

CITY OF SABETHA, KANSAS
FINANCIAL STATEMENTS
Year Ending December 31, 2020

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City of Sabetha, Kansas
FINANCIAL STATEMENTS
Year ending December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

Mayor and City Commission
City of Sabetha, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Sabetha, Kansas, (the City), as of and for the year ended December 31, 2020 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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 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 omission of the financial data of one, but not all, of the related municipal entities of the City of Sabetha, Kansas and 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 as of December 31, 2020, 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 financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2020, 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.

Report on 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, the individual fund schedules of regulatory basis receipts and expenditures-actual and budget, the schedules of regulatory basis receipts and expenditures-related municipal entities, and the summary of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2, 3 and 4 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 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.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 22, 2021

City of Sabetha, Kansas
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2020

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
General Funds:							
General	\$ 878,136	\$ -	\$ 3,219,355	\$ 3,305,650	\$ 791,841	\$ -	\$ 791,841
Special Purpose Funds:							
Library	2	-	142,756	142,758	-	-	-
Airport	196,461	-	24,550	35,214	185,797	-	185,797
Parks and Recreation	-	-	8,549	8,549	-	-	-
Highway	-	-	66,995	66,995	-	-	-
Capital Projects Funds:							
Prairie View Sidewalk	53,167	-	-	23,945	29,222	-	29,222
Bond and Interest Funds:							
Bond and Interest	103,580	-	3,299,296	3,268,086	134,790	-	134,790
Aquatic Center	330,006	-	284,931	225,600	389,337	-	389,337
Business Funds:							
Electric	3,120,018	-	4,538,576	4,463,755	3,194,839	-	3,194,839
Water	302,451	-	1,939,834	1,892,921	349,364	-	349,364
Sewer	213,390	-	834,018	863,570	183,838	-	183,838
Related Municipal Entities:							
Mary Cotton Public Library	211,010	-	186,795	197,205	200,600	-	200,600
Sabetha Cemetery	18,976	-	78,992	66,337	31,631	10,825	42,456
Total Reporting Entity [Excluding Agency Funds]	<u>\$ 5,427,197</u>	<u>\$ -</u>	<u>\$ 14,624,647</u>	<u>\$ 14,560,585</u>	<u>\$ 5,491,259</u>	<u>\$ 10,825</u>	<u>\$ 5,502,084</u>

Composition of Cash:	
Bank of Blue Valley	
Checking	\$ 5,141
Money Market	45,321
Community National Bank	
Checking	1,395,117
Money Market	10,286
Library Certificate of Deposit	52,861
Greater Manhattan Community Foundation	
Library Investments	19,041
United Bank	
Checking	3,823,027
Money Market	5,026
Court	5,144
EMS	55,122
Library Checking	4,077
Library Savings	80,349
Library Certificate of Deposit	44,124
Cemetery Checking	26,470
Cemetery Money Market	15,986
Library Petty Cash	148
Subtotal	5,587,240
Less: Agency Funds per Schedule 4	[85,156]
Total Reporting Entity [Excluding Agency Funds]	<u>\$ 5,502,084</u>

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

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Sabetha (the City) is a municipal corporation governed by a five-member commission. These financial statements present only the primary government of the City and the Mary Cotton Public Library and Sabetha Cemetery related municipal entities. They exclude one of the related municipal entities for which the City is considered financially accountable:

The Sabetha Housing Authority

Separate financial statements may be obtained directly from the above.

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.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year ended December 31, 2020:

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.

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.)

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

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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 governing body may amend the budget at that time. The budget was not amended for the year ended December 31, 2020.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds.

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.

NOTE 2 - Leases

The City has entered into the following lease agreements as lessee for financing the acquisition of equipment:

Item		Final	Interest	Original	Balance
<u>Purchased</u>	<u>Issued</u>	<u>Maturity</u>	<u>Rate</u>	<u>Amount</u>	<u>December 31, 2020</u>
Substation	2015	2021	1.95%	\$ 880,000	\$ 182,732
Fire Truck	2019	2023	3.55%	198,645	121,095
Ambulance	2020	2025	3.17%	212,905	212,905
					<u>\$ 516,732</u>

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 2 - Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, were as follows:

	Year Ending December 31,	
	2021	\$ 274,788
	2022	89,369
	2023	89,369
	2024	46,104
	2025	46,104
Total minimum lease payments		545,735
Less: amount representing interest		29,004
Present value of minimum lease payments		<u>\$ 516,732</u>

