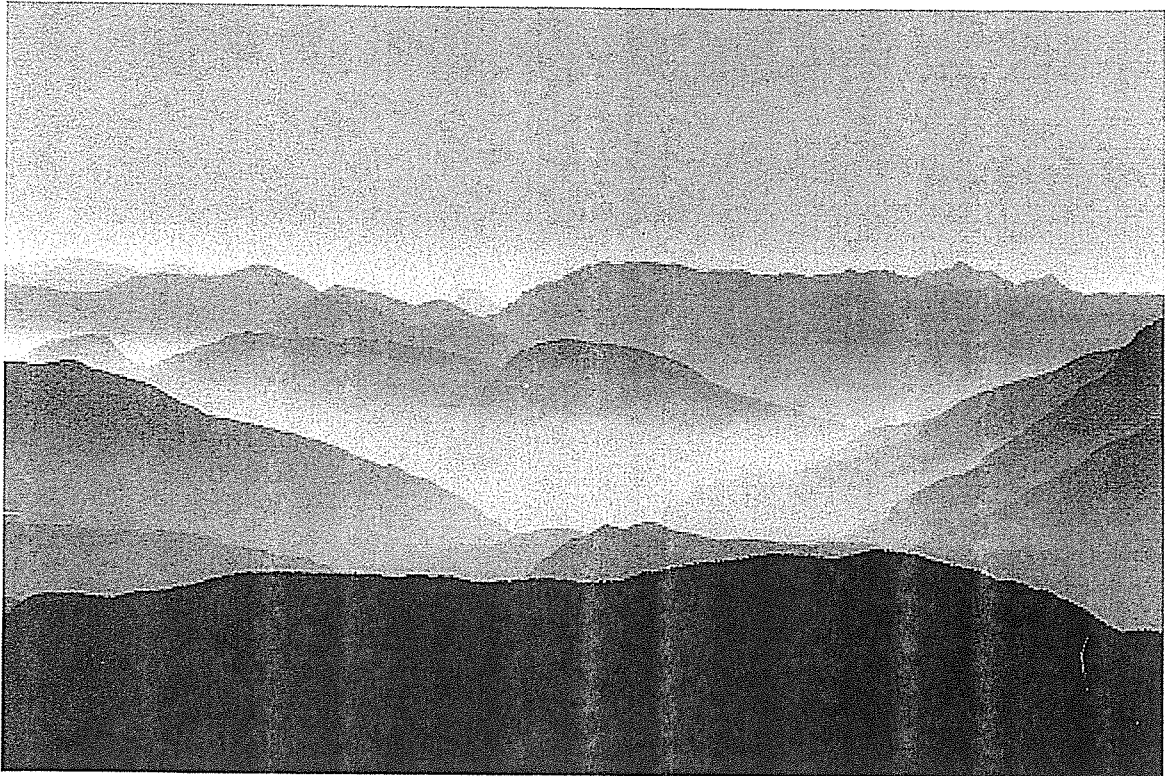


# City of St. Paul, Kansas



Annual Financial Report  
2018  
City of St. Paul, Kansas

City of St. Paul, Kansas  
Annual Financial Report  
For the Year Ended December 31, 2018

Mayor:

Jeff Gard

City Council:

Keith VanLeeuwen - Council President  
Lewis Hundley  
Jerod Norris  
James Voorhies  
Mike Grosdidier

City Officers:

City Clerk - Jeri Giefer  
City Treasurer - Alice Coomes  
City Attorney - Richard Tucker  
Municipal Judge - Thomas Milkulka

The Annual Financial Report was prepared by Jeri Giefer, City Clerk.

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City of St. Paul, Kansas  
Annual Financial Report  
For the Year Ended December 31, 2018

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JARRED, GILMORE & PHILLIPS, PA  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of St. Paul, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of St. Paul, Kansas, as of and for the year ended December 31, 2018 and the related notes to the financial statement.

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

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 2; 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.

***Auditors' 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 City'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 2 of the financial statement, the financial statement is prepared by the City of St. Paul, Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of St. Paul, Kansas as of December 31, 2018, 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 of St. Paul, Kansas as of December 31, 2018, 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 2.

***Other Matters***

***Supplemental 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, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts (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 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 2.



JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

March 29, 2019  
Chanute, Kansas

City of St Paul  
Summary Statement of Receipts, Expenditures and Unencumbered Cash  
For the Year Ended 12/31/2018

	Beginning Unencumbered Cash	Prior Year Cancelled Encumbrances	Receipts	Actual Expenditures	Ending Unencumbered Cash	Outstanding Encumbrances	Ending Cash
General Fund	\$ 127,194.02	\$ 0	\$ 299,180.15	\$ 291,524.31	\$ 134,849.86	\$ 2,312.52	\$ 137,162.38
Special Revenue							
Special Highway Fund	49,890.84	0	16,272.09	12,409.36	53,753.57	0	53,753.57
Parks and Rec Fund	35,887.96	0	690.00	789.00	35,788.96	0	35,788.96
Local Sales Tax Fund	79,091.52	0	73,249.86	51,240.58	101,100.80	0	101,100.80
Waterline Repair Fund	93,297.09	0	23,974.00	28,786.32	88,484.77	0	88,484.77
Capital Improve Res Fund	177,400.40	0	0	0	177,400.40	0	177,400.40
Capital Equip Res Fund	33,975.33	0	0	11,481.65	22,493.68	0	22,493.68
Water Bond Reserve Fund	25,045.80	0	0	0	25,045.80	0	25,045.80
Sewer Reserve Fund	47,741.35	0	0	21,030.42	26,710.93	0	26,710.93
Enterprise							
Grocery Store Fund	72,847.11	0	916,015.86	928,117.52	60,745.45	13,012.78	73,758.23
Water Fund	91,312.94	0	195,200.60	194,286.68	92,226.86	2,988.10	95,214.96
Sewer Fund	66,072.43	0	60,742.97	59,981.61	66,833.79	1,300.27	68,134.06
Sanitation Fund	389.84	0	40,353.94	40,354.80	388.98	0	388.98
Agency							
Payroll Clearing Fund	0	0	312,257.36	307,870.26	4,387.10	2,387.08	6,774.18
Sales Tax Clearing Fund	0	0	67,461.87	65,811.04	1,650.83	6,597.03	8,247.86
Deposit Clearing Fund	0	0	3,328.62	3,328.62	0	0	0
Penalty Clearing Fund	0	0	4,756.80	4,756.80	0	0	0
Total Reporting Entity	\$ 900,146.63	\$ 0	\$ 2,013,484.12	\$ 2,021,768.97	\$ 891,861.78	\$ 28,597.78	\$ 920,459.56
Composition of Cash:							
					Investments	\$	210,030.19
					Checking Account		709,595.37
					Other Accounts		834.00
					Total	\$	920,459.56

The Notes to the Financial Statement are an integral part of this statement

City of St. Paul  
St. Paul, Kansas  
Notes to the Financial Statement  
For the Year Ended December 31, 2018

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**1. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Management is aware of no statutory violations for the year ended December 31, 2018.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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.

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 statutory 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 City 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 annual budget is not required by State law for the following funds:

Capital Improvement Fund (Capital Projects Fund)  
Sewer Reserve Fund (Special Purpose Fund)  
Water Line Repair Fund (Special Purpose Fund)  
Water Bond Reserve Fund (Special Purpose Fund)  
Equipment Reserve Fund (Special Purpose Fund)

## Payroll Clearing Fund (Agency Fund)

This summary of significant accounting policies of the City is presented to assist in understanding the City's financial statement. The financial statement and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

## Financial Statement Presentation

### 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 activated of the City of St. Paul, Kansas, for the year of 2018:

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

**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.

**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.)

### 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 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 principles and allowing the municipality to use the regulatory basis of accounting.



## Reimbursements

The City records reimbursable expenditures as a cash receipt in the fund that was charged for the original expenditure. For purposes of budgetary comparison, the amount of the reimbursement is considered to be a budget credit.

## Capital Leases

Leases that, from the point of view of the City (the lessee), transfer substantially all the benefits and risks incident to ownership of property to the City, is to be considered capital leases. These are treated as an asset of the City and any related obligations are accounted for as a form of debt.

### 3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the city's funds have a main or branch bank in the county in which the City is located 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, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2018.

At December 31, 2018, the City's carrying amount of deposits was 919,625.56 and the bank balance was \$933,763.25. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$290,152.51 was covered by the federal depository insurance; \$643,610.74 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

#### 4. CAPITAL LEASES

The grocery store made payments on one active capital lease during the year ended December 31, 2018 - Grocery Store new registers, printers, scanners, etc.

