CITY OF JOHNSON CITY, KANSAS
Johnson City, Kansas

FINANCIAL STATEMENTS
For the year ended December 31, 2023

CITY OF JOHNSON CITY, KANSAS

FINANCIAL STATEMENTS
For the year ended December 31, 2023

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CITY OF JOHNSON CITY, KANSAS

FINANCIAL STATEMENTS
For the year ended December 31, 2023

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CITY OF JOHNSON CITY, KANSAS

FINANCIAL SECTION

HAY·RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
CHARTERED

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Johnson City, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Johnson City, Kansas, as of and for the year ended December 31, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying 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 Johnson City, Kansas as of December 31, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Johnson City, Kansas as of December 31, 2023, 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 and Unmodified Opinions

We conducted our 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*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City of Johnson City, Kansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

21 PLAZA DRIVE P.O. BOX 2707 LIBERAL, KS 67905-2707 (620) 624-8471 FAX (620) 624-9260 HRA@hayrice.com
Members of the American Institute and of the Kansas Society of Certified Public Accountants
Member of Private Practice Section

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 Johnson 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; 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 Johnson 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 Responsibilities for the Audit of the Financial Statement

Our 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 our 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 Johnson 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 Johnson City's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund 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 purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 3 as listed in the table of contents), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is also not a required part of the basic financial statement. Such 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 our opinion, the accompanying supplementary 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Johnson City, Kansas as of and for the year ended December 31, 2022 (not presented herein), and have issued our report thereon dated July 7, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2023 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2022 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 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 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 2022 basic financial statement or to the 2022 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2022 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, 2022, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2024, on our consideration of the City of Johnson City, Kansas' internal control over financial reporting and on our 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 our 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 Johnson 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 Johnson City, Kansas' internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

July 1, 2024

HAY·RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
CHARTERED

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*

To the City Council
City of Johnson City, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the City of Johnson City, Kansas, as of and for the year ended December 31, 2023, and the related notes to the financial statement, which comprise the City of Johnson City, Kansas' basic financial statement, and have issued our report thereon dated July 1, 2024, which was qualified because the City of Johnson City, Kansas prepares its 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.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City of Johnson City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Johnson City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Johnson City's 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 attention by those charged with governance.

21 PLAZA DRIVE P.O. BOX 2707 LIBERAL, KS 67905-2707 (620) 624-8471 FAX (620) 624-9260 HRA@hayrice.com
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Our 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Johnson City, Kansas' financial statement is free from material misstatement, we 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Johnson City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Johnson City's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Johnson City's response was not subjected to the other auditing procedures applied in the audit of the financial statement and, accordingly, we 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.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

July 1, 2024

CITY OF JOHNSON CITY, KANSAS

Statement 1

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH – REGULATORY BASIS
For the year ended December 31, 2023

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances & Accounts Payable	Ending Cash Balance
General Fund	$ 59,205	$ 522,879	$ 452,988	$ 129,096	$ 10,408	$ 139,504
Special Purpose Funds:						
Special Highway	10,227	38,333	47,162	1,398	-	1,398
Employee Benefits	9,798	91,296	100,551	543	-	543
Special Parks and Recreation	-	276	-	276	-	276
ARPA Project	145,381	-	129,790	15,591	-	15,591
Debt Service Fund – Bond and Interest Fund	-	238,976	238,976	-	-	-
Business Funds – Enterprise Funds:						
Electric Utility	2,848,824	2,304,107	1,796,106	3,356,825	14,742	3,371,567
Water Utility	866,945	456,641	371,986	951,600	3,974	955,574
Trash Utility	573,756	245,588	381,210	438,134	5,575	443,709
Sewer Maintenance	97,438	89,543	66,229	120,752	545	121,297
Service Deposit	27,265	4,560	2,280	29,545	199	29,744
Total Reporting Entity	$4,638,839	$3,992,199	$3,587,278	$5,043,760	$ 35,443	$5,079,203
Composition of Cash:						
Johnson State Bank:						
Cash in checking						$ 264,676
Cash in money market						35,453
Cash in certificate of deposit						2,386,325
Dream First Bank:						
Cash in checking						657,773
Cash in certificate of deposit						1,734,976
Total Reporting Entity						$5,079,203

The notes to the financial statement are an integral part of this statement.

