funds – these are financed in whole or in part by fees charged to users of the goods or services. Business funds are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of receipts, expenses, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 approved a resolution that is in compliance with K.S.A. 75-1120(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 1 – Summary of Significant Accounting Policies (Cont.)

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), bond & interest funds, 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 of the proposed budget and notice of public hearing on the budget on or before August 5th.
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.

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. There were no such amendments for this year.

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 regulatory basis of accounting, in which regulatory receipts are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's 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. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds and the following special purpose funds: Equipment Reserve and Short Lived Asset Fund. 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 by the governing body.

Note 2 – Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Obligations

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 Municipality.

K.S.A. 10-113 requires that no indebtedness in excess of available monies in a fund be created. The sewer project fund balance was negative at December 31, 2019. This occurred due to encumbrances that were reimbursable in the subsequent period and therefore, is not a statutory violation.

K.S.A. 79-2935 requires that expenditures be controlled within the adopted budget limits. The general and sewer funds were over budget for the year ended December 31, 2019.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 2 – Stewardship, Compliance, and Accountability (Cont)

Management is not aware of any other regulatory violations for the period covered by this audit.

Note 3 – Cash and Deposits

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 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.

Custodial Credit Risk – Deposits. This is the risk that in the event of a bank failure, the City's deposits may not be entirely returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by Federal Depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan of Topeka, except during designated "peak periods" when required coverage is 50%.

The City maintains a cash pool that is available for use by all funds. At year-end, the carrying amount of the City's deposits, excluding petty cash, was \$239,105. The bank balance was \$242,138. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by two banks resulting in a concentration of credit risk. The entire bank balance was covered by FDIC insurance. The City held no investments on December 31, 2019.

Note 4 – Property Taxes

The City certifies its' budget to the County Clerk annually. Using this certified budget and those of other political subdivisions within the county, the County Clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20th of the same year, and the second installment is due May 10th of the subsequent year. The County Treasurer collects and distributes the property taxes. In accordance with State statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operations.

Note 5 – Defined Benefit Pension Plan

Plan Description

The City of Strong City, Kansas 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 publicly 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 S Kansas St. Suite 100, Topeka, Ks. 66603) or by calling 1-888-275-5737.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 5 – Defined Benefit Pension Plan (Cont.)

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 contributions 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, 2, and 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 rate for KPERS 1, KPERS 2, and KPERS 3 to 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 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City were \$16,943 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$129,411. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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 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 – 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. These risks are covered by commercial insurance purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

Note 7 – Other Post-Employment Benefits

Compensated Absences

Vacation for full time employees is based on years of employment. Amounts earned range from 3.33 hours per month for an employee with up to 2 years of service, to 10 hours per month for an employee with 6 or more years of service. Vacation for full time employees that perform weekend rotation, range from 6.67 hours per month to 15 hours per month depending on years of service. Part time employees working at least 20 hours per week earn vacation at the rate of 1.67 hours per month. Seasonal and temporary employees do not earn vacation. The maximum hours accumulated range from 40 to 160 hours also based on years of service. Upon separation of service, an employee is compensated for all earned but unused hours. Amounts paid for compensated absences are charged to the same respective fund as wages. No provision has been made in this financial statement for accumulated leave.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 7 – Other Post-Employment Benefits (Cont)

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, 2019.

Note 8 – Long-Term Debt

KDHE Wastewater Loan

The City entered into a loan contract for \$401,500 with the Kansas Dept. of Health and Environment on January 28, 2000 to make improvements to its wastewater infrastructure and achieve compliance with the Federal Water Quality Act of 1987. On November 14, 2002, this contract was amended to reduce the loan amount to \$340,254. The project was completed in 2002. Semiannual payments began on September 1, 2001. Three payments of \$14,104 were made. This payment amount was adjusted beginning on March 1, 2003, scheduling 37 payments of \$11,455. The loan carries an interest rate of 3.55% and matures on March 1, 2021.

General Obligation Bonds

The City issued General Obligation bonds Series 2015-A in the amount of \$591,770 to pay off the temporary water project notes. USDA-Rural Development purchased the bonds at the intermediate rate of 2.75%. USDA-RD approved an additional loan of \$59,000 to cover project expenditures. The City issued General Obligation bonds Series 2015-B in the amount of \$59,000 also with an interest rate of 2.75%.

