

**CITY OF GALVA, KANSAS**  
**FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2019**

**CITY OF GALVA, KANSAS  
CITY OF THE THIRD CLASS  
For The Year Ended December 31, 2019**

Myrna Walline, Mayor

**CITY COUNCIL**

Andrew Bruce

G. David Andes

Scott Unruh

George Andreas

Stephanie Boardman-Unruh

**CITY OFFICERS**

Lori Tector, Clerk

Jeffrey Houston, Attorney

Treva J. Norstrom, Treasurer

Hadley Sizemore, Police Judge

**CITY OF GALVA, KANSAS**  
**For the Year Ended December 31, 2019**

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**CITY OF GALVA, KANSAS**

**For the Year Ended December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Galva, Kansas 67443

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

### *Management's Responsibility for the Financial Statement*

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Galva, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### *Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Galva, Kansas as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

**Hutchinson Office**  
129 W. 2nd, Ste. A  
Hutchinson, KS 67504  
620.662.3358

**McPherson Office**  
123 S. Main  
McPherson, KS 67460  
620.241.1826

**Newton Office**  
3179 North Main Ste. A  
North Newton, KS 67117  
316.282.9905

**Wichita Office**  
220 W. Douglas, Ste. 300  
Wichita, KS 67202  
316.265.5600

### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Galva, Kansas as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### ***Other Matters***

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the 2019 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, 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 2019 basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 2019 basic financial statement. The 2019 information has been subjected to the auditing procedures applied in the audit of the 2019 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 2019 basic financial statement or to the 2019 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 information is fairly stated in all material respects in relation to the 2019 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 Galva, Kansas as of and for the year ended December 31, 2018 (not presented herein), and have issued our report thereon dated March 25, 2019, which contained an unmodified opinion on the basic financial statement. The 2018 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 <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2018 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise City of Galva, Kansas' basic financial statement. The schedule of expenditures of federal awards is 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 for Federal Awards*, and is not a required part of the basic financial statement of the City of Galva, Kansas.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 information is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole, 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 April 14, 2021, on our consideration of the City of Galva, 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 City of Galva, 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 City of Galva, Kansas' internal control over financial reporting and compliance.

*Swindoll, Janzen, Hawk & Loyd, LLC*

Swindoll, Janzen, Hawk & Loyd, LLC  
McPherson, Kansas

April 14, 2021

## CITY OF GALVA, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH****Regulatory Basis**

For the Year Ended December 31, 2019

	<b>Beginning Unencumbered Cash Balance</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Ending Unencumbered Cash Balance</b>	<b>Add Encumbrances and Accounts Payable</b>	<b>Ending Cash Balance</b>
GENERAL FUND:						
General Fund	\$ 761,801	\$ 564,463	\$ 379,357	\$ 946,907	\$ -	\$ 946,907
SPECIAL PURPOSE FUND:						
Special Highway Fund	54,170	23,721	8,535	69,356	-	69,356
BOND AND INTEREST FUND:						
Bond and Interest Fund	52,787	72,233	61,601	63,419	-	63,419
CAPITAL PROJECTS FUND:						
Capital Improvement Fund	2,424,576	25,000	918,113	1,531,463	-	1,531,463
BUSINESS FUNDS:						
Electric Fund	409,000	543,993	588,859	364,133	-	364,133
Sewer Fund	196,020	142,278	19,630	318,668	-	318,668
Water Fund	212,099	80,382	78,809	213,672	27,713	241,385
Total Business Funds	817,119	766,652	687,298	896,473	27,713	924,186
Total Reporting Entity (Excluding Agency Funds)	\$ 4,110,453	\$ 1,452,070	\$ 2,054,905	\$ 3,507,618	\$ 27,713	\$ 3,535,331
COMPOSITION OF CASH:						
Checking Accounts - Farmers State Bank					\$	3,120,234
Certificates of Deposit - Farmers State Bank						420,000
Total Cash						3,540,234
Less Agency Funds per Schedule 3						(4,903)
Total Reporting Entity (Excluding Agency Funds)					\$	3,535,331

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



**CITY OF GALVA, KANSAS**  
**NOTES TO FINANCIAL STATEMENT**  
**For the Year Ended December 31, 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) *Municipal Financial Reporting Entity***

The City of Galva is a municipal corporation governed by an elected mayor and an elected five-member council. The regulatory financial statement presents the City of Galva. The City has no related municipal entities.