CITY OF JOHNSON CITY, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Johnson City is a municipal corporation governed by an elected five member council. This regulatory financial statement presents the City of Johnson City (the municipality). A related municipal entity is defined as an entity legally separate from the City, which has a significant dependence on, or relationship with, the City. Based on the criteria used to evaluate potential related municipal entities, it was determined that there were no related municipal entities to present with the municipality's financial statement.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year of 2023:

Governmental Funds:

General Fund – The Chief Operating Fund – used to account for all 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 regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Business Funds:

Enterprise Funds – to account for operations that are financed and operated in a manner similar to private business enterprises – where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where periodic determination of revenue earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds:

Trust Fund – used to report assets held in trust for the benefit of the municipal financial reporting entity.

Agency Fund – used to report assets held by the municipal reporting entity in a purely custodial capacity.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

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

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, finance leases, temporary notes, and compensated absences are not presented in the financial statements.

Other Accounting Policies

Cash and Time Deposits

These liquid assets are shown in aggregate. K.S.A. 12-1671 and 12-1672 allow these assets to be shown in aggregate. Deposits are carried at cost.

In accordance with K.S.A. 9-1402 and K.S.A. 12-1675, the City of Johnson City, Kansas, deposited and/or invested all funds with the Johnson State Bank or the Dream First Bank of Johnson City, Kansas.

State statutes and local bond ordinances authorize the City to invest in obligations of the U.S. Treasury and certificates of deposit at local financial institutions.

Special Assessments

Projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the bond and interest fund.

Note 1: Summary of Significant Accounting Policies (Continued)

Reimbursements

A reimbursement is an expenditure initially made in one fund, but properly attributable to another fund. For example, it is common for the general fund to pay a vendor's bill and have portions of it reimbursed by other funds. In accounting for such reimbursements, the City records an expenditure in the reimbursing fund, and a reduction of expenditure in the reimbursed fund, following the authoritative guidance under KMAAG regulatory basis accounting.

Temporary Notes

Upon authorization for the issuance of general obligation bonds for certain improvements, Kansas law permits the temporary financing of such improvements by the issuance of temporary notes. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance of such temporary notes. Temporary notes outstanding are retired from the proceeds of the sale of general obligation bonds.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

In addition, encumbrances do constitute expenditures of a fund.

Unencumbered Cash Balance

The unencumbered cash balance is the unobligated resources of cash and time deposits of a fund.

Note 1: Summary of Significant Accounting Policies (Continued)

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 and 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
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.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City of Johnson City did not hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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 budget 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 schedules 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 the 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

ARPA Project Fund	Special Parks and Recreation

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by using internal spending limits established by the governing body.

All budgets must be filed with the County Clerk by August 25th. The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payments.

These taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by Stanton County.

Taxes levied to finance the budget are made available to the City of Johnson City, Kansas after the first of the year and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed annually.

Note 2: Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

The City Clerk did not maintain a formal encumbrance record or an unencumbered budget balance record, which is a violation of KSA 10-1117 and KSA 79-2934.

The City Treasurer did not publish an annual financial statement, which is a violation of KSA 12-1608.

Expenditures in the Employee Benefits Fund exceeded the adopted budget for the year ended December 31, 2023, which is a violation of KSA 79-2935.

Note 2: Stewardship, Compliance and Accountability (Continued)

Fund Balances – Designated for Subsequent Year's Budget

Actual cash carryover was not sufficient for the following funds:

	2023 Unencumbered Cash Balance	2024 Budgeted Unencumbered Cash Carryover
Employee Benefits	$ 543	$ 4,000
Trash Utility	438,134	594,000
Sewer Maintenance	120,752	121,950
Special Highway	1,398	10,227

Note 3: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City of Johnson City. The statute requires banks eligible to hold the City of Johnson City's funds have a main or branch bank in the county in which the City of Johnson 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 of Johnson City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Johnson City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Johnson City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – State statutes place no limit on the amount the City of Johnson City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2023 is as follows:

Investments	Percentage of Investments
Dream First Bank	47%
Johnson State Bank	53%

Note 3: Deposits and Investments (Continued)

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City of Johnson City's deposits may not be returned to it. State statutes require the City of Johnson 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 Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2023.