NOTE 3 - Long-Term Debt

Changes in General Long-Term Liabilities. During the year ended December 31, 2020, the following changes occurred in long term liabilities:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Amounts Due Within One Year	Interest Paid
Paid for by taxes						
General obligation bonds	\$ 4,675,000	\$ -	\$ 370,000	\$ 4,305,000	\$ 375,000	\$ 143,288
	<u>\$ 4,675,000</u>	<u>\$ -</u>	<u>\$ 370,000</u>	<u>\$ 4,305,000</u>	<u>\$ 375,000</u>	<u>\$ 143,288</u>
Paid for by taxes and revenues						
KDHE revolving loan	\$ 2,350,832	\$ 1,109,002	\$ 236,457	\$ 3,223,376	\$ 243,232	\$ 55,092
Sanitary sewer & street and electrical system general obligation bonds	785,000	-	25,000	760,000	25,000	38,073
Hospital construction general obligation bonds	<u>2,975,000</u>	<u>2,860,000</u>	<u>2,975,000</u>	<u>2,860,000</u>	<u>200,000</u>	<u>104,438</u>
	<u>\$ 6,110,832</u>	<u>\$ 3,969,002</u>	<u>\$ 3,236,457</u>	<u>\$ 6,843,376</u>	<u>\$ 468,232</u>	<u>\$ 197,602</u>

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and business fund activities. These bonds are reported in the business funds if they are expected to be repaid from business fund regulatory receipts. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020NOTE 3 - Long-Term Debt (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds outstanding at December 31, 2020 are as follows:

<u>Purpose</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance December 31, 2020</u>
Paid for by taxes					
General Obligation Series 2016-A	10/5/2016	9/1/1936	2.00 - 3.00%	\$ 3,300,000	\$ 2,760,000
General Obligation Series 2018-B	10/15/2018	9/1/2026	3.25%	2,000,000	1,545,000
Paid for by taxes and revenues					
General Obligation Series 2018-A	9/27/2018	9/1/1938	4.85%	815,000	760,000
General Obligation Series 2020-A	9/17/2020	9/1/2033	1.75%	<u>2,860,000</u>	<u>2,860,000</u>
				<u>\$ 8,975,000</u>	<u>\$ 7,925,000</u>

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year Ending December 31.</u>	<u>Governmental Funds</u>		<u>Business Funds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 375,000	\$ 133,013	\$ 225,000	\$ 84,686	\$ 600,000	\$ 217,699
2022	390,000	121,175	235,000	82,197	625,000	203,372
2023	405,000	108,862	230,000	77,156	635,000	186,018
2024	2,585,000	96,075	245,000	72,200	2,830,000	168,275
2025	270,000	17,875	250,000	66,983	520,000	84,858
2026-2030	280,000	9,100	1,300,000	251,849	1,580,000	260,949
2031-2035	-	-	960,000	104,586	960,000	104,586
2036-2038	-	-	<u>175,000</u>	<u>17,217</u>	<u>175,000</u>	<u>17,217</u>
	<u>\$4,305,000</u>	<u>\$ 486,100</u>	<u>\$3,620,000</u>	<u>\$ 756,874</u>	<u>\$ 7,925,000</u>	<u>\$1,242,974</u>

On September 17, 2020, the City issued General Obligation Refunding Bonds, Series 2020-A, in the amount of \$2,860,000. The bonds carry an interest rate of 1.75%, with a final maturity of September 1, 2033. Interest on the Series 2020 Bonds is due semi-annually on March 1 and September 1. The net proceeds of the Series 2020 bonds were used to pay in full the remaining outstanding principal for the General Obligation Bonds, Series 2011-A. As a result, the 2011-A bonds are considered defeased, and the liability has been removed from the City's financial statements. The transaction resulted in an economic gain of \$344,310 and a reduction of \$307,274 in future debt service payments.

Special Assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as regulatory receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as regulatory receipts in the Bond and Interest Fund.

State Agency Loans. In 2004, the City arranged for a \$3,250,000 loan from The Kansas Water Pollution Control Revolving Loan Fund through the Kansas Department of Health and Environment for improving the wastewater system of Sabetha. The City is obligated to make semi-annual payments of \$106,567 from March 1, 2006 to September 1, 2025. These payments will include a gross interest rate of 2.54% plus a .25% service fee. At December 31, 2020, the outstanding principal balance was \$985,241.

