

**City of Scranton
Osage County, Kansas**

**Independent Auditors' Report and
Regulatory Basis Financial Statement
Year Ended December 31, 2020**

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City of Scranton
Osage County, Kansas

Regulatory Basis Financial Statement
Year Ended December 31, 2020

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Independent Auditors' Report

To the Mayor and City Council
City of Scranton, Kansas

I have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Scranton, Kansas, a municipality, as of and for the year ended December 31, 2020 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 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit and Accounting Guide. Those standards and the Kansas Municipal Audit and Accounting Guide require that I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Adverse Opinion on the U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the City of Scranton, Kansas prepared this financial statement to meet the requirements of the State of 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 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In my opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the 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 Scranton, Kansas, as of December 31, 2020, or the changes in its financial position or cash flows for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Scranton, Kansas, 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 Regulatory – Required Supplementary Information

My audit was conducted for the purpose of forming an opinion on the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (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 but are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. All supplementary 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 my 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.

I also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Scranton, Kansas as of and for the year ended December 31, 2019 (not presented herein), and have issued my report dated November 4, 2020, which contained an unmodified opinion on the basic financial statement. The 2019 basic financial statement and my report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/chief-financial-officer/municipal-services/municipal-audits>. 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, 2020 (Schedule 2 as listed in the table of contents) is presented for analysis and are 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 has been 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 my 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.



Cindy Jensen, CPA
Council Grove, Kansas
October 25, 2021

City of Scranton
Osage County, Kansas

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

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances & Accounts Payable	Ending Cash Balance
General Fund	\$ 357,440	\$ 0	\$ 377,301	\$ 378,425	\$ 356,316	\$ 20,024	\$ 376,340
Special Purpose Funds							
Special Parks	3,654	0	934	0	4,588	0	4,588
Parks and Recreation	22,900	0	4,704	1,867	25,737	0	25,737
Special Development	59,146	0	0	5,000	54,146	5,000	59,146
Special Highway	0	0	17,824	705	17,119	705	17,824
Special Fire	2,260	0	275	1,694	841	1,694	2,535
Equipment Reserve	76,200	0	0	0	76,200	0	76,200
Donations	0	0	1,020	0	1,020	0	1,020
Business Fund							
Sewer	102,500	0	167,513	156,818	113,195	2,630	115,825
Water	180,367	0	381,769	230,588	331,548	8,176	339,724
Water reserve	22,251	0	7,417	0	29,668	0	29,668
Electric	1,264,906	0	555,617	481,404	1,339,119	47,992	1,387,111
Solid Waste	30,681	0	64,023	56,412	38,292	5,202	43,494
Total Reporting Entity	<u>\$ 2,122,305</u>	<u>\$ 0</u>	<u>\$ 1,578,397</u>	<u>\$ 1,312,913</u>	<u>\$ 2,387,789</u>	<u>\$ 91,423</u>	<u>\$ 2,479,212</u>

Composition of Cash Balance:

Checking accounts	\$ 1,693,972
Certificates of Deposit	785,040
Cash on hand	200
Total Reporting Entity	<u>\$ 2,479,212</u>

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

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 1 – Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The more significant accounting policies are described below.

Financial Reporting Entity – The City of Scranton is a governmental entity and operates under a Mayor-Council form of government. It provides the following services to its approximately 700 residents: public safety, streets, sanitation, electric, water, parks and recreation, and general administrative services.

Regulatory Basis Fund Types – The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State statutes and City ordinances. The following types of funds comprise the financial activities of the City.

General Fund – The chief operating fund of the City. It is used to account for all financial 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 projects 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.

Business Funds – these are financed in whole or in part by fees charged to users of the goods or services. Business funds are operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of receipts, expenses, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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 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.

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 1 – Summary of Significant Accounting Policies (Cont.)

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 of the proposed budget and notice of public hearing on the budget on or before August 5th.
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 the governing body may amend the budget at that time. There were no such budget amendments for this year.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting in which 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, trust funds, and certain other special purpose funds as noted in the presentation of the appropriate Schedule 2.