At December 31, 2023, the City of Johnson City's carrying amount of deposits was $5,079,203 and the bank balance was $5,113,539. The bank balance was held by two (2) banks resulting in a concentration of credit risk. Of the bank balance, $2,926,493 was covered by federal depository insurance and $2,186,982 was collateralized with securities held by the pledging financial institution's agents in the City of Johnson City's name, and $64 was unsecured.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Johnson City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Note 4: Interfund Transfers

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
Sewer Maintenance Fund	Electric Utility Fund	KSA 12-825d	$ 4,358
Electric Utility Fund	General Fund	KSA 12-825d	14,232
Electric Utility Fund	Bond & Interest Fund	KSA 12-825d	199,003
Water Utility Fund	Electric Utility Fund	KSA 12-825d	65,296

Note 5: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

The City of Johnson 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 Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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 contribution 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, KPERS 2 and KPERS 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 rates for KPERS 1, KPERS 2 and KPERS 3 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 8.43% for the fiscal year ended December 31, 2023. Contributions to the pension plan from the City of Johnson City were $89,359 for the year ended December 31, 2023.

Note 5: Defined Benefit Pension Plan (Continued)

Net Pension Liability

At December 31, 2023, the City of Johnson City's proportionate share of the collective net pension liability reported by KPERS was $554,413. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The City of Johnson City's proportion of the net pension liability was based on the ratio of the City of Johnson 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 this financial statement.

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: Other Long-Term Obligations from Operations

Compensated Absences

Vacation and sick leave is earned and credited according to a table in the employee policy handbook. Unused sick leave and vacation pay can accrue at the end of each calendar year in the amount of 24 sick leave days and 12 vacation days. The amounts of accrued compensated absences are $66,840 as of December 31, 2023.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City of Johnson City, Kansas allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City of Johnson City, Kansas is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Note 6: Other Long-Term Obligations from Operations (Continued)

Other Post Employment Benefits (Continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City of Johnson City, Kansas makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

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, 2023.

Note 7: Risk Management

The City of Johnson City, Kansas is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workman's compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other Kansas municipalities in the State to participate in the Kansas Municipal Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for 152 participating members.

The City pays an annual premium to the Kansas Municipal Insurance Trust for its workman's compensation insurance coverage. The agreement to participate provides that the Kansas Municipal Insurance Trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the Kansas Municipal Insurance Trust management.

The City continues to carry commercial insurance for all other risks of loss, including property, liability, employee benefits, and commercial output. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8: Contingencies

The City of Johnson City, Kansas, at times, receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement of the City at December 31, 2023.

Note 9: Subsequent Events

The City of Johnson City's management has evaluated events and transactions through July 1, 2024, the date which the financial statement was available to be issued.

Note 10: Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2023 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Series 2021A	1.0%-1.25%	08/21	$1,520,000	09/31	$1,375,000	-	$145,000	$1,230,000	$14,382
Series 2021B	2.125%	12/21	1,752,000	12/51	1,709,636	-	43,264	1,666,372	36,330
Total Contractual Indebtedness					$3,084,636	-	$188,264	$2,896,372	$50,712

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

	2024	2025	2026	2027	2028	2029-2033	2034-2038	2039-2043	2044-2048	2049-2051	Total
Principal:											
General obligation bonds	$194,087	$195,120	$196,079	$202,058	$202,972	$725,967	$284,354	$315,892	$350,910	$228,933	$2,896,372
Interest:											
General obligation bonds	48,343	45,906	43,447	40,968	38,418	152,044	113,553	82,030	47,009	9,797	621,515
Total Principal and Interest	$242,430	$241,026	$239,526	$243,026	$241,390	$878,011	$397,907	$397,922	$397,919	$238,730	$3,517,887

CITY OF JOHNSON CITY, KANSAS

REGULATORY–REQUIRED SUPPLEMENTARY INFORMATION

CITY OF JOHNSON CITY, KANSAS

Schedule 1

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS
For the year ended December 31, 2023

