

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

**Independent Auditors' Report and
Regulatory Basis Financial Statement
Year Ended December 31, 2021**

**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, 2021

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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

Adverse and Unmodified Opinions

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

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 and Unmodified Opinions section of my report, 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, 2021, 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, 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.

Basis for Adverse Opinion and Unmodified Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. I am required to be independent of the City of Strong City, Kansas, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City of Strong City, 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.

Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Strong City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statement

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 City of Strong City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Strong City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Report on Regulatory – Required Supplementary Information and Other 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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2, and 3 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. In addition, the accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance), and is not a required part of the financial statement. 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. This 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 accompanying supplementary information and schedule of expenditures of federal awards 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, 2020 (not presented herein), and have issued my report dated September 1, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 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 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2021 (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 2020 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 2020 basic financial statement. The 2020 comparative information has been subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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, 2020, on the basis of accounting described in Note 1.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 3, 2022, on my consideration of the City of Strong City, Kansas' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Strong City, Kansas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Strong City, Kansas' internal control over financial reporting and compliance.



Cindy Jensen, CPA
October 3, 2022

City of Strong City
Chase County, Kansas

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & Accounts Payable	Ending Cash Balance
General Fund	\$ 61,288	\$ 0	\$ 307,010	\$ 363,768	\$ 4,530	\$ 6,208	\$ 10,738
Special Purpose Funds							
Special Highway	9,297	0	13,078	16,054	6,321	401	6,722
Tourism	6,823	0	268	0	7,091	0	7,091
Special Parks & Recreation	82,211	0	14,244	2,540	93,915	2,540	96,455
Equipment Reserve	18,786	0	11,200	8,850	21,136	0	21,136
Short Lived Assets-Water	31,477	0	6,378	100	37,755	100	37,855
Short Lived Assets-Sewer	0	0	2,000	1,200	800	1,200	2,000
Depot Donations	78	0	205	0	283	0	283
ARPA	0	0	34,719	0	34,719	0	34,719
Debt Reserve	0	0	58,436	0	58,436	0	58,436
Capital Project Fund							
Community Trail	10,676	0	0	0	10,676	0	10,676
Sewer Project	(989,714)	0	5,763,058	4,773,083	261	0	261
Business Fund							
Sewer Fund	10,592	0	184,915	139,450	56,057	417	56,474
Utility-Water & Trash	53,468	0	294,520	272,443	75,545	14,480	90,025
Total Reporting Entity	<u>\$ (705,018)</u>	<u>\$ 0</u>	<u>\$ 6,690,031</u>	<u>\$ 5,577,488</u>	<u>\$ 407,525</u>	<u>\$ 25,346</u>	<u>\$ 432,871</u>

Composition of Cash Balance:

Checking	\$ 360,505
Certificates of Deposit	77,937
Petty Cash	175
Total Cash Balance	<u>438,617</u>
Less: Agency Funds	<u>(5,746)</u>
Total Reporting Entity	<u>\$ 432,871</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, 2021

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.

Agency Funds – funds used to report assets held by the City in a purely custodial capacity.

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, 2021

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. The sewer fund budget was amended this year increasing its' expenditure authority from \$82,447 to \$195,891.

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 certain other special purpose funds as noted in the presentation of the appropriate Schedule 2. 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.9-1402 requires that deposits be adequately secured at all times. The city's deposits were undersecured during the year.

K.S.A. 10-130 requires that the City remit payments to the state fiscal agent at least 20 days prior to the day of maturity of bonds or interest due. The City remitted payments within the 20 day period prior to the maturity date.

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

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2021

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 \$438,442. The bank balance was \$447,153. 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. Of the bank balance \$328,322 was covered by federal depository insurance, \$50,103 was collateralized with securities held by the pledging financial institutions' agents in the City's name, and \$68,728 was unsecured. The City held no investments on December 31, 2021.

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, 2021

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 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$17,792 for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was \$111,164. 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'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.

The City participates in Federal and State programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. Any disallowed claim resulting from such audit could become a liability of the City. However, in the opinion of management, any such disallowed claim would not have a material effect on the financial statements of the City at December 31, 2021

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

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2021

Note 7 – Other Post-Employment Benefits(Cont)

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.

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, 2021.