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 – Stewardship, Compliance, and Accountability

Compliance with Finance-Related Legal and Contractual Obligations - References made herein to the statutes are not intended as interpretations of law but are offered for consideration of the Director of Accounts and Reports and legal representatives of the City.

K.S.A. 12-1608 requires the City to annually publish financial statements. The City did not make this publication.

Management is not aware of any other items of noncompliance with Kansas statutes.

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 3 – Cash and 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.

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 other policies 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 – 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 FDIC insurance, or by collateral held under a joint custody receipts 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 does not designate "peak periods". The City's deposits were legally secured at December 31, 2020.

The City maintains a cash pool that is available for use by all funds. At year-end the carrying amount of the City's deposits, was \$2,479,012. The bank balance, held at one bank, was \$2,489,401, resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and \$2,239,401 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

Note 4 – Property Taxes

The City certifies its' budget to the County Clerk annually. Using this certified budget and those of other political subdivisions within the County, the County Clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year, and the second installment is due May 10 of the subsequent year. The County collects and distributes the property tax. In accordance with State statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operations.

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 5 – Defined Benefit Pension Plan

Plan Description - The City of Scranton, Kansas 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 may be found on the website at www.kpers.org or by writing to KPERS (611 S 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 KPERS 1, KPERS 2, or a KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 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 rate for KPERS 1, KPERS 2, and KPERS 3 to 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 1.0% contribution rate for the 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 \$17,902 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 \$166,032. The net pension liability was measured as of June 30, 2019, 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 within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 6 – Long-Term Debt

General Obligation Bonds – Series 2012A These bonds were used to finance a sewer system upgrade and the City issued them on March 28, 2012 in the amount of \$2,420,000. The bonds carry an interest rate of 3%. Annual payments began on March 28, 2013.

General Obligation Bonds – Series 2016A The City issued these bonds in the amount of \$1,229,000 on January 14, 2016. USDA Rural Development purchased the bonds at the rate of 2.50%. The bonds provided funds for the payment of the temporary financing from KDHE, the Rural Water District loan, and Series 1982A Revenue bonds.

Lease Agreements

The City entered into a lease agreement with Kansas State Bank for the purchase of a 2016 Dodge Charger police cruiser on March 31, 2017. Five annual payments of \$4,651 were scheduled. The first payment was scheduled in March 2018. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments are made from the general fund.

The City entered into a lease agreement with Kansas State Bank for the purchase of a 2008 Dodge 550 bucket truck on July 17, 2017. Five annual payments of \$6,822 were scheduled. The first payment was scheduled on July 17, 2018. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments are made from the electric fund.

The City entered into a lease agreement with Kansas State Bank for the purchase of a 2016 Ford Police Interceptor on November 17, 2017. Five annual payments of \$5,150 were scheduled. The first payment was scheduled on November 17, 2018. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments are made from the general fund.

The City entered into a lease agreement with Kansas State Bank for the purchase of a track loader and attachments on February 11, 2019. Five annual payments of \$9,556 are scheduled. The first payment was scheduled on February 11, 2020. The lease terminates in any budgeted year in which insufficient appropriated funds exist to meet the lease obligation, and the City must return the leased equipment to the lessor. Payments are made from the general, water, and sewer fund.

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 6 – Long-Term Debt (Cont.)

Changes in long-term liabilities for the City for the year ended December 31, 2020 are as follows:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Due January 1</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance Due December 31</u>	<u>Interest Paid</u>
General Obligation Bonds:									
Sewer Series 2012A	3.00%	3/28/2012	2,420,000	3/28/2052	\$ 2,190,000	\$ 0	\$ 35,000	\$ 2,155,000	\$ 65,700
Water Series 2016A	2.50%	1/14/2016	1,229,000	1/14/2056	1,155,000	0	20,000	1,135,000	28,875
Lease Purchase									
KSB-2016 Dodge Charger	3.50%	3/31/2017	21,000	3/31/2022	13,030	0	4,194	8,836	457
KSB-2008 Dodge 550 trk	3.50%	7/17/2017	30,800	7/17/2022	19,111	0	6,151	12,960	671
KSB-2016 Ford Interceptor	3.50%	11/17/2017	23,250	11/17/2022	14,426	0	4,643	9,783	506
KSB-Track loader	4.40%	2/11/2019	42,065	2/11/2024	42,065	0	7,705	34,360	1,851
Total contractual indebtedness					<u>\$ 3,433,632</u>	<u>\$ 0</u>	<u>\$ 77,693</u>	<u>\$ 3,355,939</u>	<u>\$ 98,060</u>

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 6 – Long-Term Debt (Cont.)