**(b) *Regulatory Basis Fund Types***

**General Fund** – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

**Special Purpose Fund** – 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.

**Business Fund** – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

**Trust Fund** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

**Agency Fund** – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

**(c) *Basis of Accounting***

*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 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 City to use the regulatory basis of accounting.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)**

### ***(d) 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.

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 2019.

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 budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Agency Funds, Trust Funds and certain 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 established by the governing body.

## **2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

### ***Compliance with Kansas Statutes***

According to K.S.A. 9-1402 and 9-1405, public funds are to be adequately secured by a surety bond or pledging security interest in securities at all times. During 2019, deposits were not adequately secured as required by statute in January and October, with a maximum deficiency of \$66,077.

## **3. DEPOSITS AND INVESTMENTS**

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 financial 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.

### 3. DEPOSITS AND INVESTMENTS (CONT.)

*Concentration of credit risk.* State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be 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 Bank of Topeka. All deposits were legally secured at December 31, 2019.

At December 31, 2019, the City's carrying amount of deposits was \$3,540,234 and the bank balance was \$4,005,049. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining \$3,755,049 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

*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 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.

### 4. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2019, 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
Capital Lease: Bucket Truck	3.75%	08-08-14	\$ 93,614	12-15-22	\$ 50,305	\$ -	\$ 11,879	\$ 38,426	\$ 1,684
General Obligation Temporary Note: Series 2018	2.10%	01-30-18	2,303,000	01-01-20	2,303,000	-	-	2,303,000	-
General Obligation Bond: Series 2011	4.00%	03-07-11	470,000	09-01-21	<u>165,000</u>	<u>-</u>	<u>55,000</u>	<u>110,000</u>	<u>6,600</u>
Total Contractual Indebtedness					<u>\$ 2,518,305</u>	<u>\$ -</u>	<u>\$ 66,879</u>	<u>\$ 2,451,426</u>	<u>\$ 8,284</u>

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

	Year			
	2020	2021	2022	Total
Principal:				
Capital Lease: Bucket Truck	\$ 12,332	\$ 12,803	\$ 13,291	\$ 38,426
General Obligation Temporary Note: Series 2018	2,303,000	-	-	2,303,000
General Obligation Bond: Series 2011	<u>55,000</u>	<u>55,000</u>	<u>-</u>	<u>110,000</u>
Total Principal	<u>2,370,332</u>	<u>67,803</u>	<u>13,291</u>	<u>2,451,426</u>
Interest:				
Capital Lease: Bucket Truck	1,230	760	272	2,262
General Obligation Temporary Note: Series 2018	96,726	-	-	96,726
General Obligation Bond: Series 2011	<u>4,400</u>	<u>2,200</u>	<u>-</u>	<u>6,600</u>
Total Interest	<u>102,356</u>	<u>2,960</u>	<u>272</u>	<u>105,588</u>
Total Principal and Interest	<u>\$ 2,472,688</u>	<u>\$ 70,763</u>	<u>\$ 13,563</u>	<u>\$ 2,557,014</u>

## 5. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General	Capital Improvement	K.S.A. 12-1,118	\$ 25,000

## 6. DEFINED BENEFIT PENSION PLAN

**Plan Description.** The City 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](http://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 and 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 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City were \$21,568 for the year ended December 31, 2019.

**Net Pension Liability.** At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$181,309. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial 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](http://www.kpers.org) or can be obtained as described above.

## 7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

### **(a) Other Employee Benefits**

Vacation – Vacation leave shall be accrued from the employee's date of employment as stipulated hereinafter. All vacation leave must be used by the end of the year and shall not carry over to the following year. No vacation leave shall be taken until a new employee has completed the probationary period.

