

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS

REGULATORY BASIS FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2020

SCOTT COUNTY PUBLIC BUILDING COMMISSION
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For the Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Scott County Public Building Commission
Scott City, Kansas 67871

We have audited the accompanying regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the Scott County Public Building Commission, Scott City, Kansas, as of and for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise Scott County Public Building Commission's basic financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; 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 a 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 this 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 from 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 the 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 opinions.

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 Scott County Public Building Commission on the basis of the accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the regulatory basis of accounting per the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Scott County Public Building Commission as of December 31, 2020, or changes in financial position or cash flows thereof for the year then ended.

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 Scott County Public Building Commission 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* of the State of Kansas described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming opinions on the regulatory basis fund summary statement of receipts, expenditures and unencumbered balances that collectively comprise the Scott County Public Building Commission's basic financial statement. The regulatory basis individual fund schedule of receipts and expenditures - actual and budget (Schedule 1 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; however, it is 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Scott County Public Building Commission, Scott County, Kansas, as of and for the year ended December 31, 2019, (not presented herein), and have issued our report thereon dated February 12, 2021, which contained an unmodified opinion on the basic financial statement. The 2019 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link: <http://admin.ks.gov/offices/chief-financialofficer/municipal-services>. The 2019 actual column (2019 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2019, (Schedule 1 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 2019 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 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 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, 2019, on the basis of accounting described in Note 1.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has not been subjected to the auditing procedures applied in the audit of the financial statement, and accordingly, we do not express an opinion or provide any assurance on it.

A handwritten signature in dark ink that reads "Lewis, Hooper & Dick, LLC". The script is cursive and somewhat stylized.

LEWIS, HOOPER & DICK, LLC

February 19, 2021

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 Summary Statement of Receipts, Expenditures and Unencumbered Cash
 For the Year Ended December 31, 2020

Fund	Unencumbered Cash 1/1/2020	Receipts	Expenditures	Unencumbered Cash 12/31/2020	Outstanding Encumbrances and Accounts Payable	Treasurer's Cash 12/31/2020
<u>Governmental Type Funds</u>						
General Fund	\$ 2,805	\$ 842,625	\$ 844,501	\$ 929	\$ -	\$ 929
Totals (memorandum only)	<u>\$ 2,805</u>	<u>\$ 842,625</u>	<u>\$ 844,501</u>	<u>\$ 929</u>	<u>\$ -</u>	<u>\$ 929</u>
Composition of Cash:						
Demand deposits:						
First National Bank - Scott City						\$ 918
Investments:						
Security Bank - Kansas City						11
Total cash						<u>\$ 929</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2020

1. Summary of significant accounting policies

Scott County Public Building Commission, Scott County, Kansas, was incorporated under the provisions of the State of Kansas and operates under an appointed board. The Commission makes available to other entities within the County buildings, space in such buildings and other facilities.

A. Financial reporting entity

The Scott County Public Building Commission was created under K.S.A. 12-1757. The Commission is governed by a three member board with one member appointed by the Scott County Commissioners, one member appointed by the City of Scott City, Kansas, and one member appointed by the other members of the Public Building Commission. The County's and City's accountability for this organization does not extend beyond making the appointments; however, the County and City consider the Scott County Public Building Commission to be a related municipal entity.

These financial statements present the Scott County Public Building Commission (the municipality) and its related municipal entities. Related municipal entities are included in the Commission's reporting entity because they were established to benefit the Commission and/or its constituents. However, the Commission has no organizations, functions or activities which are considered related municipal entities of the Commission.

B. Regulatory basis of accounting and departure from accounting principles generally accepted in the United States of America

The *Kansas Municipal Audit and Accounting Guide* 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 *Kansas Municipal Audit and Accounting Guide* 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 Commission 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 Commission to use the regulatory basis of accounting.

C. 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 fund types are used by the Commission:

General fund – the chief operating fund; used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2020

1. Summary of significant accounting policies (continued)

C. Regulatory basis fund types (continued)

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

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

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

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

Agency funds – used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, etc.).

D. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the Commission (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits and certificates of deposit. Investments of the pooled accounts consist primarily of investments in the Kansas Municipal Investment Pool and U.S. government securities carried at cost, which approximates market. Interest income earned, unless specifically designated, is allocated to the general fund.

Investments are stated at cost. The aggregate value of the investments at December 31, 2020, is \$11.

E. Interfund transactions and reimbursements

Quasi-external transactions (i.e., transactions that would be treated as receipts or expenditures if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

F. Memorandum totals

Totals on the financial statement are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor is all required disclosures presented for these amounts.

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2020

2. Stewardship, compliance and accountability

A. Compliance with finance related legal and contractual provisions

References made herein to the statutes are not intended as interpretations of the law, but are offered for consideration of the Kansas Department of Administration's Chief Financial Officer and interpretation by the County Attorney and the legal representation of the Commission.

There are no known material violations of finance related legal and contractual provisions including Kansas statutes, regulations, contracts, debt covenants, or other agreements for the year ended December 31, 2020.

3. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the composition of cash on the summary statement of receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Carrying amount of deposits	\$ 918
Carrying amount of investments	11
Total cash	<u>\$ 929</u>

As of December 31, 2020, the Commission had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			Rating U.S.
		Less than 1	1-2		
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	\$ 11	\$ 11	\$ -		N/A
Total fair value	<u>\$ 11</u>	<u>\$ 11</u>	<u>\$ -</u>		

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

K.S.A. 12-1675 limits the Commission'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 Commission has no investment policy that would further limit its investment choices. The rating of the Commission's investments is noted above.