Note 8 – Long-Term Debt

KDHE 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 carried an interest rate of 3.55% and matured on March 1, 2021.

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 carried an interest rate of 2.31%. The balance due on the loan was paid off 2021.

General Obligation Bonds

The City issued General Obligation bonds Series 2015A 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 2015B in the amount of \$59,000 also with an interest rate of 2.75%.

In 2021, the City issued General Obligation bonds Series 2021A in the amount of \$2,240,000 to pay off the temporary sewer project financing. USDA-Rural Development purchased the bonds at a rate of 1.75%.

Capital Leases

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a 2019 Kawasaki on October 10, 2019 for \$13,486. Five annual payments of \$3,028 were scheduled, beginning October 10, 2020. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are made from the Equipment and Water Funds.

The City entered into a lease agreement with Cottonwood Valley Bank for the purchase of a 2015 Chevrolet C2500 on October 19, 2020 for \$32,191. Four annual payments of \$8,850 were scheduled beginning October 19, 2021. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments on this lease are made from the Equipment fund.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2021

Note 8 – Long-Term Debt (Cont)

Changes in long-term liabilities for the City for the year ended December 31, 2021 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	\$ 547,906	\$ 0	\$ 9,510	\$ 538,396	\$ 15,067
Series 2015B	2.75%	4/28/2015	59,000	5/1/2055	54,627	0	948	53,679	1,502
Series 2021A	1.75%	3/25/2021	2,240,000	3/25/2061	0	2,240,000	0	2,240,000	0
KDHE Loans:									
KDHE Wastewater	3.55%	1/28/2000	340,254	3/1/2021	11,255	0	11,255	0	200
KDHE Wastewater	2.31%	8/29/2018	4,785,000	9/1/2023	2,185,074	1,436,598	3,621,672	0	32,511
Capital Leases:									
CVB-2015 Chevy	3.95%	10/19/2020	32,121	10/10/2024	32,121	0	7,564	24,557	1,286
CVB-2019 Kawasaki	3.98%	10/10/2019	13,486	10/19/2024	10,995	0	2,590	8,405	438
Total contractual indebtedness					<u>\$ 2,841,978</u>	<u>\$ 3,676,598</u>	<u>\$ 3,653,539</u>	<u>\$ 2,865,037</u>	<u>\$ 51,004</u>

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

	2022	2023	2024	2025	2026	2027-2031	2032-2036	2037-2041	2042-2046	2047-2051	2052-2056	2057-2061	Total
Principal													
General Obligation Bonds													
Series 2015A	\$ 9,771	\$ 10,040	\$ 10,316	\$ 10,600	\$ 10,891	\$ 59,117	\$ 67,705	\$ 77,541	\$ 88,805	\$ 101,706	\$ 91,904	\$ 0	\$ 538,396
Series 2015B	974	1,001	1,029	1,057	1,086	5,894	6,750	7,731	8,854	10,140	9,163	0	53,679
Series 2021A	39,156	39,841	40,435	41,246	41,968	221,016	240,973	262,910	286,745	312,739	341,070	371,901	2,240,000
Capital Leases													
CVB-2015 Chevy	7,867	8,182	8,508	0	0	0	0	0	0	0	0	0	24,557
CVB-2019 Kawasaki	2,693	2,800	2,912	0	0	0	0	0	0	0	0	0	8,405
Total Principal	<u>60,461</u>	<u>61,864</u>	<u>63,200</u>	<u>52,903</u>	<u>53,945</u>	<u>286,027</u>	<u>315,428</u>	<u>348,182</u>	<u>384,404</u>	<u>424,585</u>	<u>442,137</u>	<u>371,901</u>	<u>2,865,037</u>
Interest													
General Obligation Bonds													
Series 2015A	14,806	14,537	14,261	13,977	13,686	63,769	55,181	45,345	34,080	21,179	6,404	0	297,225
Series 2015B	1,476	1,449	1,422	1,394	1,365	6,358	5,502	4,521	3,398	2,111	638	0	29,634
Series 2021A	39,200	38,515	37,818	37,110	36,388	170,669	150,642	128,801	104,978	78,994	50,655	19,746	893,516
Capital Leases													
CVB-2015 Chevy	984	668	342	0	0	0	0	0	0	0	0	0	1,994
CVB-2019 Kawasaki	335	227	116	0	0	0	0	0	0	0	0	0	678
Total Interest	<u>56,801</u>	<u>55,396</u>	<u>53,959</u>	<u>52,481</u>	<u>51,439</u>	<u>240,796</u>	<u>211,325</u>	<u>178,667</u>	<u>142,456</u>	<u>102,284</u>	<u>57,697</u>	<u>19,746</u>	<u>1,223,047</u>
Total Indebtedness	<u>\$ 117,262</u>	<u>\$ 117,260</u>	<u>\$ 117,159</u>	<u>\$ 105,384</u>	<u>\$ 105,384</u>	<u>\$ 526,823</u>	<u>\$ 526,753</u>	<u>\$ 526,849</u>	<u>\$ 526,860</u>	<u>\$ 526,869</u>	<u>\$ 499,834</u>	<u>\$ 391,647</u>	<u>\$ 4,088,084</u>