## 7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

### ***(a) Other Employee Benefits (Cont.)***

Vacations that follow apply only to full-time regular employees and part-time employees. Temporary and seasonal employees are not eligible for paid vacation. Part-time employees shall accumulate vacation leave on a basis proportionate to a full-time employee based on the number of hours per week worked. Vacations will be allowed for full-time employees in the following manner:

<u>Years of Service</u>	<u>Per Year</u>
0 to 1 years of service	5 working days
2 to 9 years of service	10 working days
10 to 14 years of service	15 working days
15 plus years of service	20 working days

Sick leave – All full-time and part-time employees shall be entitled to sick leave with pay for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job.

<u>Years of Completed Service</u>	<u>Annual Sick Leave Benefits</u>
Upon completion of probationary period-	
90 days but less than 1 year	5 days
After 1 year	10 days

Sick leave may be accumulated up to a total of 50 days. An employee terminating his or her employment with the City, whether with or without notice, or whether terminated for cause, shall not be paid for any unused sick leave.

### ***(b) Death and Disability Other Post Employment Benefits***

K.S.A. 74-4927, disabled members in KPERS receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2019.

## 8. OTHER RELATIONSHIPS

### ***McPherson Area Solid Waste Utility***

The City along with McPherson County and seven other cities located within McPherson County entered into an interlocal agreement, authorized by State Statute, to form the McPherson Area Solid Waste Utility (the Utility) effective July 17, 1991. The purpose of the Utility is to assist its Members in planning, technical and financial matters for comprehensive solid waste management and accomplish the desired objectives of an effective county-wide solid waste management program, including the operation of a cooperative solid waste management program and the operation of a cooperative solid waste processing and disposal system for the benefit of its Members.

Management of the Utility is carried out by an appointed three member Board of Directors. The City of McPherson appoints one member to the Board of Directors, McPherson County appoints a second Director and the third Director is appointed collectively by the other seven Members of the Utility.

The agreement and the Utility may be terminated by written consent of at least two-thirds of the Members, provided that prior to such termination all contractual obligations and indebtedness of the Utility have been paid in full or sufficient resources have been escrowed for the payment of such obligations in full when due. Upon such termination, the Board of Directors shall liquidate the Utility and distribute the assets in a manner that, in its discretion, it deems appropriate. Accordingly, any ongoing financial interest or access to the Utility's resources is indeterminable until such action is taken by its Board of Directors. In addition, no Member shall be permitted to withdraw for twenty years or such sooner time as provision is made for the payment or discharge of the debt incurred by the County or assumed by the Utility. Any withdrawing Member shall not be entitled to distribution of any real or personal property of the Utility by reason of its withdrawal.

## 8. OTHER RELATIONSHIPS (CONT.)

### *McPherson Area Solid Waste Utility (Cont.)*

The Board of Directors shall determine the methods of obtaining financing for the Utility. The County provided the initial financing for the acquisition of land to be used as a site for disposal of refuse, constructing structures and acquiring equipment necessary for the sanitary disposal of refuse in McPherson County. Effective January 1, 1992, the fiscal accounting and operations of the Utility were transferred from McPherson County to management of the Utility.

Financial information of the McPherson Area Solid Waste Utility is not included in this report. Complete financial statements may be obtained from the administrative offices of the entity at 1431 17th Ave, McPherson, Kansas 67460.

## 9. CLAIMS AND JUDGMENTS

The City participates in federal, state and county 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 regulations, the City may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City 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 purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2018 to 2019 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

## 10. CAPITAL PROJECT

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Project Authorization	Expenditures To Date
Sewer plant project	\$ 2,303,000	\$ 1,010,641

## 11. SUBSEQUENT EVENTS

In recent months, the coronavirus (COVID-19) outbreak in the United States has resulted in reduced customer traffic and the temporary closure of operating hours for our offices. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the City as of the date of this report, management believes that a material impact on the City's financial position and results of future operations is reasonably possible.

