

CITY OF SEVERY, KANSAS

Independent Auditors' Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2021

CITY OF SEVERY, KANSAS

December 31, 2021

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JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Severy, Kansas

Adverse and Unmodified Opinion

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Severy, Kansas, as of and for the year ended December 31, 2021 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 Opinion” 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 Severy as of December 31, 2021, 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 Severy as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Basis for Adverse and Unmodified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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, 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 opinion.

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 Severy 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'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.

Auditors' 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 opinion. 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 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, 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'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'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.

Other Matters

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 the schedules of receipts and expenditures – actual and budget – regulatory basis for each individual fund (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, 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 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 City of Severy, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated July 8, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 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/oar/municipalservices>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statement or to the 2020 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 27, 2022
Chanute, Kansas

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

| Funds | Beginning Unencumbered Cash Balances | Receipts | Expenditures | Ending Unencumbered Cash Balances | Add Encumbrances and Accounts Payable | Cash Balance December 31, 2021 |
|--------------------------------------|--|---------------|---------------|---|--|--------------------------------------|
| | | | | | | |
| General | \$ 417.66 | \$ 105,916.38 | \$ 105,089.26 | \$ 1,244.78 | \$ 4,597.53 | \$ 5,842.31 |
| Special Purpose Funds: | | | | | | |
| Cemetery | 2,995.36 | 10,173.09 | 9,887.90 | 3,280.55 | 229.38 | 3,509.93 |
| Cemetery Upkeep Reserve | 3,626.36 | - | - | 3,626.36 | - | 3,626.36 |
| Employee Benefits | 15,338.62 | 3,347.01 | 2,804.02 | 15,881.61 | 14,933.32 | 30,814.93 |
| Fire Reserve | 997.28 | 397.05 | - | 1,394.33 | - | 1,394.33 |
| Parks | 3,119.18 | 972.50 | - | 4,091.68 | - | 4,091.68 |
| Municipal Equipment Reserve | 194.92 | - | - | 194.92 | - | 194.92 |
| Special Highway | 3,547.08 | 6,605.42 | 1,335.78 | 8,816.72 | - | 8,816.72 |
| Street 1% Sales Tax | 16,882.34 | 26,869.47 | 17,038.20 | 26,713.61 | 3,006.53 | 29,720.14 |
| COVID-19 Grants | - | 17,626.36 | - | 17,626.36 | - | 17,626.36 |
| Capital Projects: | | | | | | |
| Water Plant Project | 1,058,790.88 | 504.47 | 110,956.87 | 948,338.48 | 22,500.00 | 970,838.48 |
| Bond and Interest Funds | | | | | | |
| General Obligation Bond and Interest | - | 97,766.78 | 96,920.00 | 846.78 | - | 846.78 |
| Business Funds: | | | | | | |
| Water Utility | 26,481.28 | 141,227.12 | 80,226.59 | 87,481.81 | 5,976.14 | 93,457.95 |
| Sewer Utility | 5,062.13 | 26,938.04 | 26,579.93 | 5,420.24 | 3,941.65 | 9,361.89 |
| Solid Waste | 5,011.46 | 27,021.41 | 23,716.01 | 8,316.86 | 387.78 | 8,704.64 |
| Trust Funds: | | | | | | |
| Fireman's Relief | 455.52 | - | - | 455.52 | - | 455.52 |
| Total Reporting Entity | \$ 1,142,920.07 | \$ 465,365.10 | \$ 474,554.56 | \$ 1,133,730.61 | \$ 55,572.33 | \$ 1,189,302.94 |

Composition of Cash:

| | |
|----------------------------------|-----------------|
| Cash on Hand | \$ 150.00 |
| Checking Accounts: | |
| General Operating Checking | 203,091.80 |
| Water Works Checking..... | 1,026.51 |
| Water Plant Checking..... | 970,856.55 |
| Investments: | |
| Certificates of Deposit | 14,178.08 |
| Total Cash | \$ 1,189,302.94 |

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

CITY OF SEVERY, KANSAS

Notes to Financial Statement
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Severy, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting principles.

Financial Reporting Entity

The City of Severy, Kansas, is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Severy.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG).

The City has determined that no outside agency meets the above criteria and, therefore, no outside agency has been include as a related municipal entity in this financial statement.

Regulatory Basis Fund Types

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. The following types of funds comprise the financial activities of the City of Severy, Kansas, for the year of 2021:

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 revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

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.

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.)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.).

Basis of Presentation – Regulatory 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 revenues 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.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than revenues. In the financial statement and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the city treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The county treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the county treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 such taxes are a lien on the property.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

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.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such 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, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

- Cemetery Upkeep Reserve Fund
- Fire Reserve Fund
- Municipal Equipment Reserve Fund
- COVID-19 Grants Fund

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in apparent compliance with the cash basis and budget laws of the State of Kansas.