Note 9 – American Rescue Plan Act

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed by the President. ARPA is a \$1.9 trillion economic stimulus plan which allocates to the State of Kansas \$5 billion in funds. Included in those funds are \$69,026 of funds available to Strong City. To date, the City has received all funds. The City's uses of these funds are currently being planned based on developing federal guidance.

The City of Strong City
Chase County, Kansas

Notes to the Financial Statement
December 31, 2021

Note 10 – 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 City's minimum commitment is to purchase 1,100,000 gallons 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.

Note 11 – Sewer Project

The City completed an upgrade of its' sewer system. The total project cost was estimated at \$5,070,878. A \$600,000 grant was awarded from CDBG, grants of \$2,156,000 and \$30,000 from USDA-RD, and \$2,240,000 loan commitment from USDA-RD. The remaining funds were be obtained from the KDHE loan. Funds expended for the project as of December 31, 2021 were \$4,593,401.

Note 12 – Floods

The City experienced significant damages in past years due to flooding. The City was approved for funding assistance from the Federal Emergency Management Agency and Kansas Division of Emergency Management in 2022 for its' approximate \$426,916 of reimbursed damages and future prevention projects.

Note 13 – Transfers

Transferred From:	Transferred To:	Authority	Amount
General	Equipment Reserve	12-1,117	\$ 7,200
Utility-Water	Equipment Reserve	12-1,117	4,000
Utility-Water	Short Lived Asset-Water	12-825d	6,378
Sewer	Short Lived Asset-Sewer	12-825d	2,000
Sewer	Debt Reserve	12-825d	58,436

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, 2021

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 423,808	\$ 0	\$ 423,808	\$ 363,768	\$ (60,040)
Special Purpose Funds					
Special Highway	18,445	0	18,445	16,054	(2,391)
Tourism	5,846	0	5,846	0	(5,846)
Special Parks & Recreation	128,540	0	128,540	2,540	(126,000)
Depot Donations	0	0	0	0	0
Business Fund					
Sewer	195,891	0	195,891	139,450	(56,441)
Utility-Water & Trash	275,560	0	275,560	272,443	(3,117)

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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

GENERAL FUND

	Prior Year Actual	Current Year		Variance Over Over (Under)
	Actual	Actual	Budget	
Receipts				
Chase County	\$ 132,610	\$ 134,338	\$ 131,262	\$ 3,076
Liquor Tax	1,748	1,929	2,469	(540)
Franchise Tax	28,436	29,136	35,000	(5,864)
Sales Tax	101,303	116,741	90,000	26,741
Licenses & Permits	838	1,031	1,200	(169)
Municipal Court	1,146	3,412	5,000	(1,588)
Housing	3,764	4,082	4,200	(118)
Interest	843	96	1,000	(904)
SPARK grant	7,293	0	0	0
Other	21,529	16,245	63,000	(46,755)
Transfers In	0	0	0	0
Total Receipts	299,510	307,010	333,131	(26,121)
Expenditures				
General Government				
Personal Services	130,999	136,856	140,000	(3,144)
Commodities	19,180	18,626	20,500	(1,874)
Contractual	123,769	103,724	116,500	(12,776)
Capital Outlay	1,985	21,300	5,000	16,300
Police & Fire	9,487	6,189	11,000	(4,811)
Streets & Highway	8,873	30,078	67,208	(37,130)
Parks & Recreation	3,774	6,324	5,000	1,324
Economic Development	0	0	1,000	(1,000)
Theatre	0	16,200	0	16,200
Sidewalks/Handicap Parking	975	10,313	45,000	(34,687)
Chamber of Commerce	3,000	3,200	3,000	200
Other	2,019	3,758	6,000	(2,242)
Water purchased	6,402	0	0	0
Transfers out	0	7,200	3,600	3,600
Total Expenditures	310,463	363,768	423,808	(60,040)
Receipts Over (Under) Expenditures	(10,953)	(56,758)	\$ (90,677)	\$ 33,919
Unencumbered Cash, January 1	72,241	61,288		
Unencumbered Cash, December 31	\$ 61,288	\$ 4,530		