On June 1, 2020, the Council approved Ordinance #377, authorizing and providing for the issuance of General Obligation Bonds, Series 2020 in the amount of \$2,303,000 to pay for the General Obligation Temporary Notes, Series 2018.

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

**CITY OF GALVA, KANSAS**  
**REGULATORY – REQUIRED**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

## CITY OF GALVA, KANSAS

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET****Regulatory Basis****(Budgeted Funds Only)****For the Year Ended December 31, 2019**

	<u>Certified Budget</u>	<u>Adjustment for for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
GENERAL FUND:					
General Fund	\$ 1,135,552	\$ -	\$ 1,135,552	\$ 379,357	\$ (756,195)
SPECIAL PURPOSE FUND:					
Special Highway Fund	78,633	-	78,633	8,535	(70,098)
BOND AND INTEREST FUND:					
Bond and Interest Fund	125,694	-	125,694	61,601	(64,093)
CAPITAL PROJECT FUND:					
Capital Improvement Fund	295,278	-	295,278	918,113	622,835
BUSINESS FUNDS:					
Electric Fund	844,919	-	844,919	588,859	(256,060)
Sewer Fund	271,905	-	271,905	19,630	(252,275)
Water Fund	278,475	-	278,475	78,809	(199,666)



## CITY OF GALVA, KANSAS

### GENERAL FUND

#### SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

##### Regulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		<u>2019</u>		
	<u>2018</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Taxes -				
Ad valorem property tax	\$ 268,117	\$ 275,799	\$ 280,185	\$ (4,386)
Delinquent tax	3,640	4,798	200	4,598
Motor vehicle tax	35,390	34,132	34,031	101
Recreational vehicle tax	1,183	1,031	1,112	(81)
16/20M vehicle tax	884	568	593	(25)
Commercial vehicle tax	746	642	489	153
Watercraft tax	-	-	314	(314)
Local sales tax	<u>121,685</u>	<u>139,039</u>	<u>115,000</u>	<u>24,039</u>
Total Taxes	<u>431,645</u>	<u>456,009</u>	<u>431,924</u>	<u>24,085</u>
Intergovernmental Revenues -				
Economic development	<u>1,997</u>	<u>2,099</u>	<u>1,500</u>	<u>599</u>
Licenses and Permits -				
Building permits, licenses, dog tags	3,923	1,906	1,055	851
Utility franchise fees	<u>9,841</u>	<u>10,861</u>	<u>9,500</u>	<u>1,361</u>
Total Licenses and Permits	<u>13,764</u>	<u>12,767</u>	<u>10,555</u>	<u>2,212</u>
Charges for Services -				
Sanitation services	<u>61,930</u>	<u>62,611</u>	<u>60,000</u>	<u>2,611</u>
Fines, Forfeitures and Penalties -				
Police fines	<u>-</u>	<u>-</u>	<u>800</u>	<u>(800)</u>
Other -				
Donations	1,000	750	100	650
Interest received	3,307	7,739	1,000	6,739
Miscellaneous	13,514	13,773	1,000	12,773
Reimbursements	-	-	500	(500)
Rent	<u>10,499</u>	<u>8,715</u>	<u>9,000</u>	<u>(285)</u>
Total Other	<u>28,320</u>	<u>30,977</u>	<u>11,600</u>	<u>19,377</u>
Total Receipts	<u>537,656</u>	<u>564,463</u>	<u>\$ 516,379</u>	<u>\$ 48,084</u>