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

	2021	2022	2023	2024	2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	2051-2055	Total
Principal												
GO Series 2012A	\$ 40,000	\$ 40,000	\$ 40,000	\$ 45,000	\$ 45,000	\$ 240,000	\$ 290,000	\$ 340,000	\$ 395,000	\$ 465,000	\$ 215,000	\$ 2,155,000
GO Series 2016A	21,000	21,000	22,000	22,000	23,000	120,000	136,000	155,000	180,000	205,000	230,000	1,135,000
KSB-16 Dodge	4,342	4,494	0	0	0	0	0	0	0	0	0	8,836
KSB-08 Dodge 550	6,369	6,591										12,960
KSB-16 Ford Interceptor	4,807	4,976	0	0	0	0	0	0	0	0	0	9,783
KSB-Track loader	8,040	8,398	8,768	9,154	0	0	0	0	0	0	0	34,360
Total Principal	84,558	85,459	70,768	76,154	68,000	360,000	426,000	495,000	575,000	670,000	445,000	3,355,939
Interest												
GO Series 2012A	64,650	63,450	62,250	61,050	59,700	277,800	238,800	192,300	138,300	75,150	9,750	1,243,200
GO Series 2016A	28,375	27,850	27,325	26,775	26,225	122,400	106,650	88,750	68,125	44,375	17,500	584,350
KSB-16 Dodge	309	157	0	0	0	0	0	0	0	0	0	466
KSB-08 Dodge 550	453	231										684
KSB-16 Ford Interceptor	342	174	0	0	0	0	0	0	0	0	0	516
KSB-Track loader	1,516	1,158	789	403								3,866
Total Interest	95,645	93,020	90,364	88,228	85,925	400,200	345,450	281,050	206,425	119,525	27,250	1,833,082
Total Prin & Interest	<u>\$ 180,203</u>	<u>\$ 178,479</u>	<u>\$ 161,132</u>	<u>\$ 164,382</u>	<u>\$ 153,925</u>	<u>\$ 760,200</u>	<u>\$ 771,450</u>	<u>\$ 776,050</u>	<u>\$ 781,425</u>	<u>\$ 789,525</u>	<u>\$ 472,250</u>	<u>\$ 5,189,021</u>

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 7 – Other Long-Term Obligations from Operations

Compensated Absences The City of Scranton provides sick and vacation leave to its employees. Each full-time employee is entitled to 8 hours of sick leave per month of service, and part-time employees working at least 20 hours per month earn 4 hours of sick leave per month. Maximum sick leave accumulation is 1,040 hours. Upon separation of service, no amount is paid to the employee for unused sick leave. Full-time employees with less than 5 years of service earn 8 hours of vacation for each month of service. Employees with 5-10 years of service earn 10 hours of vacation per month; 10-15 years of service earn 12 hours per month; and over 15 years of service earn 14 hours per month. Part-time employees who work at least 20 hours per week earn 4 hours of vacation for each month of service. Maximum accumulations vary based on years of service, but no employee can accumulate more than 240 hours of vacation leave. Upon separation of service, employees are paid for unused vacation leave at their regular rate of pay. Payments are made from the fund that corresponds to the employee's assignment.

Other Post-Employment Benefits 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. There is no cost to the City under this program.

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.

Deposits The City requires customers to provide a security deposit on all utility services of \$200. Renters deposits are held until service is terminated. Owner's deposits are refunded after 2 years with consecutive timely payments or after 10 years whichever is earlier.

Note 8 – Contracts

The City entered into a contract with Osage Waste Disposal, Inc. to provide for the collection and disposal of solid waste generated in the City. For the year ended December 31, 2020, the City paid Osage Waste Disposal, Inc. \$54,794.