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS Year ended December 31, 2020

NOTE 3 - Long-Term Debt (Continued)

In 2016, the City arranged for a \$1,292,032 loan from the Kansas Water Pollution Control Revolving Loan Fund through the Kansas Department of Health and Environment for improving the sanitary sewer collection system of Sabetha. The City is obligated to make semi-annual payments of \$39,339 from March 1, 2018 to September 1, 2037. These payments will include a gross interest rate of 1.75 % plus a .25% service fee. At December 31, 2020, the outstanding principal balance was \$1,129,133.

In 2019, the City arranged for a \$1,689,945 loan from the Kansas Water Supply Loan Fund through the Kansas Department of Health and Environment for improving the water supply system of Sabetha. The amortization schedule for the loan has not been finalized as of December 31, 2020, and therefore, has not been included in the future annual debt service requirements below. At December 31, 2020, the outstanding principal balance was \$1,109,002.

The following displays annual debt service requirements to maturity for the loan payable to be paid from service regulatory receipts, for the full proceeds amount:

Year Ending December 31,	
2021	291,812
2022	291,812
2023	291,813
2024	291,812
2025	291,812
2026-2030	393,390
2031-2035	393,390
2036-2038	157,354
Total principal, interest, and service fees	2,403,195
Less: interest and service fees	<u>[288,821]</u>
Total principal	<u><u>\$ 2,114,374</u></u>

NOTE 4 - Deposits and Investments

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

Investments. 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. As of December 31, 2020, the City held no investments.

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020

NOTE 4 - Deposits and Investments (Continued)

KSA 12-1225(h) authorizes library boards to invest or reinvest gifts and donations and any dividends, interest, rent, or income derived from the gifts in the manner the board deems will best serve the interest of the library. The Mary Cotton Public Library had the following unsecured investments from gifts and donations at December 31, 2020.

<u>Investment Type</u>	<u>Fair Value</u>
Greater Manhattan Community Foundation	
Bond Funds	\$ 4,634
Cash & Cash Equivalents	1,263
Stocks & Mutual Funds	<u>13,145</u>
Total	<u>\$ 19,041</u>

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, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods". All deposits were legally secured at December 31, 2020.

At December 31, 2020, the City's carrying amount of deposits was \$5,344,184 and the bank balance was \$5,528,078. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$750,000 was covered by federal depository insurance and the balance of \$4,778,078 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2020, the Library's carrying amount of deposits was \$181,411 and the bank balance was \$181,411. The bank balance was held by two banks resulting in a concentration of credit risk. All of the Library's bank balance was covered by federal depository insurance.

At December 31, 2020, the Cemetery's carrying amount of deposits was \$42,456 and the bank balance was \$42,536. The bank balance was held by one bank resulting in a concentration of credit risk. All of the Cemetery's bank balance was covered by federal depository insurance.

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.

NOTE 5 - Interfund Transfers

A reconciliation of transfers by fund type for 2020 follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
Highway Fund	General Fund	\$ 66,995	K.S.A. 68-590
Parks and Recreation Fund	General Fund	8,549	K.S.A. 79-2958
Electric Fund	General Fund	571,000	K.S.A. 12-825d
Water Fund	General Fund	11,000	K.S.A. 12-825d
Sewer Fund	General Fund	<u>2,500</u>	K.S.A. 12-825d
Total		<u>\$ 660,044</u>	

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2020

NOTE 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 or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.61% for the fiscal year ended December 31, 2020. Contributions to the pension plan from the City were \$182,297 for the year ended December 31, 2020.

Net Pension Liability. At December 31, 2020, the City's proportionate share of the collective net pension liability reported by KPERS was \$1,706,488. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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 of 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 KPERS website at www.kpers.org or can be obtained as described above.

NOTE 7 - Compensated Absences

It is the City's policy to pay employees' accrued vacation pay upon termination of employment. As of December 31, 2020, the liability for accrued vacation pay was \$66,643.

NOTE 8 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters and other events for which the City carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF SABETHA, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

Year ended December 31, 2020

NOTE 9 - Other Post-Employment Benefits

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

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

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2020.

NOTE 11 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the City as of December 31, 2020.

The City is a party to various claims, none of which is expected to have material financial impact on the City.

NOTE 12 - Capital Projects

During 2020, the City continued construction of the 6th Street Reconstruction Project, which is expected to be completed in 2021 at a total estimated cost of \$2,415,362. The City issued Series 2018-B General Obligation Bonds in the amount of \$2,000,000 to finance a portion of the cost of this project and will also be receiving a \$171,040 grant from the Kansas Department of Transportation. The remaining \$244,322 will come from lawfully available funds of the City.