KDHE Wastewater Loan

The City entered into a loan contract for \$100,000 with the Kansas Dept. of Health and Environment on May 31, 2018 to make improvements to its wastewater infrastructure. On August 29, 2018 the loan was amended to increase the loan by an additional \$4,685,000. The loan carries an interest rate of 2.31% and matures on September 1, 2023.

Changes in long-term liabilities for the City for the year ended December 31, 2019 are as follows.

	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Due January 1	Additions	Reductions/ Payments	Balance Due December 31	Interest Paid
General Obligation Bonds									
Series 2015A	2.75%	4/28/2015	591,770	5/1/2055	\$ 566,168	\$ 0	\$ 9,007	\$ 557,161	\$ 15,570
Series 2015B	2.75%	4/28/2015	59,000	5/1/2055	56,448	0	899	55,549	1,551
KDHE Loans:									
KDHE Wastewater	3.55%	1/28/2000	340,254	3/1/2021	54,348	0	21,167	33,181	1,743
KDHE Wastewater	2.31%	8/29/2018	4,785,000	9/1/2023	66,983	382,328	0	449,311	2,571
Total contractual indebtedness					<u>\$ 743,947</u>	<u>\$ 382,328</u>	<u>\$ 31,073</u>	<u>\$ 1,095,202</u>	<u>\$ 21,435</u>

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 8 – Long-Term Debt (Cont)

Current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

	GO Series 2015A Principal	GO Series 2015A Interest	GO Series 2015A Total	GO Series 2015B Principal	GO Series 2015B Interest	GO Series 2015B Total	KDHE Wastewater Principal	KDHE Wastewater Interest	KDHE Wastewater Total	KDHE Wastewater Principal	KDHE Wastewater Interest	KDHE Wastewater Total
2020	9,255	15,322	24,577	923	1,528	2,451	21,926	984	22,910	200	110,532	110,732
2021	9,510	15,067	24,577	948	1,502	2,450	11,255	200	11,455	200	110,528	110,728
2022	9,771	14,806	24,577	974	1,476	2,450	0	0	0	200	110,523	110,723
2023	10,040	14,537	24,577	1,001	1,449	2,450	0	0	0	4,784,400	110,518	4,894,918
2024	10,316	14,261	24,577	1,029	1,422	2,451	0	0	0	0	0	0
2025-2029	55,995	66,891	122,886	5,583	6,669	12,252	0	0	0	0	0	0
2030-2034	64,129	58,756	122,885	6,393	5,858	12,251	0	0	0	0	0	0
2035-2039	73,446	49,440	122,886	7,322	4,930	12,252	0	0	0	0	0	0
2040-2044	84,115	38,770	122,885	8,386	3,865	12,251	0	0	0	0	0	0
2045-2049	96,335	26,551	122,886	9,605	2,647	12,252	0	0	0	0	0	0
2050-2054	110,330	12,556	122,886	11,000	1,251	12,251	0	0	0	0	0	0
2055	23,919	658	24,577	2,385	66	2,451	0	0	0	0	0	0
	<u>\$ 557,161</u>	<u>\$ 327,615</u>	<u>\$ 884,776</u>	<u>\$ 55,549</u>	<u>\$ 32,663</u>	<u>\$ 88,212</u>	<u>\$ 33,181</u>	<u>\$ 1,184</u>	<u>\$ 34,365</u>	<u>\$ 4,785,000</u>	<u>\$ 442,101</u>	<u>\$ 5,227,101</u>

Note 9 – Public Wholesale Water Supply District No. 26

Public Wholesale Water Supply District No. 26 was formed on May 31, 2011 for the purpose of providing water to its members. Members of the District are: The City of Strong City, the City of Cottonwood Falls, and Chase County Rural Water District No. 1. The initial water cost to the City was \$5.29 per thousand gallons with a minimum commitment of 1,100,000 per month. The contract extends 40 years from the date of initial delivery of water, which was in March 2016.

The City entered into a contract with the PWWSD#26 to provide clerical services. PWWSD#26 agrees to reimburse the City based on the hourly rate of the employee, including leave, benefits and employer payroll taxes plus an additional 10%. The term of the agreement is for one year and continues indefinitely until either party gives written notice.