## CITY OF GALVA, KANSAS

GENERAL FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	<u>2019</u>			<u>Variance - Over (Under)</u>
	<u>2018 Actual</u>	<u>Actual</u>	<u>Budget</u>	
Expenditures				
Administrative -				
Personal services	\$ 95,979	\$ 92,329	\$ 110,000	\$ (17,671)
Contractual services	119,665	143,709	150,000	(6,291)
Commodities	21,620	27,597	38,000	(10,403)
Capital outlay	3,010	-	1,000	(1,000)
Cash forward	-	-	593,934	(593,934)
Economic development	-	-	5,000	(5,000)
Transfer to Capital Improvement Fund	<u>25,000</u>	<u>25,000</u>	<u>50,000</u>	<u>(25,000)</u>
Total Administrative	<u>265,274</u>	<u>288,635</u>	<u>947,934</u>	<u>(659,299)</u>
Police -				
Personal services	59,947	59,713	69,000	(9,287)
Contractual services	11,693	2,621	3,200	(579)
Commodities	2,585	15,415	3,000	12,415
Police car	13,549	-	5,000	(5,000)
Police radios	<u>-</u>	<u>-</u>	<u>11,000</u>	<u>(11,000)</u>
Total Police	<u>87,774</u>	<u>77,749</u>	<u>91,200</u>	<u>(13,451)</u>
Street -				
Commodities	9,415	-	-	-
Capital outlay	<u>33,106</u>	<u>-</u>	<u>60,000</u>	<u>(60,000)</u>
Total Street	<u>42,521</u>	<u>-</u>	<u>60,000</u>	<u>(60,000)</u>
Recreation Committee -				
Personal services	10,514	8,612	12,918	(4,306)
Contractual services	597	1,025	1,000	25
Commodities	3,207	2,246	20,000	(17,754)
Capital outlay	-	-	500	(500)
Appropriation	<u>-</u>	<u>-</u>	<u>500</u>	<u>(500)</u>
Total Recreation Committee	<u>14,318</u>	<u>11,883</u>	<u>34,918</u>	<u>(23,035)</u>

## CITY OF GALVA, KANSAS

GENERAL FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	<b>2018 Actual</b>	<b>2019</b>		<b>Variance - Over (Under)</b>
		<b>Actual</b>	<b>Budget</b>	
Expenditures (cont.)				
Governing Body -				
Contractual services	\$ 583	\$ 414	\$ 500	\$ (86)
Commodities	<u>1,380</u>	<u>676</u>	<u>1,000</u>	<u>(324)</u>
Total Governing Body	<u>1,963</u>	<u>1,090</u>	<u>1,500</u>	<u>(410)</u>
Total Expenditures	<u>411,850</u>	<u>379,357</u>	<u>\$ 1,135,552</u>	<u>\$ (756,195)</u>
Receipts Over (Under) Expenditures	125,806	185,106		
Unencumbered Cash, Beginning	<u>635,995</u>	<u>761,801</u>		
Unencumbered Cash, Ending	<u>\$ 761,801</u>	<u>\$ 946,907</u>		

## CITY OF GALVA, KANSAS

SPECIAL PURPOSE FUNDSPECIAL HIGHWAY FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	2018 Actual	2019		Variance - Over (Under)
		Actual	Budget	
Receipts				
State of Kansas gas tax	\$ 23,641	\$ 23,721	\$ 23,670	\$ 51
Expenditures				
Commodities	7,354	8,535	\$ 4,000	\$ 4,535
Capital outlay	-	-	37,500	(37,500)
Cash forward	-	-	37,133	(37,133)
Total Expenditures	7,354	8,535	\$ 78,633	\$ (70,098)
Receipts Over (Under) Expenditures	16,287	15,186		
Unencumbered Cash, Beginning	37,883	54,170		
Unencumbered Cash, Ending	\$ 54,170	\$ 69,356		

## CITY OF GALVA, KANSAS

BOND AND INTEREST FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		<u>2019</u>		
	<u>2018</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Ad valorem property tax	\$ 61,096	\$ 62,852	\$ 63,846	\$ (994)
Delinquent tax	848	1,094	200	894
Motor vehicle tax	8,194	7,778	7,755	23
Recreational vehicle tax	272	235	253	(18)
16/20M vehicle tax	213	129	135	(6)
Commercial vehicle tax	171	145	111	34
Watercraft tax	-	-	72	(72)
Total Receipts	<u>70,794</u>	<u>72,233</u>	<u>\$ 72,372</u>	<u>\$ (139)</u>
Expenditures				
Principal	50,000	55,000	\$ 55,000	\$ -
Interest	8,601	6,601	6,600	1
Cash basis reserve	-	-	64,094	(64,094)
Total Expenditures	<u>58,601</u>	<u>61,601</u>	<u>\$ 125,694</u>	<u>\$ (64,093)</u>
Receipts Over (Under) Expenditures	12,193	10,632		
Unencumbered Cash, Beginning	<u>40,594</u>	<u>52,787</u>		
Unencumbered Cash, Ending	<u>\$ 52,787</u>	<u>\$ 63,419</u>		