The City contracted with the Rural Water District No. 5, Osage County, Kansas on February 19, 1981 to purchase its water. The contract term was 40 years. The City agreed to pay \$400,000 to RWD#5 for the connection charge. Upon executing the contract, the City paid \$20,000 down and agreed to pay the remaining \$380,000 connection charge at an interest rate of 5% at \$1,900 monthly. In 2016, the City paid the remaining balance of \$70,336 in full with the issuance of 2016 GO Bonds. The City subsequently pays only the additional amount for gallons used. During 2020, the City paid RWD#5 \$69,566 for water purchases.

On November 1, 2012, the City contracted with Evergy for its electricity purchases. The contract expires on the last day of the 20th full contract year. During 2020, the City purchased KWH at a total cost of \$339,072.

Note 9 – Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has been unable to obtain workmen's compensation at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the state to participate in the Kansas Municipal Insurance Trust (KMIT), a public risk pool currently operating as a common risk management and insurance program for its participating members. The City pays an annual premium to KMIT for its worker's compensation insurance coverage. The City, along with other participating entities, contributes annual amounts as determined by KMIT management and underwriters. The agreement to participate provides that the KMIT will be self-sustaining through member premiums with a self-insured retention of

City of Scranton, Kansas
Osage County, Kansas

Notes to the Financial Statement
December 31, 2020

Note 9 – Claims and Judgments (Cont)

\$750,000. A member is only responsible for additional contributions to the KMIT trust which relate to claims arising out of occurrences in years in which the City is a member of the trust. As claims arise, they are submitted to and paid by KMIT.

The City continues to carry commercial insurance for other risks of loss including property and liability insurance. There were no significant reductions insurance coverage from coverage in prior years.

The City participates in Federal and State programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulation, the City may be required to reimburse the grantor government. Any disallowed claim resulting from such audit could become a liability of the City. However, in the opinion of management, any such disallowed claim would not have a material effect on the financial statements of the City at December 31, 2020.

Note 10 – Transfers

The City transferred monies between funds as allowed by applicable Kansas statutes. The following schedule details transfers made in 2020:

From	To	Regulatory Authority	Amount
Water	Water Reserve	USDA LOC	\$ 7,417

Note 11 – CDBG grant

In 2021, the City received a CDBG grant of \$125,400 from the Kansas Department of Commerce for a program to help those affected by the COVID-19 pandemic. These funds were all expended in 2021.

Note 12- American Rescue Plan Act

On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed by the President. ARPA is a \$1.9 trillion economic stimulus plan which allocates to the State of Kansas \$5 billion in funds. Included in those funds are \$103,464 of funds available to the City of Scranton. To date, the City has received \$51,732. The remaining funds are scheduled to be received no earlier than one year later. The City's uses of these funds are currently being planned based on developing federal guidance.

Note 13 – Subsequent Events

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date that the financial statement was available to be issued.

Regulatory – Required Supplementary Information

City of Scranton
Osage County, Kansas

Schedule 1

Summary of Expenditures-Actual and Budget
Regulatory Basis
Budgeted Funds Only
For the Year Ended December 31, 2020

FUNDS	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General Fund	\$ 418,575	\$ 0	\$ 418,575	\$ 378,425	\$ (40,150)
Special Purpose Funds					
Special Parks	4,744	0	4,744	0	(4,744)
Parks & Recreation	25,865	0	25,865	1,867	(23,998)
Special Development	59,146	0	59,146	5,000	(54,146)
Special Highway	62,576	0	62,576	705	(61,871)
Special Fire	2,405	0	2,405	1,694	(711)
Business Funds					
Sewer	175,328	0	175,328	156,818	(18,510)
Water	344,124	0	344,124	230,588	(113,536)
Electric	603,481	0	603,481	481,404	(122,077)
Solid Waste	69,203	0	69,203	56,412	(12,791)