The City was in apparent violation of K.S.A. 12-1608 which requires the treasurer of third class cities to publish the annual statement showing the total amount received into each fund and the total amount expended from each fund and the cash balances of each fund at the beginning and close of each year. Such annual statement shall show the amount of outstanding registered warrants, temporary notes, bonds and all other obligations and liabilities of the City. The annual statement was not published within the 30 day requirement.

The City was in apparent violation of K.S.A. 10-130, which required bond payments to be remitted to the state fiscal agency at least 20 days before the redemption of such bonds and the payment of the interest thereon. In apparent violation of K.S.A. 10-130, one bond payment was received by the Office of the State Treasurer one day after the redemption date and two bond payments were never received during 2021.

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 branch 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.

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, 2021.

At year-end, the City's carrying amount of deposits was \$1,189,152.94 and the bank balance was \$1,187,445.24. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$264,178.08 was covered by FDIC insurance and \$923,267.16 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

4. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2021, were as follows:

| Issue | Interest Rates | Date of Issue | Original Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Balance End of Year | Interest Paid |
|--|----------------|-------------------|--------------------------|------------------------|---------------------------|-------------|-----------------------|------------------------|---------------------|
| General Obligation Bonds: | | | | | | | | | |
| Paid for with Utility Receipts | | | | | | | | | |
| Series 2016-A | 1.875% | December 21, 2016 | \$ 795,000.00 | December 21, 2056 | \$ 721,639.23 | - | \$ - | \$ 721,639.23 | \$ - |
| Series 2016-B | 1.875% | December 21, 2016 | 310,000.00 | December 21, 2056 | 281,412.52 | - | - | 281,412.52 | - |
| Paid for with Tax Receipts | | | | | | | | | |
| Series 2018 | 1.9 - 4.4% | February 26, 2018 | 1,280,000.00 | September 1, 2038 | 1,210,000.00 | - | (50,000.00) | 1,160,000.00 | 46,905.00 |
| Revolving Loans: | | | | | | | | | |
| Pollution Control Loan -KWPCRL - 1724-01 | 2.72% | November 26, 2007 | 153,840.00 | September 1, 2029 | 73,839.21 | - | (7,832.98) | 66,006.23 | 1,955.52 |
| Total Contractual Indebtedness | | | | | \$ 2,286,890.96 | \$ - | \$ (57,832.98) | \$ 2,229,057.98 | \$ 48,860.52 |

4. LONG-TERM DEBT (Continued)

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

| Issue | 2022 | 2023 | 2024 | 2025 | 2026 | 2027-2031 | 2032-2036 | 2037-2041 | 2042-2046 | 2047-2051 |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Principal | | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | | |
| Paid by Utility Receipts | | | | | | | | | | |
| Series 2016-A | \$ 29,415.15 | \$ 15,122.51 | \$ 15,370.36 | \$ 15,694.25 | \$ 15,988.52 | \$ 84,519.06 | \$ 92,723.46 | \$ 101,783.27 | \$ 111,694.19 | \$ 121,570.30 |
| Series 2016-B | 11,470.05 | 5,896.82 | 5,993.47 | 6,119.77 | 6,234.51 | 32,957.09 | 36,156.30 | 39,689.05 | 43,553.68 | 47,794.68 |
| Paid for with Tax Receipts | | | | | | | | | | |
| Series 2018 | 50,000.00 | 50,000.00 | 55,000.00 | 55,000.00 | 55,000.00 | 320,000.00 | 390,000.00 | 185,000.00 | - | - |
| Revolving Loans | | | | | | | | | | |
| Pollution Control Loan | 8,047.48 | 8,267.86 | 8,494.29 | 8,726.89 | 8,965.88 | 23,503.83 | - | - | - | - |
| Total Principal Payments | 98,932.68 | 79,287.19 | 84,858.12 | 85,540.91 | 86,188.91 | 460,979.98 | 518,879.76 | 326,472.32 | 155,247.87 | 169,364.98 |
| Interest | | | | | | | | | | |
| General Obligation Bonds | | | | | | | | | | |
| Paid by Utility Receipts | | | | | | | | | | |
| Series 2016-A | 27,453.73 | 13,311.93 | 13,064.08 | 12,740.19 | 12,445.92 | 57,653.14 | 49,448.74 | 40,388.93 | 29,478.01 | 19,601.90 |
| Series 2016-B | 10,705.23 | 5,190.82 | 5,094.17 | 4,967.87 | 4,853.13 | 22,481.11 | 19,281.90 | 15,749.15 | 11,884.52 | 7,643.52 |
| Paid for with Tax Receipts | | | | | | | | | | |
| Series 2018 | 45,755.00 | 44,505.00 | 43,130.00 | 41,480.00 | 39,720.00 | 165,580.00 | 93,280.00 | 12,320.00 | - | - |
| Revolving Loans | | | | | | | | | | |
| Pollution Control Loan | 1,741.02 | 1,520.64 | 1,294.21 | 1,061.61 | 822.62 | 967.42 | - | - | - | - |
| Total Interest Payments | 85,654.98 | 64,528.39 | 62,582.46 | 60,249.67 | 57,841.67 | 246,681.67 | 162,010.64 | 68,458.08 | 41,362.53 | 27,245.42 |
| Total Principal and Interest | \$ 184,587.66 | \$ 143,815.58 | \$ 147,440.58 | \$ 145,790.58 | \$ 144,030.58 | \$ 707,661.65 | \$ 680,890.40 | \$ 394,930.40 | \$ 196,610.40 | \$ 196,610.40 |