Concentration of credit risk

State statutes place no limit on the amount the Commission may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Commission's allocation of investments as of December 31, 2020, is as follows:

Investments	Percentage of Investments
Guaranteed Investment Contracts secured by U.S. Treasury and Agencies	100%

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2020

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. State statutes require the Commission'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 Commission does not use designated "peak periods".

At December 31, 2020, the Commission's carrying amount of deposits was \$918 and the bank balance was \$918. Of the bank balance, 100% was held by one financial institution resulting in a concentration of credit risk. Of the bank balance, all \$918 was covered by federal depository insurance. The Commission's cash deposits at year-end are as follows:

	First National Bank - Scott City
FDIC Coverage	\$ 918
Pledged securities at market value	-
Total coverage	\$ 918
Funds on deposit	\$ 918
Funds at risk	-

Custodial credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the Commission 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. The Commission had no investments of this type at December 31, 2020.

B. Long-term debt

Changes in long-term debt for the Commission for the year ended December 31, 2020, were as follows:

	Date of Issue	Maximum Rate	Date of Final Maturity	Amount of Issue	Balance 1/1/20	Additions	Reductions/ Payments	Balance 12/31/20	Interest Paid
Revenue bonds:									
Series 2010	10/01/2010	4.00%	09/01/2025	\$ 5,750,000	\$ 2,755,000	\$ -	\$ 410,000	\$ 2,345,000	\$ 93,556
Series 2016	04/28/2016	3.00%	09/01/2023	2,400,000	1,550,000	-	295,000	1,255,000	43,550
Total long-term debt					\$ 4,305,000	\$ -	\$ 705,000	\$ 3,600,000	\$ 137,106

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

	Year					
	2021	2022	2023	2024	2025	Total
Principal:						
Revenue bonds	\$ 725,000	\$ 755,000	\$ 790,000	\$ 820,000	\$ 510,000	\$ 3,600,000
Interest:						
Revenue bonds	118,906	96,619	72,300	46,838	20,400	355,063
Total principal and interest	\$ 843,906	\$ 851,619	\$ 862,300	\$ 866,838	\$ 530,400	\$ 3,955,063

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2020

3. Detailed notes on all funds (continued)

B. Long-term debt (continued)

Subsequent to year end the Commission issued the following general obligation bond in order to refinance at a lower interest rate the Revenue Bonds (Park Lane Project), Series 2010, which was originally issued to finance the costs of developing, constructing and equipping improvements to the Park Lane Nursing Home:

	<u>Date of Issue</u>	<u>Maximum Rate</u>	<u>Final Maturity</u>	<u>Amount of Issue</u>
Refunding Revenue Bond, Series 2021	01/21/2021	2.00%	09/01/2025	\$ 2,350,000

Current maturities and interest on the subsequent general obligation bond for the next five years through maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 455,000	\$ 28,722	\$ 483,722
2022	450,000	37,900	487,900
2023	470,000	28,900	498,900
2024	480,000	19,500	499,500
2025	495,000	9,900	504,900
	<u>\$ 2,350,000</u>	<u>\$ 124,922</u>	<u>\$ 2,474,922</u>

4. Other information

A. Related party transactions

On March 1, 2009, the Commission entered into a lease with option to purchase with Scott County, Kansas, and the City of Scott City, Kansas, for the law enforcement building. The lease provides for payments from the County and City to finance the cost of bonds issued by the Commission for the construction of the building and other expenses of the building. Lease payments received during the current year totaling \$338,610. Future minimum lease payments, to be received through September 1, 2024, are as follows:

<u>Year</u>	<u>Rent Payments</u>
2021	\$ 332,650
2022	338,800
2023	339,500
2024	339,900
Total	<u>\$ 1,350,850</u>

SCOTT COUNTY PUBLIC BUILDING COMMISSION
SCOTT COUNTY, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2020

4. Other information (continued)

A. Related party transactions (continued)

On October 1, 2010, the Commission entered into a lease with option to purchase with Scott County, Kansas, for the Park Lane Nursing Home. The lease provides for payments from the County to finance the cost of bonds issued by the Commission for the construction and other expenses of the project. Lease payments received during the current year totaled \$503,710. Future minimum lease payments, to be received through September 1, 2025, are as follows:

Year	Rent Payments
2021	\$ 511,256
2022	512,819
2023	522,800
2024	526,938
2025	530,400
Total	<u>\$ 2,604,213</u>

B. 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 risks 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 Commission'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 Commission is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2020.

REGULATORY REQUIRED SUPPLEMENTAL INFORMATION

SCOTT COUNTY PUBLIC BUILDING COMMISSION
 SCOTT COUNTY, KANSAS
 General Fund
 Statement of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2020
 With Comparative Totals for the Prior Year Ended December 31, 2019

	Prior Year Actual	Current Year Actual
Receipts:		
Intergovernmental revenue	\$ 849,875	\$ 842,320
Interest on idle funds	2,055	110
Other income	175	195
Total receipts	<u>852,105</u>	<u>842,625</u>
Expenditures:		
Debt service	848,969	842,106
Contractual	2,200	2,220
Commodities	175	175
Total expenditures	<u>851,344</u>	<u>844,501</u>
Receipts over (under) expenditures	761	(1,876)
Unencumbered cash, beginning	<u>2,044</u>	<u>2,805</u>
Unencumbered cash, ending	<u><u>\$ 2,805</u></u>	<u><u>\$ 929</u></u>