During 2020, the City continued construction on the Water Plant Improvements Project, which is expected to be completed in 2021. In 2019, the City arranged for a \$1,689,945 loan from the Kansas Water Supply Loan Fund through the Kansas Department of Health and Environment to finance a portion of the cost of this project. The remaining cost of this project will come from lawfully available funds of the City.

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City of Sabetha, Kansas
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over [Under]</u>
General Funds:					
General	\$ 4,892,319	\$ 432,701	\$ 5,325,020	\$ 3,305,650	\$ 2,019,370
Special Purpose Funds:					
Library	148,080	-	148,080	142,758	5,322
Airport	100,000	-	100,000	35,214	64,786
Parks and Recreation	9,999	-	9,999	8,549	1,450
Highway	70,060	-	70,060	66,995	3,065
Bond and Interest Funds:					
Bond and Interest	532,275	2,860,000	3,392,275	3,268,086	124,189
Aquatic Center	225,600	-	225,600	225,600	-
Business Funds:					
Electric	6,665,000	-	6,665,000	4,463,755	2,201,245
Water	2,538,814	-	2,538,814	1,892,921	645,893
Sewer	879,859	-	879,859	863,570	16,289

City of Sabetha, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 538,776	\$ 563,579	\$ [24,803]
Intergovernmental	345,915	364,998	[19,083]
Franchise tax	241,122	182,000	59,122
Licenses	5,148	6,000	[852]
Fines and fees	18,000	20,000	[2,000]
Interest	4,464	15,000	[10,536]
Use of property	22,452	25,000	[2,548]
Charges for services	669,580	578,000	91,580
Reimbursement	219,796	225,000	[5,204]
Operating transfers	660,044	580,059	79,985
Lease proceeds	212,905	-	212,905
Miscellaneous	<u>281,153</u>	<u>60,000</u>	<u>221,153</u>
Total Receipts	<u>3,219,355</u>	<u>\$ 2,619,636</u>	<u>\$ 599,719</u>
Expenditures			
General Government			
Personnel	225,118	\$ 225,680	\$ 562
Contractual services	174,681	250,000	75,319
Commodities	13,169	19,000	5,831
Law Enforcement			
Personnel	380,632	420,230	39,598
Contractual services	72,500	70,000	[2,500]
Commodities	9,701	12,000	2,299
Parks and Recreation			
Personnel	237,769	278,795	41,026
Contractual services	140,008	195,000	54,992
Commodities	30,456	26,000	[4,456]
Streets			
Personnel	187,101	183,115	[3,986]
Contractual services	90,874	112,000	21,126
Commodities	126,259	150,000	23,741
EMT			
Personnel	300,134	208,820	[91,314]
Contractual services	17,875	20,000	2,125
Commodities	29,056	15,000	[14,056]

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
General Fund (Continued)
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Expenditures (Continued)			
Industrial development	\$ 4,996	\$ 5,000	\$ 4
Capital outlay	1,078,721	2,470,190	1,391,469
Cemetery subsidy	30,000	30,000	-
Debt service	156,600	201,489	44,889
Adjustment for qualifying budget credits	<u>-</u>	<u>432,701</u>	<u>432,701</u>
Total Expenditures	<u>3,305,650</u>	<u>\$ 5,325,020</u>	<u>\$ 2,019,370</u>
Receipts Over [Under] Expenditures	[86,295]		
Unencumbered Cash, Beginning	<u>878,136</u>		
Unencumbered Cash, Ending	<u>\$ 791,841</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Library Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 142,756	\$ 150,751	\$ [7,995]
Total Receipts	<u>142,756</u>	<u>\$ 150,751</u>	<u>\$ [7,995]</u>
Expenditures			
Appropriations	<u>142,758</u>	<u>\$ 148,080</u>	<u>\$ 5,322</u>
Total Expenditures	<u>142,758</u>	<u>\$ 148,080</u>	<u>\$ 5,322</u>
Receipts Over [Under] Expenditures	[2]		
Unencumbered Cash, Beginning	<u>2</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Airport Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges for services	\$ 24,550	\$ 25,000	\$ [450]
Total Receipts	<u>24,550</u>	<u>\$ 25,000</u>	<u>\$ [450]</u>
Expenditures			
Contractual services	11,898	\$ 75,000	\$ 63,102
Commodities	19,316	25,000	5,684
Capital outlay	<u>4,000</u>	<u>-</u>	<u>[4,000]</u>
Total Expenditures	<u>35,214</u>	<u>\$ 100,000</u>	<u>\$ 64,786</u>
Receipts Over [Under] Expenditures	[10,664]		
Unencumbered Cash, Beginning	<u>196,461</u>		
Unencumbered Cash, Ending	<u>\$ 185,797</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Parks and Recreation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 8,549	\$ 9,999	\$ 1,450
Total Receipts	<u>8,549</u>	<u>9,999</u>	<u>1,450</u>
Expenditures			
Operating transfers	<u>8,549</u>	<u>9,999</u>	<u>1,450</u>
Total Expenditures	<u>8,549</u>	<u>9,999</u>	<u>1,450</u>
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Highway Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 66,995	\$ 70,060	\$ [3,065]
Total Receipts	<u>66,995</u>	<u>\$ 70,060</u>	<u>\$ [3,065]</u>
Expenditures			
Operating transfers	<u>66,995</u>	<u>\$ 70,060</u>	<u>\$ 3,065</u>
Total Expenditures	<u>66,995</u>	<u><u>\$ 70,060</u></u>	<u><u>\$ 3,065</u></u>
Receipts Over [Under] Expenditures	-		
Unencumbered Cash, Beginning	<u>-</u>		
Unencumbered Cash, Ending	<u><u>\$ -</u></u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Prairie View Sidewalk Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Year Ended December 31, 2020