| Issue | 2052-2056 | Total |
|-------------------------------------|----------------------|------------------------|
| Principal | | |
| General Obligation Bonds | | |
| Paid by Utility Receipts | | |
| Series 2016-A | \$ 117,758.16 | \$ 721,639.23 |
| Series 2016-B | 45,547.10 | 281,412.52 |
| Paid for with Tax Receipts | | |
| Series 2018 | - | 1,160,000.00 |
| Revolving Loans | | |
| Pollution Control Loan | - | 66,006.23 |
| Total Principal Payments | 163,305.26 | 2,229,057.98 |
| Interest | | |
| General Obligation Bonds | | |
| Paid by Utility Receipts | | |
| Series 2016-A | 7,668.07 | 283,254.64 |
| Series 2016-B | 2,990.08 | 110,841.50 |
| Paid for with Tax Receipts | | |
| Series 2018 | - | 485,770.00 |
| Revolving Loans | | |
| Pollution Control Loan | - | 7,407.52 |
| Total Interest Payments | 10,658.15 | 887,273.66 |
| Total Principal and Interest | \$ 173,963.41 | \$ 3,116,331.64 |

5. DEFINED BENEFIT PENSION PLAN

General Information about the 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 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, 2016. Effective January 1, 2016, 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 8.87% for KPERS for the fiscal year ended December 31, 2021. Contributions to the pension plan from (non-school municipality) were \$7,510.14 for KPERS for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City’s proportionate share of the collective net pension liability reported by KPERS was \$47,554.00. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The City’s proportion of the net pension liability was based on the ratio of the City’s contributions to KPERS, relative to the total employer and nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

6. CAPITAL PROJECTS

The following is a summary of capital project authorizations and expenditures to date:

| <u>PROJECT NAME</u> | <u>AUTHORIZED</u> | <u>EXPENDED THRU 12/31/21</u> | <u>ESTIMATED COMPLETION</u> |
|-----------------------------------|-------------------|-------------------------------|-----------------------------|
| Water Plant Refurbishment Project | \$ 1,280,000.00 | \$ 333,440.12 | 2022 |

7. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2021.

Compensated Absences:

Regular employees earn and accumulate vacation leave as follows:

After One Full Year of Employment – 10 days

Vacation days must be used during the service year earned.

Regular employees earn sick leave after one full year of service at the rate of ten days per year. Any unused sick leave at date of termination is lost.

The City accrues a liability for compensated absences which meet the following criteria:

1. The City’s obligation relating to employees rights to receive compensation for future absences is attributable to employees’ services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated and, is material.

In accordance with the above criteria, the City has estimated a liability for annual leave which has been earned, but not taken, by City at December 31, 2021 to be \$0.00. The City has not estimated a liability for sick leave earned, but not taken, by City employees, as the amounts cannot be reasonably estimated.

8. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees’ health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

9. OTHER COMMITMENTS AND CONCENTRATIONS

In November 2011, the City entered into a ten year agreement with Utility Service Company for water tower renovation and repair and ongoing maintenance. During the year ended December 31, 2021 the City paid \$7,020.63.

10. INTERFUND TRANSFERS

Operating transfers were as follows:

| <u>From Fund:</u> | <u>To Fund:</u> | <u>Statutory Authority:</u> | <u>Amount:</u> |
|-------------------|---|-----------------------------|----------------|
| Water Utility | General Obligation Bond And Interest | K.S.A. 12-825d | \$ 1,000.00 |
| Water Utility | General | K.S.A. 12-825d | 5,000.00 |
| Water Utility | Sewer Utility | K.S.A. 12-825d | 5,000.00 |

11. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2022. Future potential impacts include a decline in sales tax collections and utility collections.

As a result of the COVID-19 outbreak, numerous Federal and State grants have been made available to the City to assist with the risks and help offset incurred costs of the City. For the year ended December 31, 2021, the City received \$17,626.36 as a result of the American Rescue Plan Act, of which none has been spent at year end.

12. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year end, and there were no subsequent events requiring recognition in the financial statements. In February 2022, the City paid their past due payroll liabilities and debt payments. In March of 2022, the City Clerk deposited \$10,197.25 of loose cash and checks found at the office into the bank.