## CITY OF GALVA, KANSAS

CAPITAL PROJECT FUNDCAPITAL IMPROVEMENT FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		<b>2019</b>		
	<b>2018</b>			<b>Variance -</b>
	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Over</b>
				<b>(Under)</b>
Receipts				
Debt proceeds	\$ 2,303,000	\$ -	\$ -	\$ -
Transfer from General Fund	25,000	25,000	50,000	(25,000)
Total Receipts	2,328,000	25,000	\$ 50,000	\$ (25,000)
Expenditures				
Sewer plant project	92,528	918,113	\$ -	\$ 918,113
Debt service fees	6,174	-	-	-
Waterwell	-	-	100,000	(100,000)
Cash forward	-	-	195,278	(195,278)
Total Expenditures	98,702	918,113	\$ 295,278	\$ 622,835
Receipts Over (Under) Expenditures	2,229,298	(893,113)		
Unencumbered Cash, Beginning	195,278	2,424,576		
Unencumbered Cash, Ending	\$ 2,424,576	\$ 1,531,463		

## CITY OF GALVA, KANSAS

BUSINESS FUNDELECTRIC FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		<u>2019</u>		
	<u>2018</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Sales to customers	\$ 578,900	\$ 538,152	\$ 500,000	\$ 38,152
Penalties	3,712	3,828	1,500	2,328
Installation charges	2,325	2,013	2,500	(487)
Reimbursements	1,154	-	200	(200)
	<u>586,091</u>	<u>543,993</u>	<u>\$ 504,200</u>	<u>\$ 39,793</u>
Total Receipts				
Expenditures				
Personal services	144,352	148,900	\$ 150,000	\$ (1,100)
Contractual services	464,080	418,847	440,000	(21,153)
Commodities	13,178	7,549	18,000	(10,451)
Capital outlay	-	-	10,000	(10,000)
Cash forward	-	-	213,356	(213,356)
Bucket truck lease purchase	13,563	13,563	13,563	-
	<u>635,173</u>	<u>588,859</u>	<u>\$ 844,919</u>	<u>\$ (256,060)</u>
Total Expenditures				
Receipts Over (Under) Expenditures	(49,082)	(44,867)		
Unencumbered Cash, Beginning	<u>458,082</u>	<u>409,000</u>		
Unencumbered Cash, Ending	<u>\$ 409,000</u>	<u>\$ 364,133</u>		

## CITY OF GALVA, KANSAS

BUSINESS FUNDSEWER FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

		<u>2019</u>		
	<u>2018</u>			<u>Variance -</u>
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
				<u>(Under)</u>
Receipts				
Sales to customers	\$ 132,747	\$ 141,478	\$ 120,000	\$ 21,478
Sewer tap	600	800	1,000	(200)
Reimbursements	-	-	500	(500)
	<u>133,347</u>	<u>142,278</u>	<u>\$ 121,500</u>	<u>\$ 20,778</u>
Total Receipts				
Expenditures				
Personal services	1,823	7,206	\$ 2,000	\$ 5,206
Contractual services	15,088	10,572	24,000	(13,428)
Commodities	5,221	1,852	7,400	(5,548)
Capital outlay	-	-	10,000	(10,000)
Cash forward	-	-	223,505	(223,505)
Sewer repair reserve	-	-	5,000	(5,000)
	<u>22,132</u>	<u>19,630</u>	<u>\$ 271,905</u>	<u>\$ (252,275)</u>
Total Expenditures				
Receipts Over (Under) Expenditures	111,215	122,648		
Unencumbered Cash, Beginning	<u>84,805</u>	<u>196,020</u>		
Unencumbered Cash, Ending	<u>\$ 196,020</u>	<u>\$ 318,668</u>		