The City entered into a contract with PWWSD#26 to provide water system operator services. The City agrees to operate the plant on Monday through Friday. The City of Cottonwood Falls will operate the plant when Strong City personnel are absent and shall alternate holiday and weekend duties with Strong City personnel. PWWSD#26 agrees to reimburse the City based on the hourly rate of the employee, including leave, benefits, and employer payroll taxes plus an additional 10%. The term of the agreement is for one year and continues indefinitely until either party gives written notice.

The City entered into a contract with PWWSD#26 to lease the City's existing water wells and water rights. PWWSD#26 will pay the City \$100 annually for a term of 40 years or as long as the lessee produces potable water in sufficient quantities, whichever occurs first.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2019

Note 10 – Transfers

The City transferred monies between funds as allowed by applicable Kansas statutes. The following schedule details transfers made in 2019.

<u>Transferred From:</u>	<u>Transferred To:</u>	<u>Authority</u>	<u>Amount</u>
General	Equipment Reserve	12-1,117	\$ 3,600
Utility-Water	Short Lived Asset	12-825d	9,567

Note 11 – Sewer Project

The City is currently upgrading its' sewer system. When planning the project in 2018, an urgent needs CDBG grant of \$195,890 was received from the Kansas Department of Commerce to make necessary repairs to the line under Highway 50. The total project, including the urgent needs portion, is estimated at \$5,285,000. In addition to the \$195,890 grant from CDBG, a \$600,000 grant has been awarded from CDBG, a \$2,156,000 grant from USDA-RD, and \$2,240,000 loan commitment from USDA-RD. The remaining funds will be obtained from the KDHE loan. In addition, the KDHE loan will be used as interim financing for the USDA-RD loan commitment. Funds expended for the project as of December 31, 2019 were \$677,844.

Note 12 – Floods

The City experienced significant damages during May 2019 flooding. The City has applied for funding assistance from the Federal Emergency Management Agency and Kansas Division of Emergency Management for its' approximate \$145,000 of damages.

Note 13 – Utility Fund Corrections

As of January 1, 2019, the City, at the request of lenders, has separated its' Utility Fund into two separate funds. \$10,800 of the beginning fund balance of the Utility fund was allocated to the new Sewer Fund.

Note 14 – Subsequent Events

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date that the financial statement was available to be issued.

Regulatory – Required Supplementary Information

City of Strong City
Chase County, Kansas

Schedule 1

Summary of Expenditures-Actual and Budget
Regulatory Basis
Budgeted Funds Only
For the Year Ended December 31, 2019

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 362,800	\$ 0	\$ 362,800	\$ 392,276	\$ 29,476
Special Purpose Funds					
Special Highway	25,501	0	25,501	16,134	(9,367)
Tourism	5,123	0	5,123	0	(5,123)
Special Parks & Recreation	121,008	0	121,008	3,393	(117,615)
Depot Donations	0	0	0	0	0
Business Fund					
Sewer	64,240	0	64,240	75,841	11,601
Utility-Water	305,506	0	305,506	232,718	(72,788)

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2A

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

GENERAL FUND

	Prior Year Actual	Current Year		Variance Over (Under)
	Actual	Actual	Budget	
Receipts				
Chase County	\$ 141,324	\$ 127,717	\$ 128,449	\$ (732)
Liquor Tax	2,366	2,355	4,461	(2,106)
Franchise Tax	32,422	30,069	33,000	(2,931)
Sales Tax	82,912	80,040	76,000	4,040
Licenses & Permits	775	1,340	700	640
Municipal Court	1,965	6,984	0	6,984
Housing	0	8,123	4,000	4,123
Interest	1,422	1,749	900	849
Other	28,889	4,386	13,300	(8,914)
Transfers In	0	0	0	0
Total Receipts	<u>292,075</u>	<u>262,763</u>	<u>260,810</u>	<u>1,953</u>
Expenditures				
General Government				
Personal Services	128,467	130,538	100,000	30,538
Commodities	12,618	21,484	23,000	(1,516)
Contractual	77,037	201,828	100,000	101,828
Capital Outlay	3,732	3,977	20,000	(16,023)
Police & Fire	4,509	11,869	9,900	1,969
Streets & Highway	226	4,465	45,000	(40,535)
Parks & Recreation	6,160	235	17,000	(16,765)
Economic Development	0	0	1,000	(1,000)
Dangerous Structures	0	7,800	15,000	(7,200)
Sidewalks/Handicap Parking	0	0	20,000	(20,000)
Chamber of Commerce	3,000	2,250	3,000	(750)
Other	939	4,230	5,300	(1,070)
Transfers out	3,600	3,600	3,600	0
Total Expenditures	<u>240,288</u>	<u>392,276</u>	<u>362,800</u>	<u>29,476</u>
Receipts Over (Under) Expenditures	51,787	(129,513)	<u>\$ (101,990)</u>	<u>\$ (27,523)</u>
Unencumbered Cash, January 1	<u>149,967</u>	<u>201,754</u>		
Unencumbered Cash, December 31	<u>\$ 201,754</u>	<u>\$ 72,241</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2B