Funds	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	$ 515,190	$ 452,988	$ (62,202)
Special Purpose Funds:			
Special Highway	47,162	47,162	-
Employee Benefits	97,000	100,551	3,551
Debt Service Fund:			
Bond and Interest	238,976	238,976	-
Business Funds:			
Enterprise Funds:			
Electric Utility	5,568,099	1,796,106	(3,771,993)
Water Utility	1,400,640	371,986	(1,028,654)
Trash Utility	575,844	381,210	(194,634)
Sewer Maintenance	193,282	66,229	(127,053)

CITY OF JOHNSON CITY, KANSAS

Schedule 2

SCHEDULES OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023

CITY OF JOHNSON CITY, KANSAS

Schedule 2-1

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Taxes and Shared Receipts:				
Ad valorem property tax	$210,369	$211,270	$ (901)	$226,451
Delinquent tax	4,818	-	4,818	4,126
Motor vehicle tax	57,438	43,341	14,097	54,499
16/20M vehicle tax	225	27	198	26
Recreational vehicle tax	266	267	(1)	259
Commercial vehicle tax	5,947	5,776	171	5,156
Watercraft tax	-	45	(45)	-
Total taxes	$279,063	$260,726	$ 18,337	$322,002
Intergovernmental Revenue:				
Local sales & compensating use tax	$175,105	$115,000	$ 60,105	$129,223
Local liquor tax	276	-	276	31
Total intergovernmental	$175,381	$115,000	$ 60,381	$129,254
Licenses, Permits, and Fees:				
Licenses	$ 2,295	$ 1,490	$ 805	$ 1,495
Permits	595	350	245	770
Dog licenses	74	1,200	(1,126)	54
Franchise tax	17,276	15,000	2,276	13,927
Total licenses, permits, and fees	$ 20,240	$ 18,040	$ 2,200	$ 16,246
Fines, Forfeitures, and Penalties:				
Court fines	$ 1,665	$ 200	$ 1,465	$ 1,743
Use of Money and Property:				
Interest on idle funds	$ 7,865	$ 2,000	$ 5,865	$ 1,238
Other:				
Miscellaneous	$ 24,433	$ 1,700	$ 22,733	$ 3,551
Operating transfers	14,232	33,700	(19,468)	-
Total other	$ 38,665	$ 35,400	$ 3,265	$ 3,551
Total Receipts	$522,879	$431,366	$ 91,513	$474,034

CITY OF JOHNSON CITY, KANSAS

Schedule 2-1
(Continued)

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Expenditures				
General Government:				
Personal services	$ 16,285	$ -	$ 16,285	$ 4,894
Contractual services	12,495	26,000	(13,505)	16,022
Commodities	-	1,000	(1,000)	-
Capital outlay	-	2,000	(2,000)	678
Total general government	$ 28,780	$ 29,000	$ (220)	$ 21,594
General Street:				
Personal services	$160,034	$119,000	$ 41,034	$172,196
Contractual services	6,728	72,000	(65,272)	26,464
Commodities	112,368	122,035	(9,667)	129,756
Capital outlay	52,375	50,000	2,375	1,117
Total general street	$331,505	$363,035	$ (31,530)	$329,533
General Fire:				
Contractual services	$ 379	-	$ 379	$ 380
General Police:				
Personal services	$ 53	$ 2,755	$ (2,702)	$ 2,755
Contractual services	82,683	90,200	(7,517)	90,200
Total general police	$ 82,736	$ 92,955	$ (10,219)	$ 92,955
General Shop:				
Contractual services	$ -	$ 200	$ (200)	$ -
Commodities	3,727	6,400	(2,673)	3,728
Capital outlay	-	15,600	(15,600)	10,815
Total general shop	$ 3,727	$ 22,200	$ (18,473)	$ 14,543
General Animal Control:				
Contractual services	$ 1,801	$ 2,500	$ (699)	$ 1,848
Commodities	3,518	3,000	518	3,522
Capital outlay	542	2,500	(1,958)	-
Total general animal control	$ 5,861	$ 8,000	$ (2,139)	$ 5,370
Total Expenditures	$452,988	$515,190	$ (62,202)	$464,375
Receipts Over (Under) Expenditures	$ 69,891			$ 9,659
Unencumbered Cash, Beginning	59,205			49,546
Unencumbered Cash, Ending	$129,096			$ 59,205