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2A

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

GENERAL FUND

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Osage County	\$ 189,363	\$ 206,367	\$ 196,843	\$ 9,524
Sales & Use Tax-City	39,964	42,821	35,000	7,821
Sales & Use Tax-County	37,287	40,038	35,000	5,038
Franchise	5,615	5,401	5,000	401
Fire grant	0	25,000	0	25,000
Liquor tax	1,910	934	1,500	(566)
Licenses & Permits	1,010	764	1,000	(236)
Fines & Court	5,608	10,158	7,000	3,158
Use of Money and Property	12,854	12,671	4,000	8,671
Other	10,956	33,147	1,000	32,147
Total Receipts	<u>304,567</u>	<u>377,301</u>	<u>286,343</u>	<u>90,958</u>
Expenditures				
Admin				
Personal	21,640	20,268	41,237	(20,969)
Contractual	10,847	13,680	18,021	(4,341)
Commodities	3,546	22,376	13,570	8,806
Capital Outlay	0	0	1,060	(1,060)
Streets				
Personal	23,159	22,584	17,809	4,775
Contractual	3,408	6,637	8,905	(2,268)
Commodities	51,661	122,177	128,544	(6,367)
Fire				
Personal	650	328	617	(289)
Contractual	5,265	4,103	5,146	(1,043)
Commodities	7,381	34,066	7,204	26,862
Parks & Recreation				
Personal	4,723	2,970	2,756	214
Contractual	11,987	8,555	9,777	(1,222)
Commodities	1,496	1,134	2,968	(1,834)
Law Enforcement				
Personal	47,815	81,433	68,375	13,058
Contractual	16,220	11,748	27,398	(15,650)
Commodities	17,660	17,343	19,082	(1,739)
Court				
Personal	4,611	4,381	6,587	(2,206)
Contractual	3,871	4,533	7,103	(2,570)
Commodities	156	109	636	(527)
Transfers out	0	0	31,780	(31,780)
Total Expenditures	<u>236,096</u>	<u>378,425</u>	<u>418,575</u>	<u>(40,150)</u>
Receipts Over (Under) Expenditures	68,471	(1,124)	<u>\$ (132,232)</u>	<u>\$ 131,108</u>
Unencumbered Cash, January 1	288,969	357,440		
Unencumbered Cash, December 31	<u>\$ 357,440</u>	<u>\$ 356,316</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2B

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

SPECIAL PARKS

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
State of Kansas	\$ 1,910	\$ 934	\$ 1,500	\$ (566)
Other	0	0	0	0
Total Receipts	<u>1,910</u>	<u>934</u>	<u>1,500</u>	<u>(566)</u>
Expenditures				
Parks & recreation	0	0	4,744	(4,744)
Park project	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>4,744</u>	<u>(4,744)</u>
Receipts Over (Under) Expenditures	1,910	934	<u>\$ (3,244)</u>	<u>\$ 4,178</u>
Unencumbered Cash, January 1	<u>1,744</u>	<u>3,654</u>		
Unencumbered Cash, December 31	<u>\$ 3,654</u>	<u>\$ 4,588</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2C

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

PARKS AND RECREATION

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Donations	\$ 8,581	\$ 4,704	\$ 5,000	\$ (296)
Other	0	0	0	0
Total Receipts	<u>8,581</u>	<u>4,704</u>	<u>5,000</u>	<u>(296)</u>
Expenditures				
Parks & recreation	3,900	1,867	25,865	(23,998)
Other	0	0	0	0
Total Expenditures	<u>3,900</u>	<u>1,867</u>	<u>25,865</u>	<u>(23,998)</u>
Receipts Over (Under) Expenditures	4,681	2,837	<u>\$ (20,865)</u>	<u>\$ 23,702</u>
Unencumbered Cash, January 1	<u>18,219</u>	<u>22,900</u>		
Unencumbered Cash, December 31	<u>\$ 22,900</u>	<u>\$ 25,737</u>		

See accompanying auditor's report.