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SPECIAL HIGHWAY

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
State of Kansas Gas Tax	\$ 12,465	\$ 12,528	\$ 12,340	\$ 188
Other	50	0	0	0
Total Receipts	<u>12,515</u>	<u>12,528</u>	<u>12,340</u>	<u>188</u>
Expenditures				
Streets & highways	6,100	16,134	25,501	(9,367)
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>6,100</u>	<u>16,134</u>	<u>25,501</u>	<u>(9,367)</u>
Receipts Over (Under) Expenditures	6,415	(3,606)	<u>\$ (13,161)</u>	<u>\$ 9,555</u>
Unencumbered Cash, January 1	<u>14,669</u>	<u>21,084</u>		
Unencumbered Cash, December 31	<u>\$ 21,084</u>	<u>\$ 17,478</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2C

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

TOURISM

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Guest Tax	\$ 0	\$ 43	\$ 0	\$ 43
Other Receipts	0	0	0	0
Total Receipts	<u>0</u>	<u>43</u>	<u>0</u>	<u>43</u>
Expenditures				
Economic Development	0	0	5,123	(5,123)
Adjustment for Budget Credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>5,123</u>	<u>(5,123)</u>
Receipts Over (Under) Expenditures	0	43	<u>\$ (5,123)</u>	<u>\$ 5,166</u>
Unencumbered Cash, January 1	<u>6,623</u>	<u>6,623</u>		
Unencumbered Cash, December 31	<u>\$ 6,623</u>	<u>\$ 6,666</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2D

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SPECIAL PARKS & RECREATION

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Liquor Tax	\$ 2,366	\$ 2,354	\$ 2,231	\$ 123
Donations, Grants, and Fundraisers	470	18,725	90,100	(71,375)
Total Receipts	<u>2,836</u>	<u>21,079</u>	<u>92,331</u>	<u>(71,252)</u>
Expenditures				
Parks & Recreation	3,867	3,393	121,008	(117,615)
Adjustment for Budget Credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>3,867</u>	<u>3,393</u>	<u>121,008</u>	<u>(117,615)</u>
Receipts Over (Under) Expenditures	(1,031)	17,686	<u>\$ (28,677)</u>	<u>\$ 46,363</u>
Unencumbered Cash, January 1	<u>6,612</u>	<u>5,581</u>		
Unencumbered Cash, December 31	<u>\$ 5,581</u>	<u>\$ 23,267</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2E

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 3,600	\$ 3,600
Other Receipts	0	0
Total Receipts	<u>3,600</u>	<u>3,600</u>
Expenditures		
Equipment	4,382	0
Other	0	0
Total Expenditures	<u>4,382</u>	<u>0</u>
Receipts Over (Under) Expenditures	(782)	3,600
Unencumbered Cash, January 1	<u>26,545</u>	<u>25,763</u>
Unencumbered Cash, December 31	<u>\$ 25,763</u>	<u>\$ 29,363</u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2F

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

UTILITY SHORT LIVED ASSET

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 12,756	\$ 9,567
Sale of Equipment	0	0
Total Receipts	<u>12,756</u>	<u>9,567</u>
Expenditures		
Equipment	<u>3,052</u>	<u>6,069</u>
Receipts Over (Under) Expenditures	9,704	3,498
Unencumbered Cash, January 1	<u>26,511</u>	<u>36,215</u>
Unencumbered Cash, December 31	<u>\$ 36,215</u>	<u>\$ 39,713</u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2H