## CITY OF GALVA, KANSAS

BUSINESS FUNDWATER FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2019

(With Comparative Actual Totals for the Prior Year Ended December 31, 2018)

	<u>2019</u>			<u>Variance - Over (Under)</u>
	<u>2018 Actual</u>	<u>Actual</u>	<u>Budget</u>	
Receipts				
Sales to customers	\$ 80,269	\$ 76,969	\$ 80,000	\$ (3,031)
Installation charges	3,125	3,413	2,000	1,413
Miscellaneous	669	-	500	(500)
Total Receipts	<u>84,063</u>	<u>80,382</u>	<u>\$ 82,500</u>	<u>\$ (2,118)</u>
Expenditures				
Personal services	16,242	15,220	\$ 22,000	\$ (6,780)
Contractual services	25,097	21,514	20,000	1,514
Commodities	18,100	14,362	32,000	(17,638)
Capital outlay	-	27,713	68,000	(40,287)
Cash forward	-	-	86,475	(86,475)
Waterwell	-	-	50,000	(50,000)
Total Expenditures	<u>59,439</u>	<u>78,809</u>	<u>\$ 278,475</u>	<u>\$ (199,666)</u>
Receipts Over (Under) Expenditures	24,624	1,573		
Unencumbered Cash, Beginning	<u>187,475</u>	<u>212,099</u>		
Unencumbered Cash, Ending	<u>\$ 212,099</u>	<u>\$ 213,672</u>		

## CITY OF GALVA, KANSAS

AGENCY FUNDSSCHEDULE OF RECEIPTS AND DISBURSEMENTSRegulatory Basis

For the Year Ended December 31, 2019

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing Fund	\$ -	\$ 331,980	\$ 331,980	\$ -
Recreation Committee Fund	1,760	11,481	8,338	4,903
Sales Tax Fund	-	12,939	12,939	-
Total	<u>\$ 1,760</u>	<u>\$ 356,400</u>	<u>\$ 353,256</u>	<u>\$ 4,903</u>

## **SINGLE AUDIT SECTION**

**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**

Honorable Mayor and City Council  
City of Galva, Kansas 67443

We have audited, in accordance with the auditing standards generally accepted in the United States of America and 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 City of Galva, Kansas, (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements which collectively comprise the City's basic financial statement, and have issued our report thereon dated April 14, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 that we consider to be significant deficiencies

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's 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 determination financial statement amounts. 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 Galva, Kansas' Response to Findings

City of Galva, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Galva, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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.

*Swindoll, Janzen, Hawk & Loyd, LLC*

Swindoll Janzen Hawk & Loyd, LLC  
McPherson, Kansas

April 14, 2021

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

Honorable Mayor and City Council  
City of Galva, Kansas 67443

**Report on Compliance for Each Major Federal Program**

We have audited the City of Galva, Kansas' (the City) 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's major federal programs for the year ended December 31, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City, complied, in all material respects, with the types of 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, 2019.

## **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

City of Galva, Kansas' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Galva, Kansas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **Report on Internal Control Over Compliance**

Management of the City of Galva, Kansas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



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Swindoll Janzen Hawk & Loyd, LLC  
McPherson, Kansas

April 14, 2021

## CITY OF GALVA, KANSAS

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended December 31, 2019

<b>Federal Grantor/ Pass Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Disbursements/ Expenditures</b>
<u>U.S. Department of Agriculture</u> Direct Program Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>918,113</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Galva, Kansas (the City), under programs of the federal government for the year ended December 31, 2019. The information in the 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 position, 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 2 - Summary of Significant Accounting Policies**

(1) Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such 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.

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

**Note 3 - Funds Expended**

Funds where Federal expenditures were receipted and expended:

Capital Improvement Fund	<u>\$ 918,113</u>
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**Note 4 - Loan Balances**

Temporary notes for this project were obtained in 2018 for \$2,303,000. The balance at December 31, 2019 is \$2,303,000.