**Grocery Store Equipment:** The St. Paul Market entered into a capital lease agreement dated July 29<sup>th</sup>, 2015 with Exchange State Bank to purchase NCR Slices SN#: 56-50629487, 56-50629501; Epson 6000 IV Printers SN#: TRAF156257, TRAF156435; NCR Touch Screens SN#: 83-48947187, 83-47832345; Magellan 8504 Scanner/Scales SN#: F14N13632, F14N13652; MFS 1 File Server No Display SN#: 40001000270795; Ishida BC-4000E Scale with Pole Display SN#: 1000115300; Including: Accessories, Software, Freight, Programming, Training and Installation. The St. Paul Supermarket agreed to make 60 monthly installments of \$324.45 each for a total of \$19,467. The imputed interest rate is 2.50%. The first monthly payment was made on August 29<sup>th</sup>, 2015 and the last payment will be made on August 29<sup>th</sup>, 2020. The lease payment for this capital lease will be made entirely from the Grocery Store Fund. The equipment is used at the St. Paul Supermarket for daily use of registers.

Grocery Store Equipment	2019	2020	Total
	3,893.76	2,271.63	6,165.39
Total Net Minimum Lease Payments			6,165.39
Less Imputed Interest			-126.56
Net Present Value			6,038.83
Less Current Maturities			-3,786.05
Long-Term Capital Lease Obligations			2,252.78

#### 5. LONG TERM DEBT COMMITMENTS

The City has the following long-term debt commitments:

- GO Bond Series 2003. These General Obligation bonds were issued in 2003. The original amount of the issue was \$645,000. The interest rate is 5.00 percent. The final payment on the bonds will be in 2024. The purpose of these bonds was for water plant and street project.
- GO Bond Series 2008-A. These General Obligations bonds were issued in 2008. The original amount of the issue was \$285,500. The interest rate is 4.375 percent. The final payment on the bonds will be made in 2048. The purpose of these bonds was for the River Intake Project.
- GO Bond Series 2008-B. These General Obligation bonds were issued in 2008. The original amount of the issue was \$264,500. The interest rate is 3.625 percent. The final payment on the bonds will be made in 2048. The purpose of these bonds was for the River Intake Project.

Changes in Long-Term Debt for the year ended December 31, 2018

Issue:	Beginning Unpaid Principal	Additions to Principal	Reductions to Principal	Ending Unpaid Principal	Interest Paid
GO Bond Series 2008-A	256,036	0	4,038	251,998	11,202
GO Bond Series 2008-B	232,885	0	4,185	228,700	8,442
GO Bond Series 2003	200,000	0	25,000	175,000	10,000
<b>Total Long-Term Debt</b>	<b>688,921</b>	<b>0</b>	<b>33,223</b>	<b>655,698</b>	<b>29,644</b>

	Year					Total
	2019	2020	2021	2022	2023	
<b>Principal:</b>						
GO Bond Series 2008-A	4,214	4,369	4,590	4,791	5,000	22,964
GO Bond Series 2008-B	4,337	4,472	4,656	4,825	5,000	23,290
GO Bond Series 2003	25,000	25,000	30,000	30,000	30,000	140,000
<b>Total Principal</b>	<b>33,551</b>	<b>33,841</b>	<b>39,246</b>	<b>39,616</b>	<b>40,000</b>	<b>186,254</b>
<b>Interest:</b>						
GO Bond Series 2008-A	11,024	10,840	10,649	10,448	10,238	53,199
GO Bond Series 2008-B	8,290	8,133	7,971	7,802	7,627	39,823
GO Bond Series 2003	8,750	7,500	6,250	4,750	3,250	30,500
<b>Total Interest</b>	<b>28,064</b>	<b>26,473</b>	<b>24,870</b>	<b>23,000</b>	<b>21,115</b>	<b>123,522</b>
<b>Total Principal &amp; Int.</b>	<b>61,615</b>	<b>60,314</b>	<b>64,116</b>	<b>62,616</b>	<b>61,115</b>	<b>309,776</b>

