



Certified Public Accountants

CITY OF TONGANOXIE, KANSAS

Report to the City Council
August 30, 2023



Certified Public Accountants

August 30, 2023

Honorable Mayor and City Council
City of Tonganoxie
P.O. Box 326
Tonganoxie, Kansas 66086

Attention: Mayor David Frese

We are pleased to present this report related to our audit of the financial statement of the City of Tonganoxie, Kansas (the City) for the year ended December 31, 2022. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the City's financial reporting process.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the City.

BT & Co., P.A.

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TABLE OF CONTENTS

	<u>Page</u>
Required Communications	
Our Responsibilities with Regard to the Financial Statement Audit	1
Overview of the Planned Scope and Timing of the Financial Statement Audit	1
Accounting Policies and Practices	1 - 2
Audit Adjustments	2
Uncorrected Misstatements	2
Departure from the Auditors' Standard Report	2 - 3
Observations About the Audit Process	3
Significant Written Communications Between Management and Our Firm Representation Letter	3

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication with Those Charged with Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities with Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide (the KMAAG) have been described to you in our arrangement letter dated August 1, 2023. Our audit of the financial statement does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication dated August 9, 2023 regarding the planned scope and timing of our audit and identified significant risks.
Accounting Policies and Practices	Preferability of Accounting Policies and Practices Under the regulatory basis (KMAAG), in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the City. The City did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period. Significant Accounting Policies We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Area	Comments
	<p>Significant Unusual Transactions</p> <p>We did not identify any significant unusual transactions.</p>
Audit Adjustments	<p>Audit adjustments proposed by us and recorded by the City are summarized in the attached representation letter.</p>
Uncorrected Misstatements	<p>We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.</p>
Departure from the Auditors' Standard Report	<p>Modification of Opinion</p> <p>Our audit report includes an adverse opinion on U.S. Generally Accepted Accounting Principles (GAAP) resulting from the City's adoption of a resolution that is in compliance with K.S.A. 75-1120a(c), which waives the requirement for application of GAAP and allows the use of the regulatory basis of accounting. Below are paragraphs to be included in the auditors' report.</p> <p style="text-align: center;"><i>Adverse Opinion on U.S. Generally Accepted Accounting Principles</i></p> <p>In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2022, or changes in financial position and cash flows thereof for the year then ended.</p> <p style="text-align: center;"><i>Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles</i></p> <p>As discussed in Note 2 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the KMAAG, 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</p>

Area	Comments
Observations About the Audit Process	<p>in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.</p> <p>Disagreements with Management</p> <p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statement.</p> <p>Consultations with Other Accountants</p> <p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p> <p>Significant Issues Discussed with Management</p> <p>No significant issues arising from the audit were discussed with or the subject of correspondence with management.</p> <p>Significant Difficulties Encountered in Performing the Audit</p> <p>We did not encounter any significant difficulties in dealing with management during the audit.</p> <p>Difficult or Contentious Matters That Required Consultation</p> <p>We did not encounter any difficult or contentious matters that required consultation outside the engagement team.</p>
Significant Written Communications Between Management and Our Firm	<p>Copies of certain written communications between our firm and the management of the City, including the representation letter provided to us by management, are attached.</p>



BT&Co., P.A.
4301 SW Huntoon Street
Topeka, Kansas 66604-1659

This representation letter is provided in connection with your audit of the financial statement of the City of Tonganoxie, Kansas (the City) as of and for the year ended December 31, 2022 for the purpose of expressing an opinion on whether the financial statement is presented fairly, in all material respects, in accordance with the *Kansas Municipal Audit and Accounting Guide* (the KMAAG) in order to meet the requirements of the State of Kansas described in Note 2 to the financial statement (the regulatory basis).

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, that as of the date of the auditors' report:

Financial Statement

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated August 1, 2023, for the preparation and fair presentation of the financial statement referred to above in accordance with the regulatory basis.
2. We have identified and included all municipal organizations that are a part of our municipal financial reporting entity, including all related municipal entities.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of controls to prevent and detect fraud.
5. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of the regulatory basis, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.



6. Related-party transactions have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of the regulatory basis.
7. The financial statement properly classifies all funds and activities in accordance with the regulatory basis.
8. All events subsequent to the date of the financial statement, and for which the regulatory basis requires adjustment or disclosure, have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with the regulatory basis.
10. Management has followed applicable laws and regulations in adopting, approving and amending budgets.
11. The City has recorded and disclosed in the financial statement all:
 - a. Liens or encumbrances on assets or revenues, or assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - b. Contractual obligations for construction or capital assets not included in the liabilities or encumbrances recorded on the books.
 - c. Debt issue provisions.
 - d. Risk financing activities.
 - e. Finance leases.
 - f. Security agreements as defined in the Uniform Commercial Code.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.
13. We are responsible for making the accounting estimates included in the financial statement. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take.
14. The City has no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statement.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statement or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a “potentially responsible party” by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed.
 - d. Compensating balance arrangements or other legal restrictions of cash balances.
 - e. Lines of credit or similar arrangements.



- f. Financial guarantees or other contingent liabilities.
 - g. Repurchase agreements.
 - h. Liabilities that are subordinated in any way to any other actual or possible liabilities.
 - i. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - j. Significant estimates and material concentrations.
 - k. Authorized but unissued debt.
 - l. Special or extraordinary items.
 - m. Arbitrage rebate liabilities.
15. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statement.
16. We have complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
17. We have reviewed and approved the proposed adjusting journal entries to the financial statement included in the attached schedule. We will record these entries in our accounting system as of December 31, 2022.
18. We have no knowledge of any uncorrected misstatements in the financial statement.

Information Provided

19. We have provided you with:
- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statement such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the governing board and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
20. All transactions have been recorded in the accounting records and are reflected in the financial statement.
21. We have disclosed to you the results of our assessment of risk that the financial statement may be materially misstated as a result of fraud.
22. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our



risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

23. We have no knowledge of allegations of fraud or suspected fraud, affecting the City's financial statement involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statement.
24. We have no knowledge of any allegations of fraud or suspected fraud affecting the City's financial statement received in communications from employees, former employees, analysts, regulators, or others.
25. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.
26. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statement.
27. We have disclosed to you the identity of all of the City's related parties and all the related-party relationships and transactions of which we are aware.
28. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the City's ability to record, process, summarize, and report financial data.
29. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
30. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.
31. With respect to supplementary information presented in relation to the financial statement as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with the regulatory basis.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statement, we will make the audited financial statement readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditors' report thereon.



32. With respect to the financial statement preparation services performed in the course of the audit:
- a. We have made all management decisions and performed all management functions;
 - b. We assigned an appropriate individual to oversee the services;
 - c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;
 - d. We have accepted responsibility for the results of the services; and
 - e. We have accepted responsibility for all significant judgments and decisions that were made.

Very truly yours,

CITY OF TONGANOXIE, KANSAS



George Brajkovic, City Manager

Date Signed 08/30/23



Daniel Porter, Assistant City Manager

Date Signed 08/30/2023

City of Tonganoxie, Kansas

Year End: December 31, 2022

Adjusting Journal Entry

Number	Date	Name	Account No	Debit	Credit
1	12/31/2022	FUND BALANCE	100-301	25.00	
1	12/31/2022	MISCELLANEOUS REVENUE	100-46603		-25.00
2	12/31/2022	CERTIFICATE OF DEPOSIT	100-102 GF100	151.32	
2	12/31/2022	MISCELLANEOUS REVENUE	100-46603 GF100		-151.32

To adjust the balance of CD to actual.