SUPPLEMENTARY INFORMATION

CITY OF SEVERY, KANSAS
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2021

| Funds | Total Certified Budget | Adjustments for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Charged to Current Year Budget | Variance - Over (Under) |
|--------------------------------------|------------------------|---|-----------------------------|---|-------------------------|
| General | \$ 100,410.00 | \$ 5,189.64 | \$ 105,599.64 | \$ 105,089.26 | \$ (510.38) |
| Special Purpose Funds: | | | | | |
| Cemetery | 9,985.00 | - | 9,985.00 | 9,887.90 | (97.10) |
| Employee Benefits | 18,548.00 | - | 18,548.00 | 2,804.02 | (15,743.98) |
| Parks | 4,041.00 | - | 4,041.00 | - | (4,041.00) |
| Special Highway | 9,046.00 | - | 9,046.00 | 1,335.78 | (7,710.22) |
| Street 1% Sales Tax | 43,252.00 | - | 43,252.00 | 17,038.20 | (26,213.80) |
| Debt Service | | | | | |
| General Obligation Bond and Interest | 130,868.00 | - | 130,868.00 | 96,920.00 | (33,948.00) |
| Business Funds: | | | | | |
| Water Utility | 180,671.00 | - | 180,671.00 | 80,226.59 | (100,444.41) |
| Sewer Utility | 29,103.00 | - | 29,103.00 | 26,579.93 | (2,523.07) |
| Solid Waste Utility | 31,764.00 | - | 31,764.00 | 23,716.01 | (8,047.99) |

CITY OF SEVERY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|--------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Ad Valorem Property Tax | \$ 68,117.02 | \$ 70,603.88 | \$ 79,353.00 | \$ (8,749.12) |
| Delinquent Tax | 6,776.89 | 8,044.47 | 5,878.00 | 2,166.47 |
| Motor Vehicle Tax | 10,098.14 | 7,784.68 | 6,136.00 | 1,648.68 |
| Recreational Vehicle Tax | 309.11 | 235.35 | 106.00 | 129.35 |
| 16/20M Truck Tax | 38.63 | 23.10 | 21.00 | 2.10 |
| Watercraft Tax | 47.99 | 40.95 | 62.00 | (21.05) |
| Commercial Vehicle Tax | 92.53 | 184.78 | 69.00 | 115.78 |
| Franchise Taxes | 9,329.98 | 8,461.04 | 10,065.00 | (1,603.96) |
| Intergovernmental | | | | |
| State Grant | - | 919.53 | - | 919.53 |
| Use of Money and Property | | | | |
| Interest | 61.38 | 148.49 | 63.00 | 85.49 |
| Other Receipts | | | | |
| Miscellaneous | 431.55 | 200.00 | - | 200.00 |
| Reimbursed Expense | 3,629.01 | 4,270.11 | 2,535.00 | 1,735.11 |
| Operating Transfer from: | | | | |
| Water Utility Fund | 7,500.00 | 5,000.00 | - | 5,000.00 |
| Total Receipts | 106,432.23 | 105,916.38 | \$ 104,288.00 | \$ 1,628.38 |
| Expenditures | | | | |
| General Government | | | | |
| Personal Services | 33,912.12 | 38,612.87 | \$ 33,100.00 | \$ 5,512.87 |
| Contractual Services | 53,118.76 | 54,308.94 | 50,000.00 | 4,308.94 |
| Commodities | 10,228.06 | 11,567.45 | 8,010.00 | 3,557.45 |
| Capital Outlay | - | - | 5,000.00 | (5,000.00) |
| Streets | | | | |
| Contractual Services | - | - | 4,300.00 | (4,300.00) |
| Cemetery | | | | |
| Contractual Services | - | 600.00 | - | 600.00 |
| Debt Service | | | | |
| Principal | 7,624.19 | - | - | - |
| Interest | 2,164.31 | - | - | - |
| Total Certified Budget | | | 100,410.00 | 4,679.26 |
| Adjustments for Qualifying | | | | |
| Budget Credits | | | 5,189.64 | (5,189.64) |
| Total Expenditures | 107,047.44 | 105,089.26 | \$ 105,599.64 | \$ (510.38) |
| Receipts Over(Under) Expenditures | (615.21) | 827.12 | | |
| Unencumbered Cash, Beginning | 1,032.87 | 417.66 | | |
| Unencumbered Cash, Ending | <u>\$ 417.66</u> | <u>\$ 1,244.78</u> | | |

