THE CITY OF SEDAN, KANSAS

AUDITORS' REPORT AND FINANCIAL STATEMENT

December 31, 2020

CITY OF SEDAN, KANSAS

For the Year Ended December 31, 2020
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CITY OF SEDAN, KANSAS

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YERKES & MICHELS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants
John D. Carroll, CPA Emily S. Vail, CPA Ashley R. Osburn, CPA, MBAA

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor
and City Council
City of Sedan, Kansas
111 E Cherokee
Sedan, KS 67361

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Sedan, Kansas, 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; 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide.* Those standards require that 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 1B of the financial statement, the financial statement is prepared by the City of Sedan, 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 1B 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 Sedan, Kansas, as of December 31, 2020, or changes in financial position or 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 Sedan, 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 1B.

Other Matters
Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures – actual and budget, (Schedules 1, 2 and 3 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.* The schedule of expenditures of federal awards (Schedule 4 as listed in the table of contents) is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement. 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 1b.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, basic financial statement of the City of Sedan, Kansas as of and for the year ended December 31, 2019 (not presented herein), and have issued our report thereon dated December 18, 2020 which contained an unmodified opinion on the basic financial statement. The 2019 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link http://admin.ks.gov/offices/chief-financialofficer/municipal-services. The 2019 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2019 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 basic financial statement. The 2019 comparative information was subjected to the auditing procedures applied in the audit of the 2019 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 basic financial statement or to the 2019 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2019 comparative information is fairly stated in all material respects in relation to the 2019 basic financial statement as a whole for the year ended December 31, 2019, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, Kansas

March 25, 2022

THE CITY OF SEDAN, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis

For the Year Ended December 31, 2020

FUNDS	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Encumbrances and Accounts Payable	Ending Cash Balance	
Governmental Type Funds:								Governmental Type Funds:
General	$ 140,179.79	$ -	$ 647,781.85	$ 625,348.35	$ 162,613.29	$ 10,791.33	$ 173,404.62	General
Special Purpose								Special Purpose
Library Fund	1,115.63	-	29,868.08	29,874.09	1,109.62	-	1,109.62	Library Fund
Special Street and Highway Fund	44,216.11	-	26,209.11	37,084.98	33,340.24	633.12	33,973.36	Spec.Str.& Hwy.Fund
Special Park Fund	17,988.82	-	42.31	7,207.53	10,823.60	-	10,823.60	Special Park Fund
Transient Guest Tax Fund	9,278.58	-	3,990.90	70.00	13,199.48	-	13,199.48	Transient Guest Tax Fund
Covid Grand Fund	-	-	63,500.00	63,500.00	-	-	-	Covid Grand Fund
Chautauqua County Spark Grant Fund	-	-	52,233.37	52,233.37	-	-	-	Chautauqua County Spark Grant Fund
Capital Projects								Capital Projects
Water Project Fund	(266,676.99)	-	7,425,959.26	7,166,940.29	(7,658.02)	-	(7,658.02)	Water Project Fund
Business Funds:								Business Funds:
Water Fund	276,944.85	-	533,139.33	409,525.40	400,558.78	5,706.38	406,265.16	Water Fund
Sewer Fund	25,150.01	-	118,823.61	130,778.48	13,195.14	2,230.72	15,425.86	Bond Reserve Fund
TOTAL REPORTING ENTITY	$ 248,196.80	$ -	$ 8,901,547.82	$ 8,522,562.49	$ 627,182.13	$ 19,361.55	$ 646,543.68	TOTAL REPORTING ENTITY

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

THE CITY OF SEDAN, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis

For the Year Ended December 31, 2020

COMPOSITION OF CASH:		
Cash on Hand		$ 300.00
First National Bank, Sedan, Kansas		
Checking Account	$ (24,747.19)	
Money Market Account	374,810.93	
Certificate of Deposit	223,918.90	
		573,982.64
Bank of Sedan, Sedan, Kansas		
Certificate of Deposits	$ 72,261.04	
		72,261.04
TOTAL REPORTING ENTITY		$ 646,543.68

THE NOTES TO THE FINANCIAL STATEMENT ARE AN INTEGRAL PART OF THIS STATEMENT.

THE CITY OF SEDAN, KANSAS

NOTES TO THE FINANCIAL STATEMENT

December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A. MUNICIPAL FINANCIAL REPORTING ENTITY

The City of Sedan is a municipal corporation governed by an elected six-member council. This financial statement presents the City of Sedan (the primary government) only.

1B. BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United State of America. The 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 municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

1C. REIMBURSEMENTS

The City of Sedan, Kansas records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

NOTE 2 – REGULATORY BASIS FUND TYPES

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

NOTE 2 – REGULATORY BASIS FUND TYPES (cont'd)

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.).

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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

3A. BUDGETARY INFORMATION

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and 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

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (cont'd)

supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

3B. COMPLIANCE WITH FINANCE-RELATED LEGAL AND CONTRACTUAL MATTERS

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. The Water Project Fund has a negative unencumbered cash balance at December 31, 2020, which is allowable under Kansas Statute 12-1663. This fund will be reimbursed in the following fiscal year from state grant programs.

The expenditures from the Sewer Fund exceeded the amount budgeted. This is a violation of KSA 79-2935.

Management is not aware of any other violations of compliance with Kansas Statutes or violations of other finance related legal matters.

NOTE 4 - DEPOSITS AND INVESTMENTS

At December 31, 2020, the City had no 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, 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 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

NOTE 4 - DEPOSITS AND INVESTMENTS (cont'd)

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%.