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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

SPECIAL HIGHWAY

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
State of Kansas Gas Tax	\$ 11,824	\$ 13,078	\$ 10,420	\$ 2,658
Other	0	0	0	0
Total Receipts	<u>11,824</u>	<u>13,078</u>	<u>10,420</u>	<u>2,658</u>
Expenditures				
Streets & highways	20,005	16,054	18,445	(2,391)
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>20,005</u>	<u>16,054</u>	<u>18,445</u>	<u>(2,391)</u>
Receipts Over (Under) Expenditures	(8,181)	(2,976)	<u>\$ (8,025)</u>	<u>\$ 5,049</u>
Unencumbered Cash, January 1	<u>17,478</u>	<u>9,297</u>		
Unencumbered Cash, December 31	<u>\$ 9,297</u>	<u>\$ 6,321</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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

TOURISM

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Guest Tax	\$ 157	\$ 268	\$ 100	\$ 168
Other Receipts	0	0	0	0
Total Receipts	<u>157</u>	<u>268</u>	<u>100</u>	<u>168</u>
Expenditures				
Economic Development	0	0	5,846	(5,846)
Adjustment for Budget Credits	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>5,846</u>	<u>(5,846)</u>
Receipts Over (Under) Expenditures	157	268	<u>\$ (5,746)</u>	<u>\$ 6,014</u>
Unencumbered Cash, January 1	<u>6,666</u>	<u>6,823</u>		
Unencumbered Cash, December 31	<u>\$ 6,823</u>	<u>\$ 7,091</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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

SPECIAL PARKS & RECREATION

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Liquor Tax	\$ 1,748	\$ 1,929	\$ 2,469	\$ (540)
Donations, Grants, and Fundraisers	57,548	12,315	0	12,315
Total Receipts	<u>59,296</u>	<u>14,244</u>	<u>2,469</u>	<u>11,775</u>
Expenditures				
Parks & Recreation	352	2,540	128,540	(126,000)
Adjustment for Budget Credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>352</u>	<u>2,540</u>	<u>128,540</u>	<u>(126,000)</u>
Receipts Over (Under) Expenditures	58,944	11,704	<u>\$ (126,071)</u>	<u>\$ 137,775</u>
Unencumbered Cash, January 1	<u>23,267</u>	<u>82,211</u>		
Unencumbered Cash, December 31	<u>\$ 82,211</u>	<u>\$ 93,915</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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 0	\$ 11,200
Other Receipts	0	0
Total Receipts	<u>0</u>	<u>11,200</u>
Expenditures		
Equipment	10,577	8,850
Other	0	0
Total Expenditures	<u>10,577</u>	<u>8,850</u>
Receipts Over (Under) Expenditures	(10,577)	2,350
Unencumbered Cash, January 1	<u>29,363</u>	<u>18,786</u>
Unencumbered Cash, December 31	<u>\$ 18,786</u>	<u>\$ 21,136</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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

SHORT LIVED ASSET-WATER

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 0	\$ 6,378
Sale of Equipment	0	0
Total Receipts	<u>0</u>	<u>6,378</u>
Expenditures		
Equipment	<u>8,236</u>	<u>100</u>
Receipts Over (Under) Expenditures	(8,236)	6,278
Unencumbered Cash, January 1	<u>39,713</u>	<u>31,477</u>
Unencumbered Cash, December 31	<u>\$ 31,477</u>	<u>\$ 37,755</u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2G