CITY OF SEVERY, KANSAS
CEMETERY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|------------------|--------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Ad Valorem Property Tax | \$ 5,079.47 | \$ 5,002.19 | \$ 5,622.00 | \$ (619.81) |
| Delinquent Tax | 643.66 | 811.30 | 416.00 | 395.30 |
| Motor Vehicle Tax | 1,025.78 | 621.64 | 458.00 | 163.64 |
| Recreational Vehicle Tax | 31.75 | 18.95 | 8.00 | 10.95 |
| 16/20M Truck Tax | 6.06 | 1.85 | 2.00 | (0.15) |
| Watercraft Tax | 3.85 | 3.05 | 5.00 | (1.95) |
| Commercial Vehicle Tax | 8.60 | 14.11 | 5.00 | 9.11 |
| Use of Money and Property | | | | |
| Sale of Lots | - | 450.00 | - | 450.00 |
| Charges for Services | | | | |
| Burial Fees | 1,970.00 | 3,150.00 | 2,350.00 | 800.00 |
| Other Receipts | | | | |
| Donations | - | 100.00 | - | 100.00 |
| Operating Transfer from | | | | |
| Water Utility Fund | 1,700.00 | - | - | - |
| Total Receipts | 10,469.17 | 10,173.09 | \$ 8,866.00 | \$ 1,307.09 |
| Expenditures | | | | |
| General Government | | | | |
| Personal Services | 4,493.20 | 3,925.75 | \$ 5,310.00 | \$ (1,384.25) |
| Contractual Services | 6,090.00 | 5,540.41 | 3,675.00 | 1,865.41 |
| Commodities | 14.51 | 421.74 | 1,000.00 | (578.26) |
| Total Expenditures | 10,597.71 | 9,887.90 | \$ 9,985.00 | \$ (97.10) |
| Receipts Over(Under) Expenditures | (128.54) | 285.19 | | |
| Unencumbered Cash, Beginning | 3,123.90 | 2,995.36 | | |
| Unencumbered Cash, Ending | \$ 2,995.36 | \$ 3,280.55 | | |

CITY OF SEVERY, KANSAS
CEMETERY UPKEEP RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Receipts | | |
| Use of Money and Property | | |
| Interest | \$ 35.57 | \$ - |
| Total Receipts | 35.57 | - |
| Expenditures | | |
| Capital Improvements | | |
| Capital Outlay | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | 35.57 | - |
| Unencumbered Cash, Beginning | 3,590.79 | 3,626.36 |
| Unencumbered Cash, Ending | \$ 3,626.36 | \$ 3,626.36 |

CITY OF SEVERY, KANSAS
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|-----------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Ad Valorem Tax | \$ 2,631.51 | \$ 2,592.06 | \$ 2,913.00 | \$ (320.94) |
| Delinquent Tax | 474.73 | 424.08 | 216.00 | 208.08 |
| Motor Vehicle Tax | 442.95 | 311.64 | 237.00 | 74.64 |
| Recreational Vehicle Tax | 13.57 | 9.47 | 4.00 | 5.47 |
| 16/20M Truck Tax | 1.78 | 0.95 | 1.00 | (0.05) |
| Watercraft Tax | 2.00 | 1.59 | 2.00 | (0.41) |
| Commercial Vehicle Tax | 4.03 | 7.22 | 3.00 | 4.22 |
| Total Receipts | 3,570.57 | 3,347.01 | \$ 3,376.00 | \$ (28.99) |
| Expenditures | | | | |
| General Government | | | | |
| Personal Services | 2,841.43 | 2,393.35 | \$ 18,548.00 | \$ (16,154.65) |
| Contractual Services | - | 410.67 | - | 410.67 |
| Total Expenditures | 2,841.43 | 2,804.02 | \$ 18,548.00 | \$ (15,743.98) |
| Receipts Over(Under) Expenditures | 729.14 | 542.99 | | |
| Unencumbered Cash, Beginning | 14,609.48 | 15,338.62 | | |
| Unencumbered Cash, Ending | \$ 15,338.62 | \$ 15,881.61 | | |

CITY OF SEVERY, KANSAS
FIRE RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Receipts | | |
| Use of Money and Property | | |
| Rentals | \$ 240.00 | \$ - |
| Other Receipts | | |
| Donations | 506.71 | 277.05 |
| Miscellaneous | - | 120.00 |
| Total Receipts | <u>746.71</u> | <u>397.05</u> |
| Expenditures | | |
| General Government | | |
| Commodities | - | - |
| Total Expenditures | <u>-</u> | <u>-</u> |
| Receipts Over(Under) Expenditures | 746.71 | 397.05 |
| Unencumbered Cash, Beginning | <u>250.57</u> | <u>997.28</u> |
| Unencumbered Cash, Ending | <u>\$ 997.28</u> | <u>\$ 1,394.33</u> |