	Year					Total
	2024	2029	2034	2039	2044	
<b>Principal:</b>						
GO Bond Series 2008-A	28,422	35,243	43,660	54,088	67,621	229,034
GO Bond Series 2008-B	27,811	33,255	39,740	47,486	57,118	205,410
GO Bond Series 2003	35,000	0	0	0	0	35,000
<b>Total Principal</b>	<b>91,233</b>	<b>68,498</b>	<b>83,400</b>	<b>101,574</b>	<b>124,739</b>	<b>469,444</b>
<b>Interest:</b>						
GO Bond Series 2008-A	47,720	40,928	32,515	22,092	9,178	152,433
GO Bond Series 2008-B	35,284	29,862	23,381	15,637	6,383	110,547
GO Bond Series 2003	1,750	0	0	0	0	1,750
<b>Total Interest</b>	<b>84,754</b>	<b>70,790</b>	<b>55,896</b>	<b>37,729</b>	<b>15,561</b>	<b>264,730</b>
<b>Total Principal &amp; Int.</b>	<b>175,987</b>	<b>139,288</b>	<b>139,296</b>	<b>139,303</b>	<b>140,300</b>	<b>734,174</b>

## 6. COMMITMENTS

### GROCERY STORE - CONTRACT - RENFRO

As of September 1, 2013, the City has entered into a contract with Joe and Sue Renfro for the sale and transfer of St. Paul Supermarket. First scheduled payment was made on January 5<sup>th</sup>, 2014. The contract with Joe and Sue Renfro was paid in full January 2018.

### GROCERY STORE - CONTRACT - HEARTLAND

As of September 1, 2013, the City has entered into a contract with Heartland Rural Electric Company, Girard, Kansas, to complete the remaining balance of loan for St. Paul Supermarket. The contract with Heartland was paid in full January 2018.

## TOWER MAINTENANCE-CONTRACT

As of December 31, 2009, the City has entered into a maintenance contract for water tower maintenance. Scheduled maintenance payments for the year ended December 31, 2018, was \$20,080. Under the current agreements, the future minimum maintenance payments are as follows:

TOWER MAINTENANCE	2018	TOTAL
#1 Tower	9,608	9,608
#2 Tower	10,472	10,472

## 7. 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 issue a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS. 66603) or by calling 1-888-275-5737.

**Contributions.** K.S.A. 74-4919 and K.S.A. 74-49,210 establish member-employee contribution rates. KPERS have 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 contribution 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 the 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 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from the City of St. Paul were \$8,026 for the year ended December 31, 2018.

### Net Pension Liability

At December 31, 2018, the City of St. Paul's proportionate share of the collective net pension liability reported to KPERS was \$95,921. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City of St. Paul's proportion of the net pension liability was based on the ratio of the City of St. Paul's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

## 8. OTHER LONG-TERM OBLIGATIONS

### 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, 2018.

**Annual Leave.** All full-time officers and employees of the City shall be entitled to vacation leave as follows:

- From date of employment to December 31 of that year, considered first calendar year, one week (5 working days) will be earned for vacation.
- After second calendar year of employment, January to December, but less than ten calendar years of employment, two weeks (10 working days) will be earned for vacation.
- After ten calendar years of employment, three weeks (15 working days) will be earned for vacation.

Annual leave shall be paid at the employee's regular salary rate during each annual leave period. All requests for annual leave shall be submitted to the Supervisor.

The estimated liability at December 31, 2018, if all employees with an annual leave carryover balance were to terminate employment, would be \$10,089.68.

**Sick Leave.** All employees of the City that are scheduled to work 20 hours or more per pay period shall be entitled to sick leave for each quarter of service and shall be paid at the employee's regular rate during any such leave period, except that the term "sick leave" as herein used may include necessary absence from duty caused by injury sustained on the job, but does not include absence from work after the employee becomes eligible for worker's compensation disability benefits. Employees scheduled to work 25 hours per pay period shall earn one (1) day (8) hours of sick leave for each quarter of service worked. Employees scheduled to work 20 hours or more per pay period shall earn  $\frac{1}{2}$  day (4) hours of sick leave for each quarter of service worked. The sick leave provisions herein granted shall be accumulated from year to year, but no officer or employee shall be credited with more than two hundred hours (200) hours of accumulated sick leave. The Council may require satisfactory evidence of any illness or absence from duty at the time any payroll is approved.

The estimated liability at December 31, 2018, if all employees with accumulated sick leave were to terminate employment, would be \$5,047.15.