CITY OF JOHNSON CITY, KANSAS

Schedule 2-2

SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
State of Kansas	$ 38,071	$ 37,340	$ 731	$ 37,367
Interest on idle funds	262	210	52	128
Total Receipts	$ 38,333	$ 37,550	$ 783	$ 37,495
Expenditures				
Commodities	47,162	$ 47,162	-	37,000
Receipts Over (Under) Expenditures	$ (8,829)			$ 495
Unencumbered Cash, Beginning	10,227			9,732
Unencumbered Cash, Ending	$ 1,398			$ 10,227

CITY OF JOHNSON CITY, KANSAS

Schedule 2-3

EMPLOYEE BENEFITS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Taxes and Shared Receipts:				
Ad valorem property tax	$ 72,683	$ 73,005	$ (322)	$ 57,720
Delinquent tax	1,230	-	1,230	1,136
Motor vehicle tax	14,688	11,469	3,219	13,873
16/20 M vehicle tax	57	7	50	8
Recreational vehicle tax	68	71	(3)	66
Commercial vehicle tax	1,521	1,528	(7)	1,312
Watercraft tax	-	12	(12)	-
Total taxes	$ 90,247	$ 86,092	$ 4,155	$ 74,115
Use of Money and Property:				
Interest on idle funds	1,049	830	219	512
Total Receipts	$ 91,296	$ 86,922	$ 4,374	$ 74,627
Expenditures				
Employer's contribution	100,551	$ 97,000	$ 3,551	90,096
Receipts Over (Under) Expenditures	$ (9,255)			$ (15,469)
Unencumbered Cash, Beginning	9,798			25,267
Unencumbered Cash, Ending	$ 543			$ 9,798

CITY OF JOHNSON CITY, KANSAS

Schedule 2-4

BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Taxes and Shared Receipts:				
Delinquent tax	$ 176	$ -	$ 176	$ -
Intergovernmental Revenue:				
Stanton County	39,797	39,797	-	39,797
Other:				
Operating transfers	199,003	199,179	(176)	200,893
Total Receipts	$238,976	$238,976	-	$240,690
Expenditures				
Principal	$188,264	$188,264	-	$187,364
Interest	50,712	50,712	-	53,326
Total Expenditures	$238,976	$238,976	-	$240,690
Receipts Over (Under) Expenditures	-			-
Unencumbered Cash, Beginning	-			-
Unencumbered Cash, Ending	-			-

CITY OF JOHNSON CITY, KANSAS

Schedule 2-5

ELECTRIC UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Special assessments	$ 30,961	$ 35,596	$ (4,635)	$ 35,597
Net collection fees	1,817,086	2,261,510	(444,424)	2,197,782
Reimbursement	7,679	-	7,679	6,075
Interest on idle funds	80,499	42,200	38,299	26,285
Generation capacity credit	144,768	144,768	-	144,768
Miscellaneous	153,460	72,000	81,460	42,989
Operating transfers	69,654	86,800	(17,146)	83,507
Total Receipts	$2,304,107	$2,642,874	$ (338,767)	$2,537,003
Expenditures				
Production:				
Personal services	$ 114,436	$ 70,000	$ 44,436	$ 98,099
Contractual services	5,618	60,090	(54,472)	52,061
Commodities	1,024,375	1,750,000	(725,625)	1,362,177
Capital outlay	12,921	2,500,000	(2,487,079)	2,780
Total production	$1,157,350	$4,380,090	$ (3,222,740)	$1,515,117
Transmission and Distribution:				
Personal services	$ 126,075	$ 100,000	$ 26,075	$ 113,671
Contractual services	29,685	50,000	(20,315)	11,722
Commodities	51,102	50,000	1,102	55,730
Capital outlay	-	500,000	(500,000)	2,941
Total transmission and distribution	$ 206,862	$ 700,000	$ (493,138)	$ 184,064
Commercial and General:				
Personal services	$ 90,901	$ 67,980	$ 22,921	$ 76,209
Contractual services	109,949	77,000	32,949	73,493
Commodities	17,765	10,000	7,765	5,434
Capital outlay	-	100,000	(100,000)	21,628
Total commercial and general	$ 218,615	$ 254,980	$ (36,365)	$ 176,764

CITY OF JOHNSON CITY, KANSAS

Schedule 2-5
(Continued)