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

UTILITY SHORT LIVED ASSET - SEWER

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 0	\$ 2,000
Other	0	0
Total Receipts	<u>0</u>	<u>2,000</u>
Expenditures		
Equipment	<u>0</u>	<u>1,200</u>
Receipts Over (Under) Expenditures	0	800
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 800</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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

DEPOT				
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Donations	\$ 5	\$ 205	\$ 0	\$ 205
Other	0	0	0	0
Total Receipts	<u>5</u>	<u>205</u>	<u>0</u>	<u>205</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	5	205	<u>\$ 0</u>	<u>\$ 205</u>
Unencumbered Cash, January 1	<u>73</u>	<u>78</u>		
Unencumbered Cash, December 31	<u>\$ 78</u>	<u>\$ 283</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 21

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

ARPA

	Prior Year Actual	Current Year Actual
Receipts		
ARPA receipts	\$ 0	\$ 34,719
Other	0	0
Total Receipts	<u>0</u>	<u>34,719</u>
Expenditures		
Trail	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	34,719
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 34,719</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, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

DEBT RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Transfers in	\$ 0	\$ 58,436
Other	0	0
Total Receipts	<u>0</u>	<u>58,436</u>
Expenditures		
Debt payments	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	58,436
Unencumbered Cash, January 1	<u>0</u>	<u>0</u>
Unencumbered Cash, December 31	<u><u>\$ 0</u></u>	<u><u>\$ 58,436</u></u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2K

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

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>85</u>	<u>0</u>
Receipts Over (Under) Expenditures	(85)	0
Unencumbered Cash, January 1	<u>10,761</u>	<u>10,676</u>
Unencumbered Cash, December 31	<u>\$ 10,676</u>	<u>\$ 10,676</u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2L

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

SEWER PROJECT

	Prior Year Actual	Current Year Actual
Receipts		
USDA loan & grant	\$ 0	\$ 4,123,830
KDHE Loan-Temporary Financing	1,735,964	1,436,598
CDBG-Grant	318,000	202,624
Other	4	6
Total Receipts	<u>2,053,968</u>	<u>5,763,058</u>
Expenditures		
Sewer project-federal expenditures	3,011,135	1,151,510
KDHE loan principal	0	3,621,573
Other	0	0
Total Expenditures	<u>3,011,135</u>	<u>4,773,083</u>
Receipts Over (Under) Expenditures	(957,167)	989,975
Unencumbered Cash, January 1	<u>(32,547)</u>	<u>(989,714)</u>
Unencumbered Cash, December 31	<u>\$ (989,714)</u>	<u>\$ 261</u>

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2M

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

SEWER				
	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Sewer Receipts	\$ 69,778	\$ 130,302	\$ 130,000	\$ 302
Other Receipts	30,025	54,613	58,478	(3,865)
Total Receipts	<u>99,803</u>	<u>184,915</u>	<u>188,478</u>	<u>(3,563)</u>
Expenditures				
Personal Service	28,805	19,588	35,000	(15,412)
Commodities	5,615	6,881	10,000	(3,119)
Contractual	25,003	15,393	49,000	(33,607)
Debt Payments	34,820	34,364	11,455	22,909
Capital Outlay	235	2,565	30,000	(27,435)
Other	34	223	0	223
Transfers out	0	60,436	60,436	0
Total Expenditures	<u>94,512</u>	<u>139,450</u>	<u>195,891</u>	<u>(56,441)</u>
Receipts Over (Under) Expenditures	5,291	45,465	<u>\$ (7,413)</u>	<u>\$ 52,878</u>
Unencumbered Cash, January 1	<u>5,301</u>	<u>10,592</u>		
Unencumbered Cash, December 31	<u>\$ 10,592</u>	<u>\$ 56,057</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 2N

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
With Comparative Actual Totals for the Prior Year Ended December 31, 2020