Receipts	
Miscellaneous	\$ <u> -</u>
Total Receipts	<u> -</u>
Expenditures	
Capital outlay	<u> 23,945</u>
Total Expenditures	<u> 23,945</u>
Receipts Over [Under] Expenditures	[23,945]
Unencumbered Cash, Beginning	<u> 53,167</u>
Unencumbered Cash, Ending	<u><u> \$ 29,222</u></u>

*- This fund is not required to be budgeted.

City of Sabetha, Kansas
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 408,918	\$ 432,919	\$ [24,001]
Special assessments	30,378	-	30,378
Bond proceeds	<u>2,860,000</u>	<u>-</u>	<u>2,860,000</u>
Total Receipts	<u>3,299,296</u>	<u>\$ 432,919</u>	<u>\$ 2,866,377</u>
Expenditures			
Principal and Interest	3,213,086	\$ 532,275	\$ [2,680,811]
Cost of issuance	55,000	-	-
Adjustment for qualifying budget credits	<u>-</u>	<u>2,860,000</u>	<u>2,860,000</u>
Total Expenditures	<u>3,268,086</u>	<u>\$ 3,392,275</u>	<u>\$ 179,189</u>
Receipts Over [Under] Expenditures	31,210		
Unencumbered Cash, Beginning	<u>103,580</u>		
Unencumbered Cash, Ending	<u>\$ 134,790</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Aquatic Center Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Taxes	\$ 284,931	\$ 275,000	\$ 9,931
Total Receipts	<u>284,931</u>	<u>\$ 275,000</u>	<u>\$ 9,931</u>
Expenditures			
Debt service	<u>225,600</u>	<u>\$ 225,600</u>	<u>\$ -</u>
Total Expenditures	<u>225,600</u>	<u>\$ 225,600</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	59,331		
Unencumbered Cash, Beginning	<u>330,006</u>		
Unencumbered Cash, Ending	<u>\$ 389,337</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Electric Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges to customers	\$ 4,299,377	\$ 4,950,000	\$ [650,623]
Reimbursements	224,317	100,000	124,317
Use of money and property	<u>14,882</u>	<u>40,000</u>	<u>[25,118]</u>
Total Receipts	<u>4,538,576</u>	<u>\$ 5,090,000</u>	<u>\$ [551,424]</u>
Expenditures			
Administration	463,306	\$ 329,581	\$ [133,725]
Production	733,659	800,000	66,341
Distribution	2,358,808	3,300,000	941,192
Capital outlay	286,982	1,500,000	1,213,018
Debt service	50,000	235,419	185,419
Operating transfers	<u>571,000</u>	<u>500,000</u>	<u>[71,000]</u>
Total Expenditures	<u>4,463,755</u>	<u>\$ 6,665,000</u>	<u>\$ 2,201,245</u>
Receipts Over [Under] Expenditures	74,821		
Unencumbered Cash, Beginning	<u>3,120,018</u>		
Unencumbered Cash, Ending	<u>\$ 3,194,839</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Water Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges to customers	\$ 807,696	\$ 800,000	\$ 7,696
KDHE Loan Proceeds	1,109,002	1,656,814	\$ [547,812]
Miscellaneous	17,289	10,000	7,289
Use of money and property	<u>5,847</u>	<u>15,000</u>	<u>[9,153]</u>
Total Receipts	<u>1,939,834</u>	<u>\$ 2,481,814</u>	<u>\$ [541,980]</u>
Expenditures			
Administration	163,874	\$ 200,000	\$ 36,126
Production	1,405,343	325,000	[1,080,343]
Distribution	271,113	232,000	[39,113]
Capital outlay	31,200	1,771,814	1,740,614
Debt service	10,391	10,000	[391]
Operating transfers	<u>11,000</u>	<u>-</u>	<u>[11,000]</u>
Total Expenditures	<u>1,892,921</u>	<u>\$ 2,538,814</u>	<u>\$ 645,893</u>
Receipts Over [Under] Expenditures	46,913		
Unencumbered Cash, Beginning	<u>302,451</u>		
Unencumbered Cash, Ending	<u>\$ 349,364</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Sewer Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	Variance- Over [Under]
Receipts			
Charges to customers	\$ 534,184	\$ 550,000	\$ [15,816]
Reimbursements	10,333	10,000	333
Sales tax	284,931	280,000	4,931
Use of money and property	<u>4,570</u>	<u>10,000</u>	<u>[5,430]</u>
Total Receipts	<u>834,018</u>	<u>\$ 850,000</u>	<u>\$ [15,982]</u>
Expenditures			
Administration	157,093	\$ 195,000	\$ 37,907
Treatment	225,086	195,000	[30,086]
Capital outlay	52,981	55,000	2,019
Collection	134,751	141,047	6,296
Debt service	291,159	293,812	2,653
Operating transfers	<u>2,500</u>	<u>-</u>	<u>[2,500]</u>
Total Expenditures	<u>863,570</u>	<u>\$ 879,859</u>	<u>\$ 16,289</u>
Receipts Over [Under] Expenditures	[29,552]		
Unencumbered Cash, Beginning	<u>213,390</u>		
Unencumbered Cash, Ending	<u>\$ 183,838</u>		