ELECTRIC UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Expenditures				
Non-Operating Expense:				
Interest on deposits	$ 44	$ 150	$ (106)	$ 98
Operating transfers	213,235	232,879	(19,644)	232,378
Total non-operating expense	$ 213,279	$ 233,029	$ (19,750)	$ 232,476
Total Expenditures	$1,796,106	$5,568,099	$ (3,771,993)	$2,108,421
Receipts Over (Under) Expenditures	$ 508,001			$ 428,582
Unencumbered Cash, Beginning	2,848,824			2,420,242
Unencumbered Cash, Ending	$3,356,825			$2,848,824

CITY OF JOHNSON CITY, KANSAS

Schedule 2-6

WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Net collection fees	$427,031	$ 538,000	$ (110,969)	$503,464
Reimbursement	1,808	-	1,808	1,691
Interest on idle funds	22,676	8,750	13,926	8,538
Land rent	-	4,732	(4,732)	-
Miscellaneous	5,126	1,700	3,426	5,033
Total Receipts	$456,641	$ 553,182	$ (96,541)	$518,726
Expenditures				
Production:				
Contractual services	$ -	$ 2,500	$ (2,500)	$ -
Commodities	16,040	100,000	(83,960)	21,231
Capital outlay	82	760,000	(759,918)	5,400
Operating transfers	65,296	-	65,296	78,205
Total production	$ 81,418	$ 862,500	$ (781,082)	$104,836
Transmission and Distribution:				
Personal services	$116,588	$ 90,000	$ 26,588	$ 99,905
Contractual services	2,278	75,000	(72,722)	40,040
Commodities	75,852	109,000	(33,148)	46,073
Capital outlay	502	115,000	(114,498)	3,283
Total transmission and distribution	$195,220	$ 389,000	$ (193,780)	$189,301
Commercial and General:				
Personal services	$ 22,663	$ 19,200	$ 3,463	$ 23,323
Contractual services	28,691	35,000	(6,309)	32,460
Commodities	3,393	2,005	1,388	934
Capital outlay	-	25,000	(25,000)	215
Total commercial and general	$ 54,747	$ 81,205	$ (26,458)	$ 56,932

CITY OF JOHNSON CITY, KANSAS

Schedule 2-6
(Continued)

WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Expenditures				
Non-Operating Expense:				
Interest on deposits	$ 2	$ 75	$ (73)	$ 24
Sales tax	35,176	54,000	(18,824)	41,667
Water Protection Fee	2,799	7,150	(4,351)	4,979
Clean Drinking Water Fee	2,624	6,710	(4,086)	4,668
Total non-operating expense	$ 40,601	$ 67,935	$ (27,334)	$ 51,338
Total Expenditures	$371,986	$1,400,640	$ (1,028,654)	$402,407
Receipts Over (Under) Expenditures	$ 84,655			$116,319
Unencumbered Cash, Beginning	866,945			750,626
Unencumbered Cash, Ending	$951,600			$866,945

CITY OF JOHNSON CITY, KANSAS

Schedule 2-7

TRASH UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Net collection fees	$ 226,855	$228,000	$ (1,145)	$223,352
Miscellaneous	2,349	2,000	349	1,856
Interest on idle funds	16,384	8,710	7,674	5,422
Total Receipts	$ 245,588	$238,710	$ 6,878	$230,630
Expenditures				
Transmission and Distribution:				
Personal services	$ 59,287	$ 68,390	$ (9,103)	$ 61,454
Contractual services	19,406	60,600	(41,194)	23,858
Commodities	38,566	128,954	(90,388)	90,129
Capital outlay	241,978	300,000	(58,022)	2,905
Total transmission and distribution	$ 359,237	$557,944	$ (198,707)	$178,346
Commercial and General:				
Personal services	$ 13,073	$ 6,700	$ 6,373	$ 10,946
Contractual services	7,425	9,700	(2,275)	4,788
Commodities	1,475	500	975	332
Capital outlay	-	1,000	(1,000)	75
Total commercial and general	$ 21,973	$ 17,900	$ 4,073	$ 16,141
Total Expenditures	$ 381,210	$575,844	$ (194,634)	$194,487
Receipts Over (Under) Expenditures	$ (135,622)			$ 36,143
Unencumbered Cash, Beginning	573,756			537,613
Unencumbered Cash, Ending	$ 438,134			$573,756