CITY OF SEVERY, KANSAS
PARKS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|---------------|--------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| State Grant | \$ 1,030.00 | \$ - | \$ 1,030.00 | \$ (1,030.00) |
| Other Receipts | | | | |
| Donations | - | 200.00 | - | 200.00 |
| Miscellaneous | 135.39 | 772.50 | - | 772.50 |
| Total Receipts | 1,165.39 | 972.50 | \$ 1,030.00 | \$ (57.50) |
| Expenditures | | | | |
| Culture and Recreation | | | | |
| Contractual Services | 64.97 | - | \$ - | \$ - |
| Commodities | 27.70 | - | 4,041.00 | (4,041.00) |
| Total Expenditures | 92.67 | - | \$ 4,041.00 | \$ (4,041.00) |
| Receipts Over(Under) Expenditures | 1,072.72 | 972.50 | | |
| Unencumbered Cash, Beginning | 2,046.46 | 3,119.18 | | |
| Unencumbered Cash, Ending | \$ 3,119.18 | \$ 4,091.68 | | |

CITY OF SEVERY, KANSAS
MUNICIPAL EQUIPMENT RESERVE FUND
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year Actual |
|--|-------------------------|---------------------------|
| Receipts | | |
| Operating Transfers from General Fund | \$ - | \$ - |
| Total Receipts | - | - |
| Expenditures | | |
| General Government Capital Outlay | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | - | - |
| Unencumbered Cash, Beginning | 194.92 | 194.92 |
| Unencumbered Cash, Ending | \$ 194.92 | \$ 194.92 |

CITY OF SEVERY, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|--------------|-------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Highway Gas Tax | \$ 5,996.07 | \$ 6,605.42 | \$ 5,240.00 | \$ 1,365.42 |
| Total Receipts | 5,996.07 | 6,605.42 | \$ 5,240.00 | \$ 1,365.42 |
| Expenditures | | | | |
| General Government | | | | |
| Personal Services | 1,123.31 | 954.14 | \$ 3,372.00 | \$ (2,417.86) |
| Contractual Services | 0.01 | - | 2,500.00 | (2,500.00) |
| Commodities | 3,422.70 | 381.64 | 3,174.00 | (2,792.36) |
| Total Expenditures | 4,546.02 | 1,335.78 | \$ 9,046.00 | \$ (7,710.22) |
| Receipts Over(Under) Expenditures | 1,450.05 | 5,269.64 | | |
| Unencumbered Cash, Beginning | 2,097.03 | 3,547.08 | | |
| Unencumbered Cash, Ending | \$ 3,547.08 | \$ 8,816.72 | | |

CITY OF SEVERY, KANSAS
STREET 1% SALES TAX FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|---------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Sales Tax | \$ 20,259.04 | \$ 26,869.47 | \$ 19,590.00 | \$ 7,279.47 |
| Total Receipts | <u>20,259.04</u> | <u>26,869.47</u> | <u>\$ 19,590.00</u> | <u>\$ 7,279.47</u> |
| Expenditures | | | | |
| General Government | | | | |
| Personal Services | 5,764.98 | 13,923.24 | \$ 1,395.00 | \$ 12,528.24 |
| Contractual Services | - | 363.50 | 1,000.00 | (636.50) |
| Commodities | 9,277.27 | 2,751.46 | 5,000.00 | (2,248.54) |
| Capital Outlay | - | - | 35,857.00 | (35,857.00) |
| Total Expenditures | <u>15,042.25</u> | <u>17,038.20</u> | <u>\$ 43,252.00</u> | <u>\$ (26,213.80)</u> |
| Receipts Over(Under) Expenditures | 5,216.79 | 9,831.27 | | |
| Unencumbered Cash, Beginning | <u>11,665.55</u> | <u>16,882.34</u> | | |
| Unencumbered Cash, Ending | <u>\$ 16,882.34</u> | <u>\$ 26,713.61</u> | | |

CITY OF SEVERY, KANSAS
COVID-19 GRANTS FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Receipts | | |
| Intergovernmental | | |
| Federal Grants | \$ - | \$ 17,626.36 |
| Total Receipts | - | 17,626.36 |
| Expenditures | | |
| General Government | | |
| Capital Outlay | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | - | 17,626.36 |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ 17,626.36 |

CITY OF SEVERY, KANSAS
WATER PLANT PROJECT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Receipts | | |
| Use of Money and Property | | |
| Interest | \$ 538.86 | \$ 504.47 |
| Total Receipts | 538.86 | 504.47 |
| Expenditures | | |
| General Government | | |
| Capital Outlay | 25,085.20 | 110,956.87 |
| Total Expenditures | 25,085.20 | 110,956.87 |
| Receipts Over(Under) Expenditures | (24,546.34) | (110,452.40) |
| Unencumbered Cash, Beginning | 1,083,337.22 | 1,058,790.88 |
| Unencumbered Cash, Ending | \$1,058,790.88 | \$ 948,338.48 |