## CITY OF GALVA, KANSAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

For the Year Ended December 31, 2019

**Section 1 – Summary of Auditor’s Results****Financial Statement**

- |  |         |
|--|---------|
| 1. Type of auditor's opinion issued on whether the financial statements audited were prepared in accordance with GAAP: | Adverse |
| 2. Internal control over financial reporting:  |         |
| a. Material weaknesses identified?   | No      |
| b. Significant deficiencies identified?  | Yes     |
| 3. Noncompliance material to the financial statements noted?   | No      |

**Federal Awards**

- |   |                    |
|---|--------------------|
| 1. Internal control over major programs:  |                    |
| a. Material weaknesses identified?  | No                 |
| b. Significant deficiencies identified?   | Yes                |
| 2. Type of auditor’s report issued on compliance for major programs:  | Unmodified         |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? | No                 |
| 4. Identification of major programs:  |                    |
| <u>Name of Federal Program or Cluster</u>   | <u>CFDA Number</u> |
| Water and Waste Disposal Systems for Rural Communities  | 10.760             |
| 5. Dollar threshold used to distinguish between Type A and Type B programs:                                   | \$750,000          |
| 6. Auditee qualified as a low-risk auditee?   | No                 |

**Section 2 – Findings – Financial Statement Audit**

## 2019-001 Preparation of Schedule of Expenditures of Federal Awards

- |                   |   |
|-------------------|---|
| Condition:        | The City did not originally identify the Water and Waste Disposal System for Rural Communities as federal money spent in 2019.  |
| Criteria:         | Internal controls should be in place to ensure accuracy over the preparation of the Schedule of Expenditures of Federal Awards.   |
| Cause:            | This was caused in part, by human error, and in part by the lack of understanding of the program's requirements that the expenditures of the commercial sources of funds was considered federal under this program. |
| Effect:           | The December 31, 2019, audit did not originally include an audit in accordance with the Uniform Guidance, requiring the reissuance of the 2019 audit.   |
| Questioned Costs: | None applicable.  |

**Section 2 – Findings – Financial Statement Audit (Cont.)**

2019-001 Preparation of Schedule of Expenditures of Federal Awards (Cont.)

Perspective: Temporary notes (commercial source funding) were issued to fund this project. It was not clear to the City that the expenditure of these funds, under the terms of the project, were to be considered federal. They believed they were spending nonfederal sources.

Recommendation: Internal controls should be in place to ensure accuracy over the preparation of the Schedule of Expenditures of Federal Awards.

Views of Responsible Official and Planned Corrective Actions: Management will implement procedures to track understanding of when funds are considered federal for future projects.

**Section 3 – Findings and Questioned Costs – Major Federal Award Programs**

U.S. DEPARTMENT OF AGRICULTURE

Water and Waste Disposal Systems for Rural Communities CFDA number 10.760

The below is a repeat of the finding in Section 2 as it relates both to the financial statement as well as compliance.

2019-001 Preparation of Schedule of Expenditures of Federal Awards

Condition: The City did not originally identify the Water and Waste Disposal System for Rural Communities as federal money spent in 2019.

Criteria: Internal controls should be in place to ensure accuracy over the preparation of the Schedule of Expenditures of Federal Awards.

Cause: This was caused in part, by human error, and in part by the lack of understanding of the program's requirements that the expenditures of the commercial sources of funds was considered federal under this program.

Effect: The December 31, 2019, audit did not originally include an audit in accordance with the Uniform Guidance, requiring the reissuance of the 2019 audit.

Questioned Costs: None applicable.

Perspective: Temporary notes (commercial source funding) were issued to fund this project. It was not clear to the City that the expenditure of these funds, under the terms of the project, were to be considered federal. They believed they were spending nonfederal sources.

Recommendation: Internal controls should be in place to ensure accuracy over the preparation of the Schedule of Expenditures of Federal Awards.

Views of Responsible Official and Planned Corrective Actions: Management will implement procedures to track understanding of when funds are considered federal for future projects.