UTILITY-WATER & TRASH

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Water Receipts	\$ 171,904	\$ 177,743	\$ 155,000	\$ 22,743
Trash Receipts	57,957	61,212	58,000	3,212
Other Receipts	57,854	55,565	50,000	5,565
Transfers In	0	0	0	0
Total Receipts	<u>287,715</u>	<u>294,520</u>	<u>263,000</u>	<u>31,520</u>
Expenditures				
Personal Service	55,238	62,068	65,000	(2,932)
Commodities	7,842	12,729	5,000	7,729
Water Purchased	70,891	81,658	79,129	2,529
Contractual	72,932	75,174	76,000	(826)
Debt Payments	27,027	30,055	27,027	3,028
Capital Outlay	0	145	8,648	(8,503)
Other	105	236	0	236
Transfers out	0	10,378	14,756	(4,378)
Total Expenditures	<u>234,035</u>	<u>272,443</u>	<u>275,560</u>	<u>(3,117)</u>
Receipts Over (Under) Expenditures	53,680	22,077	<u>\$ (12,560)</u>	<u>\$ 34,637</u>
Unencumbered Cash, January 1	<u>(212)</u>	<u>53,468</u>		
Unencumbered Cash, December 31	<u>\$ 53,468</u>	<u>\$ 75,545</u>		

See accompanying auditors' report.

City of Strong City
Chase County, Kansas

Schedule 3

Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2021

AGENCY FUNDS

Fund	Cash Balance Jan 1	Cash Receipts	Cash Disbursements	Cash Balance Dec 31
Payroll Clearing	\$ 4,471	\$ 90,583	\$ 89,308	\$ 5,746
Other	0	0	0	0
Total	<u>\$ 4,471</u>	<u>\$ 90,583</u>	<u>\$ 89,308</u>	<u>\$ 5,746</u>

See accompanying auditors' report.

Cindy Jensen

Certified Public Accountant

218 W Main
Council Grove, KS 66846

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and City Council
City of Strong City, Kansas
Strong City, Kansas 66869

I have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the financial statement of the City of Strong City, Chase County, Kansas, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City of Strong City, Kansas' basic financial statements, and have issued my report thereon dated October 3, 2022. My report on the financial statement disclosed that, as described in Note 1 to the financial statement, the City of Strong City, Kansas prepares its financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statement, I considered the City of Strong City, Kansas's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Strong City, Kansas' internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Strong City, Kansas' internal control.

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 a 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. 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 the attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. I did identify the following deficiency that I consider to be a material weakness.

Report on Internal Control Over Financial Reporting (Cont)

2021-001 Inadequate segregation of duties

Condition: There is inadequate segregation of duties with respect to the financial recordkeeping functions. The clerk and assistant clerk are responsible for most recordkeeping and reconciliation activities with little rotation or cross-checking of duties.

Criteria: Internal controls should be in place to segregate duties, where possible, and to monitor the duties of the clerk and assistant.

Cause: The City is very small with few administrative personnel.

Effect: The clerk or assistant could cease performing some of their duties or make errors with the situation not being timely detected.

Recommendation: Procedures should be implemented to segregate and rotate duties, where possible. In addition, the mayor and city council should review detailed transactions and bank statements on a regular and consistent basis

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Strong City, Kansas' financial statement is free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Strong City, Kansas' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Strong City, Kansas' response to the finding identified in my audit and described in the accompanying schedule of findings and questioned costs. The City of Strong City, Kansas' response was not subjected to the other auditing procedures applied in the audit of the financial statement, and accordingly, I express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cindy Jensen
Certified Public Accountant
Council Grove, Kansas
October 3, 2022

Cindy Jensen

Certified Public Accountant

218 W Main
Council Grove, KS 66846

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Council
City of Strong City, Kansas
Strong City, Kansas 66869

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

I have audited the City of Strong City, Kansas' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City of Strong City, Kansas' major federal programs for the year ended December 31, 2021. The City of Strong City, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In my opinion, the City of Strong City, Kansas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

I conducted my audit of compliance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and audit Requirements for Federal Awards (Uniform Guidance). My responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of my report.

I am required to be independent of the City of Strong City, Kansas, and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of the City of Strong City, Kansas' compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts, or grants agreements applicable to the City of Strong City, Kansas' federal programs.