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

DEPOT				
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Donations	\$ 48	\$ 20	\$ 0	\$ 20
Other	0	0	0	0
Total Receipts	<u>48</u>	<u>20</u>	<u>0</u>	<u>20</u>
Expenditures				
Depot	0	0	0	0
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	48	20	<u>\$ 0</u>	<u>\$ 20</u>
Unencumbered Cash, January 1	<u>5</u>	<u>53</u>		
Unencumbered Cash, December 31	<u>\$ 53</u>	<u>\$ 73</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2I

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

COMMUNITY TRAIL

	Prior Year Actual	Current Year Actual
Receipts		
Donations	\$ 0	\$ 0
Other	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Trail	<u>0</u>	<u>160</u>
Receipts Over (Under) Expenditures	0	(160)
Unencumbered Cash, January 1	<u>10,921</u>	<u>10,921</u>
Unencumbered Cash, December 31	<u>\$ 10,921</u>	<u>\$ 10,761</u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2J

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SEWER PROJECT

	Prior Year Actual	Current Year Actual
Receipts		
USDA Search Grant	\$ 5,035	\$ 0
KDHE Loan-Temporary Financing	66,983	382,679
CDBG-Grant	18,320	177,310
Other	2	3
Total Receipts	<u>90,340</u>	<u>559,992</u>
Expenditures		
Sewer project	<u>283,167</u>	<u>399,712</u>
Receipts Over (Under) Expenditures	(192,827)	160,280
Unencumbered Cash, January 1	<u>0</u>	<u>(192,827)</u>
Unencumbered Cash, December 31	<u><u>\$ (192,827)</u></u>	<u><u>\$ (32,547)</u></u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2K

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

SEWER				
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sewer Receipts	0	70,282	60,000	10,282
Other Receipts	0	60	0	60
Split fund to Sewer & Water funds	10,800	0	0	0
Total Receipts	<u>10,800</u>	<u>70,342</u>	<u>60,000</u>	<u>10,342</u>
Expenditures				
Personal Service	0	22,934	10,000	12,934
Commodities	0	765	2,500	(1,735)
Contractual	0	26,614	18,750	7,864
Debt Payments	0	25,481	22,910	2,571
Capital Outlay	0	47	10,080	(10,033)
Other	0	0	0	0
Transfers out	0	0	0	0
Total Expenditures	<u>0</u>	<u>75,841</u>	<u>64,240</u>	<u>11,601</u>
Receipts Over (Under) Expenditures	10,800	(5,499)	<u>\$ (4,240)</u>	<u>\$ (1,259)</u>
Unencumbered Cash, January 1	<u>0</u>	<u>10,800</u>		
Unencumbered Cash, December 31	<u>\$ 10,800</u>	<u>\$ 5,301</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2L

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019
With Comparative Actual Totals for the Prior Year Ended December 31, 2018

UTILITY-WATER

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Water Receipts	\$ 143,519	\$ 134,937	\$ 185,000	\$ (50,063)
Sewer Receipts	65,514	0	0	0
Trash Receipts	58,933	56,991	60,000	(3,009)
Reimbursements	32,017	40,651	33,000	7,651
Other Receipts	4,375	2,883	0	2,883
Transfers In	0	0	0	0
Total Receipts	<u>304,358</u>	<u>235,462</u>	<u>278,000</u>	<u>(42,538)</u>
Expenditures				
Personal Service	64,222	56,735	100,000	(43,265)
Commodities	9,313	3,088	5,000	(1,912)
Water Purchased	74,837	69,828	80,000	(10,172)
Contractual	93,314	65,574	74,750	(9,176)
Debt Payments	49,974	27,027	27,027	0
Capital Outlay	0	899	3,973	(3,074)
Other	236	0	0	0
Split fund to Sewer & Water funds	10,800	0	0	0
Transfers out	12,756	9,567	14,756	(5,189)
Total Expenditures	<u>315,452</u>	<u>232,718</u>	<u>305,506</u>	<u>(72,788)</u>
Receipts Over (Under) Expenditures	(11,094)	2,744	<u>\$ (27,506)</u>	<u>\$ 30,250</u>
Unencumbered Cash, January 1	<u>8,138</u>	<u>(2,956)</u>		
Unencumbered Cash, December 31	<u>\$ (2,956)</u>	<u>\$ (212)</u>		

See accompanying auditors' report.