## **9. 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; employee's health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

## **10. LITIGATION**

The City is not a party to any legal proceedings at this time.

## **11. INTERFUND TRANSFERS**

The City made no operating transfers during the year ended December 31, 2018.

## **12. RELATED PARTY TRANSACTIONS**

The City paid \$250.00 during the year ended December 31, 2018 to Grosdidier Construction owned by Councilman Mike Grosdidier.

## **13. BUSINESS CONCENTRATIONS**

The City sold 41.66% of its water to Rural Water District #8 during the year ended December 31, 2018.

## **14. SUBSEQUENT EVENTS**

Management is not aware of any subsequent events that might have an impact on the City.

City of St Paul  
Summary of Expenditures - Actual and Budget  
For the Year Ended 12/31/2018

	Certified Budget	Actual Expenditures	Variance Favorable (Unfavorable)
General Fund	\$ 393,673.00	\$ 291,524.31	\$ 102,148.69
Special Revenue			
Special Highway Fund	60,688.00	12,409.36	48,278.64
Parks and Rec Fund	34,563.00	789.00	33,774.00
Local Sales Tax Fund	171,644.00	51,240.58	120,403.42
Waterline Repair Fund	92,312.00	28,786.32	63,525.68
Enterprise			
Grocery Store Fund	1,287,465.00	928,117.52	359,347.48
Water Fund	271,795.00	194,286.68	77,508.32
Sewer Fund	121,372.00	59,981.61	61,390.39
Sanitation Fund	45,001.00	40,354.80	4,646.20

City of St Paul  
General Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
Ad Valorem Taxes	\$ 134,967.00	\$ 144,003.74	\$ 9,036.74
Motor Vehicle Taxes	28,678.00	27,771.29	(906.71)
Redemptions	10,000.00	5,012.50	(4,987.50)
Rec Vehicle Taxes	231.00	123.77	(107.23)
16/20M Vehicle Taxes	495.00	321.24	(173.76)
Com Vehicle Taxes	7,646.00	8,154.21	508.21
Watercraft Taxes	41.00	111.25	70.25
Delinquent Tax	100.00	69.33	(30.67)
General Sales Tax	30,000.00	32,620.99	2,620.99
Rents	3,000.00	0	(3,000.00)
Alcoholic Beverage Tax	603.00	0	(603.00)
Franchise Fees	32,000.00	34,438.76	2,438.76
Fees, Licenses & Permits	300.00	756.02	456.02
Reinstate Fees	500.00	236.00	(264.00)
Diversions	3,400.00	3,600.00	200.00
Fines and Forfeitures	25,000.00	33,567.56	8,567.56
Charges for Services	100.00	334.00	234.00
Grocery Store Receipts	0	(2.42)	(2.42)
Interest Income	1,500.00	2,823.11	1,323.11
Dividends	1,000.00	0	(1,000.00)
Equipment	3,600.00	0	(3,600.00)
Reimbursed Expenses	5,000.00	5,238.80	238.80
Total Receipts	288,161.00	299,180.15	11,019.15
<u>Expenditures</u>			
General Government			
Personal Services	130,360.00	93,390.50	36,969.50
Contractual Services	113,800.00	136,092.63	(22,292.63)
Materials and Supplies	33,800.00	6,987.05	26,812.95
Capital Outlay	9,000.00	0	9,000.00
	286,960.00	236,470.18	50,489.82
Municipal Court			
Personal Services	1,200.00	649.60	550.40
Contractual Services	15,600.00	15,700.00	(100.00)
	16,800.00	16,349.60	450.40
Fire			
Personal Services	6,000.00	4,365.42	1,634.58
Contractual Services	13,000.00	11,894.26	1,105.74
Materials and Supplies	1,000.00	2,401.25	(1,401.25)
	20,000.00	18,660.93	1,339.07
Streets			
Personal Services	20,000.00	17,968.18	2,031.82
Materials and Supplies	24,800.00	0	24,800.00
	44,800.00	17,968.18	26,831.82
Parks and Recreation			
Personal Services	879.00	985.00	(106.00)
Contractual Services	7,139.00	918.81	6,220.19
Materials and Supplies	17,095.00	171.61	16,923.39
	25,113.00	2,075.42	23,037.58
Total Expenditures	393,673.00	291,524.31	102,148.69