Auditor's Responsibility for the Audit of Compliance

My objective is to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Strong City, Kansas' compliance based on my audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Strong City, Kansas' compliance with the compliance requirements referred to above and performing such other procedures as I considered necessary in the circumstances.
- obtain an understanding of the City of Strong City, Kansas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Strong City's' internal control of compliance. Accordingly, no such opinion is expressed.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of my audit and any significant deficiencies and material weaknesses in internal control over compliance that I identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify and deficiencies in internal control over compliance that I consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

My audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expresses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Cindy Jensen
Certified Public Accountant
Council Grove, Kansas
October 3, 2022

The City of Strong City
Chase County, Kansas

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Water And Waste Disposal Systems for Rural Communities	10.760	n/a	\$ 1,013,886
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through the Kansas Department of Commerce			
Small Cities Community Development Block Grants	14.228	19-PF-019	\$ 137,624
TOTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,151,510</u>

See the accompanying auditor's report and notes to the schedule of expenditures of federal awards.

City of Strong City
Chase County, Kansas

Notes to the Schedule of Expenditures of Federal Awards
December 31, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Strong City, Kansas under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the State of Kansas regulatory basis of accounting. Expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D – LOAN

As required by USDA-RD, the City obtained interim financing through the Kansas Department of Health & Environment to preclude the necessity for multiple advances of Agency funds. This interim financing was fully paid off in 2021 with the issuance of Series 2021A general obligation bonds in the amount of \$2,240,000 which were registered to the United States Department of Agriculture.

City of Strong City
Chase County, Kansas
Schedule of Findings and Questioned Costs
December 31, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:

In accordance with Generally Accepted Accounting Principles
In accordance with the Kansas Regulatory basis of accounting as described
in Note 1 to the financial statement

Adverse

Unmodified

Internal control over financial reporting:

Material weakness identified?
Significant deficiency identified?
Noncompliance material to the financial statement noted?

X	YES	NO	
	YES	X	None reported
	YES	X	NO

FEDERAL AWARDS

Internal control over major programs:

Material weakness identified?
Significant deficiency identified?

	YES	X	NO
	YES	X	None reported

Type of auditor's report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance
with 2 CFR 200.516(a)?

	YES	X	NO

Identification of major programs:

CFDA 10.760 Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

	YES	X	NO

City of Strong City
Chase County, Kansas
Schedule of Findings and Questioned Costs
December 31, 2021

SECTION II - FINANCIAL STATEMENT FINDINGS

2021-001

Condition : There is inadequate segregation of duties with respect to the financial recordkeeping functions. The clerk and assistant clerk are responsible for most recordkeeping and reconciliation activities with little rotation or cross-checking of duties.

Criteria : Internal controls should be in place to segregate duties, where possible, and to monitor the duties of the clerk and assistant.

Effect : The clerk or assistant could cease performing some of their duties or make errors with the situation not being timely detected.

Cause : The City is very small with few administrative personnel.

Recommendation : Procedures should be implemented to segregate and rotate duties, where possible. In addition, the mayor and city council should review detailed transactions and bank statements on a regular and consistent basis.

Views of Responsible Officials and Planned Corrective Actions : We agree with the recommendation. The mayor and council will continue to monitor duties performed by administrative personnel and contract for assistance as necessary.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Water and Waste Disposal Systems for Rural Communities - CFDA #10.760 - No material findings or questioned costs are required to be disclosed under the Uniform Guidance.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding 2021-001 is a repeat finding that was previously identified as finding 2020-001.

P O Box 208
204 W. Topeka Ave.
Strong City, KS 66869

CITY OF STRONG CITY

620-273-6345
620-273-6110
strongcity@sbcglobal.net

CORRECTIVE ACTION PLAN

October 3, 2022

The City of Strong City, Kansas respectfully submits the following corrective action plan for the year ended December 31, 2021.

Name and address of independent audit firm: Cindy Jensen, CPA
218 W Main
Council Grove, KS 66846

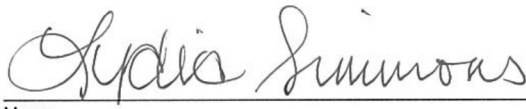
Audit period: December 31, 2021

The findings for the December 31, 2021 audit are discussed below:

2021-001 Inadequate segregation of duties

Recommendation: Procedures should be implemented to segregate and rotate duties, where possible.

Action Taken: We agree with the recommendations and will segregate duties as allowed by available personnel. The mayor and city council will also continue to monitor duties performed by the administrative personnel and contract for professional assistance as necessary.



Mayor