CITY OF SEVERY, KANSAS
GENERAL OBLIGATION BOND AND INTEREST FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Taxes and Shared Receipts | | | | |
| Ad Valorem Tax | \$ 87,257.00 | \$ 82,402.70 | \$ 92,614.00 | \$ (10,211.30) |
| Delinquent Tax | 4,923.21 | 6,757.86 | 7,154.00 | (396.14) |
| Motor Vehicle Tax | - | 7,104.16 | 7,860.00 | (755.84) |
| Recreational Vehicle Tax | - | 203.72 | 135.00 | 68.72 |
| 16/20M Vehicle Tax | - | 31.85 | 27.00 | 4.85 |
| Commercial Vehicle Tax | - | 214.02 | 89.00 | 125.02 |
| Watercraft Tax | 66.12 | 52.47 | 79.00 | (26.53) |
| Operating Transfer From Water Utility Fund | 5,708.67 | 1,000.00 | 25,000.00 | (24,000.00) |
| Total Receipts | 97,955.00 | 97,766.78 | \$ 132,958.00 | \$ (35,191.22) |
| Expenditures | | | | |
| Debt Service | | | | |
| Bond Principal | 50,000.00 | 50,000.00 | \$ 50,000.00 | \$ - |
| Bond Interest | 47,955.00 | 46,905.00 | 46,905.00 | - |
| Other | - | 15.00 | 33,963.00 | (33,948.00) |
| Total Expenditures | 97,955.00 | 96,920.00 | \$ 130,868.00 | \$ (33,948.00) |
| Receipts Over(Under) Expenditures | - | 846.78 | | |
| Unencumbered Cash, Beginning | - | - | | |
| Unencumbered Cash, Ending | \$ - | \$ 846.78 | | |

CITY OF SEVERY, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|--|-------------------------|-------------------|----------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Charges for Services | | | | |
| Water Receipts | \$ 74,779.30 | \$ 78,966.72 | \$ 76,848.00 | \$ 2,118.72 |
| Tower Maintenance Fee | 9,423.08 | 10,915.04 | 13,563.00 | (2,647.96) |
| Water KDHE Collections | 51,487.48 | 50,689.57 | 48,685.00 | 2,004.57 |
| Use of Money and Property | | | | |
| Interest Income | 0.46 | 0.79 | 1.00 | (0.21) |
| Other Receipts | | | | |
| Reimbursed Expense | 106.92 | - | - | - |
| Miscellaneous | 750.39 | 655.00 | 722.00 | (67.00) |
| Total Receipts | 136,547.63 | 141,227.12 | \$ 139,819.00 | \$ 1,408.12 |
| Expenditures | | | | |
| Distribution | | | | |
| Personal Services | 36,461.13 | 30,517.26 | \$ 40,793.00 | \$ (10,275.74) |
| Contractual Services | 15,119.08 | 18,839.61 | 20,000.00 | (1,160.39) |
| Commodities | 14,967.35 | 12,849.09 | 15,000.00 | (2,150.91) |
| Capital Outlay | - | - | 28,995.00 | (28,995.00) |
| Water Tower Maintenance | 11,701.05 | 7,020.63 | 9,361.00 | (2,340.37) |
| Debt Service | | | | |
| Principal | 19,827.16 | - | 20,253.00 | (20,253.00) |
| Interest | 19,178.98 | - | 19,269.00 | (19,269.00) |
| Operating Transfers to: | | | | |
| Sewer Utility Fund | - | 5,000.00 | 2,000.00 | 3,000.00 |
| Cemetery Fund | 1,700.00 | - | - | - |
| General Obligation Bond and Interest Fund | 5,708.67 | 1,000.00 | 25,000.00 | (24,000.00) |
| General Fund | 7,500.00 | 5,000.00 | - | 5,000.00 |
| Total Expenditures | 132,163.42 | 80,226.59 | \$ 180,671.00 | \$ (100,444.41) |
| Receipts Over(Under) Expenditures | 4,384.21 | 61,000.53 | | |
| Unencumbered Cash, Beginning | 22,097.07 | 26,481.28 | | |
| Unencumbered Cash, Ending | \$ 26,481.28 | \$ 87,481.81 | | |