City of St Paul  
General Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Receipts Over (Under) Expenditures		7,655.84	
Beginning Unencumbered Cash		127,194.02	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 134,849.86</u>	

City of St Paul  
Special Highway Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Receipts			
Motor Fuel Tax	\$ 16,250.00	\$ 16,272.09	\$ 22.09
Total Receipts	16,250.00	16,272.09	22.09
Expenditures			
Streets			
Contractual Services	28,962.00	0	28,962.00
Materials and Supplies	31,726.00	12,409.36	19,316.64
	60,688.00	12,409.36	48,278.64
Total Expenditures	60,688.00	12,409.36	48,278.64
Receipts Over (Under) Expenditures		3,862.73	
Beginning Unencumbered Cash		49,890.84	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		\$ 53,753.57	

City of St Paul  
Parks and Rec Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
Rents	\$ 500.00	\$ 500.00	\$ 0
Alcoholic Beverage Tax	602.00	0	(602.00)
Fees, Licenses & Permits	0	190.00	190.00
Total Receipts	<u>1,102.00</u>	<u>690.00</u>	<u>(412.00)</u>
<u>Expenditures</u>			
Parks and Recreation			
Contractual Services	10,000.00	100.00	9,900.00
Materials and Supplies	10,131.00	689.00	9,442.00
Capital Outlay	14,432.00	0	14,432.00
Total Expenditures	<u>34,563.00</u>	<u>789.00</u>	<u>33,774.00</u>
	<u>34,563.00</u>	<u>789.00</u>	<u>33,774.00</u>
Receipts Over (Under) Expenditures		(99.00)	
Beginning Unencumbered Cash		35,887.96	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 35,788.96</u>	

City of St Paul  
Local Sales Tax Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
General Sales Tax	\$ 80,000.00	\$ 73,249.86	\$ (6,750.14)
Total Receipts	<u>80,000.00</u>	<u>73,249.86</u>	<u>(6,750.14)</u>
<u>Expenditures</u>			
Economic Development			
Contractual Services	72,841.00	51,240.58	21,600.42
Materials and Supplies	72,210.00	0	72,210.00
Capital Outlay	26,593.00	0	26,593.00
	<u>171,644.00</u>	<u>51,240.58</u>	<u>120,403.42</u>
Total Expenditures	<u>171,644.00</u>	<u>51,240.58</u>	<u>120,403.42</u>
Receipts Over (Under) Expenditures		22,009.28	
Beginning Unencumbered Cash		79,091.52	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 101,100.80</u>	

City of St Paul  
Waterline Repair Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
Water line repair chrg	\$ 17,820.00	\$ 23,974.00	\$ 6,154.00
Total Receipts	<u>17,820.00</u>	<u>23,974.00</u>	<u>6,154.00</u>
<u>Expenditures</u>			
Waterline Repair			
Contractual Services	35,000.00	3,706.32	31,293.68
Tower Maintenance	22,000.00	20,080.00	1,920.00
Materials and Supplies	35,312.00	0	35,312.00
GO Bond Interest	0	5,000.00	(5,000.00)
	<u>92,312.00</u>	<u>28,786.32</u>	<u>63,525.68</u>
Total Expenditures	<u>92,312.00</u>	<u>28,786.32</u>	<u>63,525.68</u>
Receipts Over (Under) Expenditures		(4,812.32)	
Beginning Unencumbered Cash		93,297.09	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 88,484.77</u>	

City of St Paul  
 Capital Improve Res Fund  
 Schedule of Receipts and Expenditures  
 for the Year-to-Date as of: 12/31/2018

	Actual
Receipts	
None	\$ 0
Total Receipts	0
Expenditures	
Department Code - None	
Expenditure Code - None	0
Total Expenditures	0
Receipts Over (Under) Expenditures	0
Beginning Unencumbered Cash	177,400.40
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 177,400.40

City of St Paul  
Capital Equip Res Fund  
Schedule of Receipts and Expenditures  
for the Year-to-Date as of: 12/31/2018

	Actual
<u>Receipts</u>	
None	\$ 0
Total Receipts	<u>0</u>
<u>Expenditures</u>	
Utilities	
Contractual Services	5,883.27
	<u>5,883.27</u>
Capital Outlay	
Contractual Services	5,598.38
	<u>5,598.38</u>
Total Expenditures	<u>11,481.65</u>
Receipts Over (Under) Expenditures	(11,481.65)
Beginning Unencumbered Cash	33,975.33
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	<u><u>\$ 22,493.68</u></u>