Osage County, Kansas

Schedule 2D

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

SPECIAL DEVELOPMENT

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Interest	\$ 0	\$ 0	\$ 0	\$ 0
Other receipts	0	0	0	0
Total Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Expenditures				
Business development	0	5,000	59,146	(54,146)
Other	0	0	0	0
Total Expenditures	<u>0</u>	<u>5,000</u>	<u>59,146</u>	<u>(54,146)</u>
Receipts Over (Under) Expenditures	0	(5,000)	<u>\$ (59,146)</u>	<u>\$ 54,146</u>
Unencumbered Cash, January 1	<u>59,146</u>	<u>59,146</u>		
Unencumbered Cash, December 31	<u>\$ 59,146</u>	<u>\$ 54,146</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2E

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

SPECIAL HIGHWAY

	Prior Year Actual	Current Year		Variance Over (Under)
	Actual	Actual	Budget	
Receipts				
State of Kansas	\$ 18,764	\$ 17,824	\$ 18,600	\$ (776)
Other receipts	0	0	0	0
Total Receipts	<u>18,764</u>	<u>17,824</u>	<u>18,600</u>	<u>(776)</u>
Expenditures				
Street maintenance and repair	44,160	705	62,576	(61,871)
Other	0	0	0	0
Total Expenditures	<u>44,160</u>	<u>705</u>	<u>62,576</u>	<u>(61,871)</u>
Receipts Over (Under) Expenditures	(25,396)	17,119	<u>\$ (43,976)</u>	<u>\$ 61,095</u>
Unencumbered Cash, January 1	<u>25,396</u>	<u>0</u>		
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 17,119</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2F

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

SPECIAL FIRE

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Donations	\$ 2,190	\$ 275	\$ 500	\$ (225)
Other receipts	0	0	0	0
Total Receipts	<u>2,190</u>	<u>275</u>	<u>500</u>	<u>(225)</u>
Expenditures				
Fire expenditures	1,165	1,694	2,405	(711)
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>1,165</u>	<u>1,694</u>	<u>2,405</u>	<u>(711)</u>
Receipts Over (Under) Expenditures	1,025	(1,419)	<u>\$ (1,905)</u>	<u>\$ 486</u>
Unencumbered Cash, January 1	<u>1,235</u>	<u>2,260</u>		
Unencumbered Cash, December 31	<u>\$ 2,260</u>	<u>\$ 841</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2G

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

EQUIPMENT RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Transfer In	\$ 0	\$ 0
Other Receipts	0	0
Total Receipts	<u>0</u>	<u>0</u>
Expenditures		
Equipment	0	0
Other	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, January 1	<u>76,200</u>	<u>76,200</u>
Unencumbered Cash, December 31	<u>\$ 76,200</u>	<u>\$ 76,200</u>

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2H

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

DONATIONS

	Prior Year Actual	Current Year Actual
Receipts		
150 Year donations	\$ 0	\$ 1,020
Cat Project donations	108	0
Total Receipts	<u>108</u>	<u>1,020</u>
Expenditures		
Giving Tree	88	0
Cat Project	<u>402</u>	<u>0</u>
Total Expenditures	<u>490</u>	<u>0</u>
Receipts Over (Under) Expenditures	(382)	1,020
Unencumbered Cash, January 1	<u>382</u>	<u>0</u>
Unencumbered Cash, December 31	<u>\$ 0</u>	<u>\$ 1,020</u>

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2I

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

SEWER				
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Charges for Services	\$ 165,568	\$ 166,600	\$ 169,000	\$ (2,400)
Other Receipts	1,156	913	1,000	(87)
Total Receipts	<u>166,724</u>	<u>167,513</u>	<u>170,000</u>	<u>(2,487)</u>
Expenditures				
Personal services	33,225	34,444	39,794	(5,350)
Commodities	15,074	10,505	20,056	(9,551)
Contractual	12,878	11,169	14,778	(3,609)
Principal & interest payments	101,750	100,700	100,700	0
Transfers out	0	0	0	0
Total Expenditures	<u>162,927</u>	<u>156,818</u>	<u>175,328</u>	<u>(18,510)</u>
Receipts Over (Under) Expenditures	3,797	10,695	<u>\$ (5,328)</u>	<u>\$ 16,023</u>
Unencumbered Cash, January 1	<u>98,703</u>	<u>102,500</u>		
Unencumbered Cash, December 31	<u>\$ 102,500</u>	<u>\$ 113,195</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2J