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
Mary Cotton Public Library - Related Municipal Entity
General Fund
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2020

Receipts	
State of Kansas	\$ 741
NEKL Association	2,452
City appropriation	142,758
Interest	2,207
Donations and sales	8,175
Matching funds	7,020
Reimbursements	1,982
Miscellaneous	<u>21,460</u>
Total Receipts	<u>186,795</u>
Expenditures	
Salary and payroll taxes	113,481
Books, periodicals and film	29,969
Supplies	6,923
Utilities	11,452
Maintenance	31,579
Miscellaneous	<u>3,801</u>
Total Expenditures	<u>197,205</u>
Receipts Over [Under] Expenditures	[10,410]
Unencumbered Cash, Beginning	<u>211,010</u>
Unencumbered Cash, Ending	<u><u>\$ 200,600</u></u>

See independent auditor's report on the financial statements.

City of Sabetha, Kansas
 Sabetha Cemetery - Related Municipal Entity
 General Fund
 Schedule of Receipts and Expenditures - Actual
 Regulatory Basis
 For the Year Ended December 31, 2020

Receipts	
City appropriation	\$ 30,000
Interest	36
Miscellaneous	8,408
Charges for services	<u>40,548</u>
Total Receipts	<u>78,992</u>
Expenditures	
Salaries	14,926
Payroll taxes	5,517
Contractual service	28,906
Supplies	10,882
Miscellaneous	<u>6,106</u>
Total Expenditures	<u>66,337</u>
Receipts Over [Under] Expenditures	12,655
Unencumbered Cash, Beginning	<u>18,976</u>
Unencumbered Cash, Ending	<u>\$ 31,631</u>

City of Sabetha, Kansas
 Agency Funds
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended December 31, 2020

<u>Fund</u>	Beginning Cash <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash <u>Balance</u>
Tax Fund	\$ 25,568	\$ -	\$ 679	\$ 24,889
Municipal Court Fund	4,889	22,661	22,405	5,145
EMS Fund	<u>43,563</u>	<u>535,706</u>	<u>524,147</u>	<u>55,122</u>
Total Agency Funds	<u>\$ 74,020</u>	<u>\$ 558,367</u>	<u>\$ 547,231</u>	<u>\$ 85,156</u>

See independent auditor's report on the financial statements.