CITY OF JOHNSON CITY, KANSAS

Schedule 2-8

SEWER MAINTENANCE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
Receipts				
Net collection fees	$ 86,847	$ 87,200	$ (353)	$ 86,859
Miscellaneous	337	120	217	116
Interest on idle funds	2,359	1,029	1,330	640
Total Receipts	$ 89,543	$ 88,349	$ 1,194	$ 87,615
Expenditures				
Production:				
Personal services	$ 38,559	$ 27,500	$ 11,059	$ 34,409
Contractual services	1,763	11,100	(9,337)	1,014
Commodities	10,288	10,000	288	4,452
Capital outlay	-	114,030	(114,030)	862
Operating transfers	4,358	-	4,358	5,302
Total production	$ 54,968	$162,630	$ (107,662)	$ 46,039
Transmission and Distribution:				
Commodities	$ 2,938	$ 2,000	$ 938	$ 463
Capital outlay	-	20,000	(20,000)	3,087
Total transmission and distribution	$ 2,938	$ 22,000	$ (19,062)	$ 3,550
Commercial and General:				
Personal services	$ 3,390	$ 2,860	$ 530	$ 3,340
Contractual services	4,509	5,262	(753)	4,350
Commodities	424	230	194	136
Capital outlay	-	300	(300)	32
Total commercial and general	$ 8,323	$ 8,652	$ (329)	$ 7,858
Total Expenditures	$ 66,229	$193,282	$ (127,053)	$ 57,447
Receipts Over (Under) Expenditures	$ 23,314			$ 30,168
Unencumbered Cash, Beginning	97,438			67,270
Unencumbered Cash, Ending	$120,752			$ 97,438

CITY OF JOHNSON CITY, KANSAS

Schedule 2
(Continued)

SCHEDULES OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the year ended December 31, 2023

CITY OF JOHNSON CITY, KANSAS

Schedule 2-9

SERVICE DEPOSIT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	2023	2022
Receipts		
Customer deposits	$ 4,560	$ 9,010
Expenditures		
Refunds of customer deposits	2,280	6,130
Receipts Over (Under) Expenditures	$ 2,280	$ 2,880
Unencumbered Cash, Beginning	27,265	24,385
Unencumbered Cash, Ending	$ 29,545	$ 27,265

CITY OF JOHNSON CITY, KANSAS

Schedule 2-10

SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	2023	2022
Receipts		
State of Kansas	$ 276	-
Expenditures	-	-
Receipts Over (Under) Expenditures	$ 276	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ 276	-

CITY OF JOHNSON CITY, KANSAS

Schedule 2-11

ARPA PROJECT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the year ended December 31, 2023
(with comparative actual totals for the prior year ended December 31, 2022)

	2023	2022
Receipts		
State of Kansas	$ -	$102,477
Expenditures		
Capital outlay	129,790	59,573
Receipts Over (Under) Expenditures	$ (129,790)	$ 42,904
Unencumbered Cash, Beginning	145,381	102,477
Unencumbered Cash, Ending	$ 15,591	$145,381

CITY OF JOHNSON CITY, KANSAS

SUPPLEMENTARY INFORMATION

HAY·RICE & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
CHARTERED

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

To the City Council
City of Johnson City, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Johnson City, Kansas' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Johnson City, Kansas' major federal programs for the year ended December 31, 2023. The City of Johnson 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 our opinion, the City of Johnson 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with the *Kansas Municipal Audit and Accounting Guide*; 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

21 PLAZA DRIVE P.O. BOX 2707 LIBERAL, KS 67905-2707 (620) 624-8471 FAX (620) 624-9260 HRA@hayrice.com
Members of the American Institute and of the Kansas Society of Certified Public Accountants
Member of Private Practice Section

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 grant agreements applicable to the City of Johnson City, Kansas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are 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 Johnson City, Kansas' compliance based on our audit. 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 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 about the City of Johnson City, Kansas' 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 Johnson City, Kansas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Johnson 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 Johnson City, Kansas' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of 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 that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002, to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City of Johnson City, Kansas' response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City of Johnson City, Kansas' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of 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.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

July 1, 2024

CITY OF JOHNSON CITY, KANSAS

Schedule 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2023

Federal Grantor/Pass-Through Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed through to Subrecipients	Federal Expenditures
US Department of Agriculture:				
Community Facilities Loans and Grants	10.766	N/A	-	$1,709,636
US Department of the Treasury Passed Through Kansas Governor's Office:				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027	2022	-	129,790
Total Expenditures of Federal Awards			-	$1,839,426

See accompanying notes to schedule of expenditures of federal awards.