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

WATER				
	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Charges for Services & Deposits	\$ 254,036	\$ 256,503	\$ 260,800	\$ (4,297)
Transfers In	0	0	0	0
Other Receipts	171	125,266	0	125,266
Total Receipts	<u>254,207</u>	<u>381,769</u>	<u>260,800</u>	<u>120,969</u>
Expenditures				
Personal Service	45,648	47,603	58,930	(11,327)
Contractual	41,659	45,123	114,955	(69,832)
Commodities	12,854	10,068	25,008	(14,940)
Water purchased	68,134	69,566	85,894	(16,328)
Deposit refunds	1,743	1,936	3,045	(1,109)
Principal & Interest payments	48,350	48,875	48,875	0
Transfers out	7,417	7,417	7,417	0
Total Expenditures	<u>225,805</u>	<u>230,588</u>	<u>344,124</u>	<u>(113,536)</u>
Receipts Over (Under) Expenditures	28,402	151,181	<u>\$ (83,324)</u>	<u>\$ 234,505</u>
Unencumbered Cash, January 1	<u>151,965</u>	<u>180,367</u>		
Unencumbered Cash, December 31	<u>\$ 180,367</u>	<u>\$ 331,548</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2K

Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

WATER RESERVE

	Prior Year Actual	Current Year Actual
Receipts		
Transfer from Water	\$ 7,417	\$ 7,417
Other	0	0
Total Receipts	<u>7,417</u>	<u>7,417</u>
Expenditures		
Short lived assets	0	0
Other	0	0
Total Expenditures	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	7,417	7,417
Unencumbered Cash, January 1	<u>14,834</u>	<u>22,251</u>
Unencumbered Cash, December 31	<u>\$ 22,251</u>	<u>\$ 29,668</u>

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2L

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

ELECTRIC				
	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
Receipts				
Charges for Services & Deposits	\$ 576,076	\$ 553,457	\$ 578,100	\$ (24,643)
Other Receipts	1,929	2,160	0	2,160
Total Receipts	<u>578,005</u>	<u>555,617</u>	<u>578,100</u>	<u>(22,483)</u>
Expenditures				
Personal Service	53,104	71,344	73,282	(1,938)
Contractual	13,671	12,297	24,294	(11,997)
Commodities	22,932	43,495	32,542	10,953
Electricity Purchased	363,473	339,072	413,162	(74,090)
Capital Outlay	14,000	0	42,224	(42,224)
Sales tax paid	13,309	12,720	14,841	(2,121)
Customer Deposit Refunds	2,124	2,476	3,136	(660)
Transfers Out	0	0	0	0
Total Expenditures	<u>482,613</u>	<u>481,404</u>	<u>603,481</u>	<u>(122,077)</u>
Receipts Over (Under) Expenditures	95,392	74,213	<u>\$ (25,381)</u>	<u>\$ 99,594</u>
Unencumbered Cash, January 1	<u>1,169,514</u>	<u>1,264,906</u>		
Unencumbered Cash, December 31	<u>\$ 1,264,906</u>	<u>\$ 1,339,119</u>		

See accompanying auditor's report.

City of Scranton
Osage County, Kansas

Schedule 2M

Schedule of Receipts and Expenditures-Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2020
With Comparative Actual Totals for the Prior Year Ended December 31, 2019

SOLID WASTE

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Charges for Services	\$ 63,878	\$ 64,023	\$ 65,500	\$ (1,477)
Other receipts	0	0	0	0
Total Receipts	<u>63,878</u>	<u>64,023</u>	<u>65,500</u>	<u>(1,477)</u>
Expenditures				
Personal Service	767	734	1,521	(787)
Contractual	55,578	55,582	67,410	(11,828)
Commodities	47	96	272	(176)
Total Expenditures	<u>56,392</u>	<u>56,412</u>	<u>69,203</u>	<u>(12,791)</u>
Receipts Over (Under) Expenditures	7,486	7,611	<u>\$ (3,703)</u>	<u>\$ 11,314</u>
Unencumbered Cash, January 1	<u>23,195</u>	<u>30,681</u>		
Unencumbered Cash, December 31	<u>\$ 30,681</u>	<u>\$ 38,292</u>		

See accompanying auditor's report.