CITY OF SEVERY, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|-----------------------------------|-------------------------|--------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Charges for Services | | | | |
| Sewer Collections | \$ 22,405.87 | \$ 21,938.04 | \$ 21,809.00 | \$ 129.04 |
| Operating Transfer from | | | | |
| Solid Waste Fund | - | - | 1,000.00 | (1,000.00) |
| Water Utility Fund | - | 5,000.00 | 2,000.00 | 3,000.00 |
| Total Receipts | <u>22,405.87</u> | <u>26,938.04</u> | <u>\$ 24,809.00</u> | <u>\$ 2,129.04</u> |
| Expenditures | | | | |
| Collections | | | | |
| Personal Services | 11,338.61 | 9,560.86 | \$ 11,349.00 | \$ (1,788.14) |
| Contractual Services | 2,699.07 | 1,616.60 | 2,000.00 | (383.40) |
| Commodities | 2,953.04 | 5,613.97 | 5,965.00 | (351.03) |
| Debt Service | | | | |
| Principal - Revolving Loan | - | 7,832.98 | 7,833.00 | (0.02) |
| Interest - Revolving Loan | - | 1,955.52 | 1,956.00 | (0.48) |
| Operating Transfer to | | | | |
| Solid Waste Fund | 600.00 | - | - | - |
| Total Expenditures | <u>17,590.72</u> | <u>26,579.93</u> | <u>\$ 29,103.00</u> | <u>\$ (2,523.07)</u> |
| Receipts Over(Under) Expenditures | 4,815.15 | 358.11 | | |
| Unencumbered Cash, Beginning | <u>246.98</u> | <u>5,062.13</u> | | |
| Unencumbered Cash, Ending | <u>\$ 5,062.13</u> | <u>\$ 5,420.24</u> | | |

CITY OF SEVERY, KANSAS
SOLID WASTE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year | | Variance - Over (Under) |
|---|-------------------------|--------------------|---------------------|-------------------------------|
| | | Actual | Budget | |
| Receipts | | | | |
| Charges for Services | | | | |
| Collection Fees | \$ 27,633.31 | \$ 27,021.41 | \$ 27,107.00 | \$ (85.59) |
| Use of Money and Property | | | | |
| Interest Income | 104.75 | - | 53.00 | (53.00) |
| Operating Transfer From Sewer Utility Fund | 600.00 | - | - | - |
| Total Receipts | <u>28,338.06</u> | <u>27,021.41</u> | <u>\$ 27,160.00</u> | <u>\$ (138.59)</u> |
| Expenditures | | | | |
| General Utility Services | | | | |
| Personal Services | 166.14 | 359.59 | \$ - | \$ 359.59 |
| Contractual Services | 28,074.19 | 23,343.82 | 27,470.00 | (4,126.18) |
| Capital Outlay | - | 12.60 | 3,294.00 | (3,281.40) |
| Operating Transfer to Sewer Utility Fund | - | - | 1,000.00 | (1,000.00) |
| Total Expenditures | <u>28,240.33</u> | <u>23,716.01</u> | <u>\$ 31,764.00</u> | <u>\$ (8,047.99)</u> |
| Receipts Over(Under) Expenditures | 97.73 | 3,305.40 | | |
| Unencumbered Cash, Beginning | <u>4,913.73</u> | <u>5,011.46</u> | | |
| Unencumbered Cash, Ending | <u>\$ 5,011.46</u> | <u>\$ 8,316.86</u> | | |

CITY OF SEVERY, KANSAS
FIREMANS RELIEF FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

(With Comparative Actual Amounts for the Year Ended December 31, 2020)

| | Prior Year Actual | Current Year Actual |
|-----------------------------------|-------------------------|---------------------------|
| Receipts | | |
| Other Receipts | | |
| Miscellaneous | \$ - | \$ - |
| Total Receipts | - | - |
| Expenditures | | |
| General Government | | |
| Contractual | - | - |
| Total Expenditures | - | - |
| Receipts Over(Under) Expenditures | - | - |
| Unencumbered Cash, Beginning | 455.52 | 455.52 |
| Unencumbered Cash, Ending | \$ 455.52 | \$ 455.52 |



The Honorable Mayor and City Council
City of Severy, Kansas

In planning and performing our audit of the financial statement of the City of Severy, Kansas as of and for the year ended December 31, 2021 in accordance with auditing standards generally accepted in the United States of America, we considered the City of Severy, Kansas' 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Severy, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Severy, Kansas' internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the City Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statement. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

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Publication of Financial Statements

K.S.A. 12-1608 requires that third class cities publish their annual financial statements within 30 days after year-end. The City of Severy's annual financial statements were not published.

Late Deposits

Upon arrival for fieldwork in April 2022, the City Clerk informed us that there was a little over \$10,000.00 worth of deposits lying around the office in drawers and lying in stacks of paper. It is best practice that the City Clerk should be going to the bank at least once a week at the very minimum.

Late Bond Payments

K.S.A. 10-130 requires bond payments to be received by the state treasurer's office at least twenty days before the due date of the payment. In fiscal year 2021, the payment due for the Series 2016 A & B bonds was never made and the payment due 9/1/2021 for the Series 2018 bond was not received until 9/2/2021.

Delinquent Payroll Withholding Payments

Payment of federal income tax, social security and medicare tax are due to the IRS by the 15th of the following month. During fiscal year 2021, the prior City Clerk did not make any payments for KPERS, federal income tax, social security and medicare tax, state income tax, or state unemployment. The delinquent payment of some of these payroll withholdings may result in large fines and penalties. The City Clerk should keep all payroll withholdings paid and up to date each month.

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



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
June 27, 2022