CITY OF JOHNSON CITY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2023

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule 3) includes the federal award activity of the City of Johnson City, Kansas under programs of the federal government for the year ended December 31, 2023. 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 of Johnson City, Kansas, it is not intended to and does not present the aggregate cash and unencumbered cash balances and receipts and expenditures of the City of Johnson City, Kansas.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported on the regulatory basis of accounting, which are accounting practices prescribed by the State of Kansas and are described in Note 1 to the City of Johnson City, Kansas' regulatory basis financial statement.

Note C: Indirect Cost Rate

The City of Johnson City, Kansas has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Community Facilities Loan

The beginning and ending balances of the Community Facilities Loan (Assistance Listing #10.766) are included in the City of Johnson City, Kansas' regulatory basis Notes to the Financial Statements. Loans outstanding at the end of the year are included in the federal expenditures presented in the schedule. The activity for the year ended December 31, 2023 consists of:

Beginning Balance	Principal Payments	Ending Balance
$1,709,636	$ 43,264	$1,666,372

CITY OF JOHNSON CITY, KANSAS

Schedule 4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the regulatory basis financial statement of the City of Johnson City, Kansas.

2. Two significant deficiencies were disclosed during the audit of the financial statement that would be required to be reported in the 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*. No material weaknesses are reported.

3. No instances of noncompliance material to the financial statement of the City of Johnson City, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs disclosed during the audit is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.

5. The auditor's report on compliance for the major federal award programs for the City of Johnson City, Kansas expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this Schedule.

7. The programs tested as major programs were:
   Community Facilities Loans and Grants Assistance Listing #10.766

8. The threshold for determining type A and B programs was $750,000.

9. The City of Johnson City, Kansas did not qualify as a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT

Significant Deficiencies

2023-001. Encumbrance Records

Condition: Contrary to the provisions of K.S.A. 10-117 and K.S.A. 79-2934, encumbrance and unencumbered cash records were not maintained.

Criteria: Internal controls should be in place to provide reasonable assurance that proper encumbrance and unencumbered cash records are maintained.

Cause: Deficiencies in the City's accounting program prevent the City from maintaining proper encumbrance records.

Effect: Because of the failure to maintain proper encumbrance and unencumbered cash records, funds may have a negative unencumbered cash balance and not be detected.

Recommendation: Procedures should be implemented to maintain proper encumbrance and unencumbered cash records.

Views of Responsible Officials and Planned Corrective Actions: The City of Johnson City, Kansas agrees with the finding and will attempt to implement the recommended procedures.

2023-002. Segregation of Duties

Condition: The size of the City's various departments precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Criteria: Internal controls should be in place to provide reasonable assurance that there is sufficient segregation of duties.

Cause: The size of the City's various departments precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2023

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2023-002. Segregation of Duties (Continued)

Effect: The City's internal controls may not prevent a misstatement or a noncompliance issue from occurring.

Recommendation: Procedures should be implemented to acquire enough staff to provide optimum segregation of duties.

Views of Responsible Officials and Planned Corrective Actions: The City of Johnson City, Kansas agrees with the finding and will attempt to implement the recommended procedures.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

CITY OF JOHNSON CITY, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2023

Finding 2022-001. Encumbrance Records

Condition: Contrary to the provisions of K.S.A. 10-117 and K.S.A. 79-2934, encumbrance and unencumbered cash records were not maintained.

Recommendation: Procedures should be implemented to maintain proper encumbrance and unencumbered cash records.

Current Status: The City continues to use a manual ledger to track encumbrances. A similar finding was noted in the 2023 audit.

Finding 2022-002. Segregation of Duties

Condition: The size of the City's various departments precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: Procedures should be implemented to acquire enough staff to provide optimum segregation of duties.

Current Status: The City has been unable to increase the size of its staff. A similar finding was noted in the 2023 audit.