City of St Paul  
Water Bond Reserve Fund  
Schedule of Receipts and Expenditures  
for the Year-to-Date as of: 12/31/2018

	Actual
<u>Receipts</u>	
None	\$ 0
Total Receipts	<u>0</u>
<u>Expenditures</u>	
Department Code - None	
Expenditure Code - None	<u>0</u>
Total Expenditures	<u>0</u>
Receipts Over (Under) Expenditures	0
Beginning Unencumbered Cash	25,045.80
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	<u><u>\$ 25,045.80</u></u>



City of St Paul  
Sewer Reserve Fund  
Schedule of Receipts and Expenditures  
for the Year-to-Date as of: 12/31/2018

	Actual
Receipts	
None	\$ 0
Total Receipts	0
Expenditures	
Sewer	
Contractual Services	21,030.42
	21,030.42
Total Expenditures	21,030.42
Receipts Over (Under) Expenditures	(21,030.42)
Beginning Unencumbered Cash	47,741.35
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	\$ 26,710.93

City of St Paul  
Grocery Store Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
Grocery Store Receipts	\$1,110,000.00	\$ 916,015.86	\$ (193,984.14)
Total Receipts	<u>1,110,000.00</u>	<u>916,015.86</u>	<u>(193,984.14)</u>
<u>Expenditures</u>			
Grocery Store			
Personal Services	181,625.00	165,651.65	15,973.35
Contractual Services	175,475.00	72,760.49	102,714.51
Materials and Supplies	865,633.00	681,645.31	183,987.69
Capital Outlay	56,630.00	0	56,630.00
Loan Pymt	4,208.00	4,166.67	41.33
Lease-Purchases	3,894.00	3,893.40	.60
	<u>1,287,465.00</u>	<u>928,117.52</u>	<u>359,347.48</u>
Total Expenditures	<u>1,287,465.00</u>	<u>928,117.52</u>	<u>359,347.48</u>
Receipts Over (Under) Expenditures		(12,101.66)	
Beginning Unencumbered Cash		72,847.11	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 60,745.45</u>	

City of St Paul  
Water Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
Fees, Licenses & Permits	\$ 1,500.00	\$ 0	\$ (1,500.00)
Charges for Services	180,000.00	193,685.60	13,685.60
Utility Service Charges	0	890.00	890.00
Utility Meter Connection	800.00	625.00	(175.00)
Total Receipts	<u>182,300.00</u>	<u>195,200.60</u>	<u>12,900.60</u>
<u>Expenditures</u>			
<u>Water</u>			
Personal Services	65,760.00	36,209.38	29,550.62
Contractual Services	56,800.00	60,642.91	(3,842.91)
Materials and Supplies	66,879.00	39,567.73	27,311.27
Capital Outlay	19,490.00	0	19,490.00
GO Bond Principal	0	33,223.00	(33,223.00)
GO Bond Interest	0	19,643.66	(19,643.66)
	<u>208,929.00</u>	<u>189,286.68</u>	<u>19,642.32</u>
<u>Debt Service</u>			
GO Bond Principal	33,223.00	0	33,223.00
GO Bond Interest	29,643.00	5,000.00	24,643.00
	<u>62,866.00</u>	<u>5,000.00</u>	<u>57,866.00</u>
Total Expenditures	<u>271,795.00</u>	<u>194,286.68</u>	<u>77,508.32</u>
Receipts Over (Under) Expenditures		913.92	
Beginning Unencumbered Cash		91,312.94	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 92,226.86</u>	

City of St Paul  
Sewer Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
<u>Receipts</u>			
Charges for Services	\$ 55,000.00	\$ 60,742.97	\$ 5,742.97
Total Receipts	<u>55,000.00</u>	<u>60,742.97</u>	<u>5,742.97</u>
<u>Expenditures</u>			
Sewer			
Personal Services	52,000.00	49,992.28	2,007.72
Contractual Services	26,338.00	6,762.07	19,575.93
Materials and Supplies	33,034.00	3,227.26	29,806.74
	<u>111,372.00</u>	<u>59,981.61</u>	<u>51,390.39</u>
Transfers Out			
Transfer to Sewer Res	10,000.00	0	10,000.00
	<u>10,000.00</u>	<u>0</u>	<u>10,000.00</u>
Total Expenditures	<u>121,372.00</u>	<u>59,981.61</u>	<u>61,390.39</u>
Receipts Over (Under) Expenditures		761.36	
Beginning Unencumbered Cash		66,072.43	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 66,833.79</u>	

City of St Paul  
Sanitation Fund  
Schedule of Receipts and Expenditures - Actual and Budget  
for the Year-to-Date as of: 12/31/2018

	Certified Budget	Actual	Variance - Favorable (Unfavorable)
Receipts			
Charges for Services	\$ 45,000.00	\$ 40,353.94	\$ (4,646.06)
Total Receipts	<u>45,000.00</u>	<u>40,353.94</u>	<u>(4,646.06)</u>
Expenditures			
Trash			
Contractual Services	45,001.00	40,354.80	4,646.20
	<u>45,001.00</u>	<u>40,354.80</u>	<u>4,646.20</u>
Total Expenditures	<u>45,001.00</u>	<u>40,354.80</u>	<u>4,646.20</u>
Receipts Over (Under) Expenditures		(.86)	
Beginning Unencumbered Cash		389.84	
Prior Year Cancelled Encumbrances		0	
Ending Unencumbered Cash		<u>\$ 388.98</u>	

City of St Paul  
Payroll Clearing Fund  
Schedule of Receipts and Expenditures  
for the Year-to-Date as of: 12/31/2018

	<u>Actual</u>
<u>Receipts</u>	
Payroll Clearing	\$ 312,257.36
Total Receipts	<u>312,257.36</u>
<u>Expenditures</u>	
Agency Clearing	
Payroll Clearing	307,870.26
Total Expenditures	<u>307,870.26</u>
Receipts Over (Under) Expenditures	<u>4,387.10</u>
Beginning Unencumbered Cash	0
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	<u><u>\$ 4,387.10</u></u>

City of St Paul  
Sales Tax Clearing Fund  
Schedule of Receipts and Expenditures  
for the Year-to-Date as of: 12/31/2018

	<u>Actual</u>
Receipts	
<u>Sales Tax Clearing</u>	<u>\$ 67,461.87</u>
Total Receipts	<u>67,461.87</u>
Expenditures	
<u>Agency Clearing</u>	
Sales Tax Clearing	65,811.04
	<u>65,811.04</u>
Total Expenditures	<u>65,811.04</u>
Receipts Over (Under) Expenditures	<u>1,650.83</u>
Beginning Unencumbered Cash	0
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	<u><u>\$ 1,650.83</u></u>

City of St Paul  
Deposit Clearing Fund  
Schedule of Receipts and Expenditures  
for the Year-to-Date as of: 12/31/2018

	<u>Actual</u>
<u>Receipts</u>	
Deposit Clearing	\$ 3,328.62
Total Receipts	<u>3,328.62</u>
<u>Expenditures</u>	
Agency Clearing	
Deposit Clearing	3,328.62
Total Expenditures	<u>3,328.62</u>
Receipts Over (Under) Expenditures	0
Beginning Unencumbered Cash	0
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	<u><u>\$ 0</u></u>



City of St Paul  
 Penalty Clearing Fund  
 Schedule of Receipts and Expenditures  
 for the Year-to-Date as of: 12/31/2018

	Actual
Receipts	
<u>Penalty Clearing</u>	<u>\$ 4,756.80</u>
Total Receipts	<u>4,756.80</u>
Expenditures	
<u>Agency Clearing</u>	
Penalty Clearing	<u>4,756.80</u>
Total Expenditures	<u>4,756.80</u>
Receipts Over (Under) Expenditures	0
Beginning Unencumbered Cash	0
Prior Year Cancelled Encumbrances	0
Ending Unencumbered Cash	<u><u>\$ 0</u></u>



The Honorable Mayor and City Council  
City of St. Paul, Kansas

In planning and performing our audit of the financial statement of City of St. Paul, Kansas as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered City of St. Paul's 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 St. Paul's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Paul's 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.

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

#### 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 statements. 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.

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

A handwritten signature in cursive script that reads 'Jarred, Gilmore &amp; Phillips, PA'.

JARRED, GILMORE & PHILLIPS, PA  
Certified Public Accountants

Chanute, Kansas  
March 29, 2019

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Jarred, Gilmore & Phillips, PA  
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