At December 31, 2020, the City's carrying amount of deposits, including certificates of deposit, was $646,543.68 and the bank balance was $691,991.28. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance $322,261.04 was covered by federal depository insurance, creating a custodial credit risk; however, the remaining $369,730.24 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE 5 – LONG-TERM DEBT

SEE SCHEDULE ON PAGES 13 & 14.

NOTE 6 – TEMPORARY FINANCING

On February 23, 2018, the City was awarded a loan from the Kansas Public Water Supply Loan Fund for the purpose of short-term financing of the water line project. This loan is intended to bridge the cash flow needs between the start of the project and the receipt of grant funds and long-term debt financing. The loan has a gross interest rate of 2.10%, a maturity date of February 1, 2020, and maximum amount of $4,100,000 which includes $10,250 in loan origination fees. During 2020 the City paid off the principal of the loan of $4,088.856.65 and interest and fees of $56,205.89.

NOTE 7 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial

NOTE 7 - DEFINED BENEFIT PENSION PLAN (cont'd)

statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1,

2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for 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 of Sedan were $30,353.03 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 $284,708.48. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

NOTE 7 - DEFINED BENEFIT PENSION PLAN (cont'd)

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.

NOTE 8 – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

Other Post Employment Benefits. Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to 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.

Compensated Absences. City employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not accumulate, are lost if not used, and are recorded as expenditures when they are paid.

NOTE 9 - RISK MANAGEMENT

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

NOTE 10 – INTERFUND TRANSFERS

There were no interfund transfers in the 2020 fiscal year.

NOTE 11 – USE OF ESTIMATES

The preparation of regulatory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of expenditures during the audit period, encumbrances outstanding, and disclosure of contingencies at the end of the audit period. Actual results could differ from the estimates.

NOTE 12 – CONTINGENT LIABILITIES

In early 2020, an outbreak of Covid-19 emerged globally. As a result, there have been mandates from federal, state, and local authorities resulting in an overall uncertainty in economic activity.

NOTE 13 – DATE OF MANAGEMENT'S REVIEW

Subsequent events were evaluated through the date of financial statement issuance March 25, 2022.

THE CITY OF SEDAN, KANSAS

NOTES TO THE FINANCIAL STATEMENT

For the Year Ended December 31, 2020

NOTE 5 - LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Amount Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
LOAN										
GO Bond Series 2020	1.13%	8/25/2020	3,916,000.00	8/25/1960	$ -	$ 3,916,000.00	$ -	$ 3,916,000.00	$ 3,916,000.00	$ -
KDHE - C20 1496-01	3.19%	08/23/1999	702,600.00	09/1/2020	44,493.23	-	44,493.23	(44,493.23)	-	983.66
CAPITAL LEASES										
Fire Truck	3.80%	1/24/2020	7,200.00	2/14/2024	-	7,500.00	1,585.19	5,914.81	5,914.81	13.81
Firefighting Equipment	3.19%	10/17/2016	17,000.00	01/31/2021	6,986.90	-	3,427.49	(3,427.49)	3,559.41	222.88
					$ 51,480.13	$ 3,923,500.00	$ 49,505.91	$ 3,873,994.09	$ 3,925,474.22	$ 1,220.35

NOTE 5 - LONG-TERM DEBT (cont'd)

Current maturities of long-term debt and interest for each year, and five year increments until maturity are as follows:

	Year 2021	Year 2022	Year 2023	Year 2024	Year 2025	Year 2026-2030	Year 2031-2035	Year 2036-2040	Year 2041-2045	Year 2046-2050	Year 2051-2055	Year 2056-2060	TOTAL
PRINCIPAL													
Loan													
GO Bond Series 2020	$ 78,086.00	$ 78,964.47	$ 79,852.82	$ 80,637.77	$ 81,658.34	$ 422,174.36	$ 446,471.79	$ 472,097.74	$ 499,354.31	$ 528,094.42	$ 558,488.84	$ 590,119.14	$ 3,916,000.00
Capital Leases													
Fire Truck	1,409.19	1,454.82	1,501.36	1,549.44	-	-	-	-	-	-	-	-	5,914.81
Firefighting Equipment	3,559.41	-	-	-	-	-	-	-	-	-	-	-	3,559.41
TOTAL PRINCIPAL	$ 83,054.60	$ 80,419.29	$ 81,354.18	$ 82,187.21	$ 81,658.34	$ 422,174.36	$ 446,471.79	$ 472,097.74	$ 499,354.31	$ 528,094.42	$ 558,488.84	$ 590,119.14	$ 3,925,474.22
INTEREST													
Loan													
GO Bond Series 2020	$ 44,055.00	$ 43,176.53	$ 42,288.18	$ 41,503.23	$ 40,482.66	$ 188,530.64	$ 164,233.21	$ 138,607.26	$ 111,350.69	$ 82,610.58	$ 52,216.16	$ 20,075.93	$ 969,130.07
Capital Leases													
Fire Truck	189.81	144.18	97.64	49.57	-	-	-	-	-	-	-	-	481.20
Firefighting Equipment	113.55	-	-	-	-	-	-	-	-	-	-	-	113.55
TOTAL INTEREST	$ 44,358.36	$ 43,320.71	$ 42,385.82	$ 41,552.80	$ 40,482.66	$ 188,530.64	$ 164,233.21	$ 138,607.26	$ 111,350.69	$ 82,610.58	$ 52,216.16	$ 20,075.93	$ 969,724.82
TOTAL PRINCIPAL & INTEREST	$ 127,412.96	$ 123,740.00	$ 123,740.00	$ 123,740.01	$ 122,141.00	$ 610,705.00	$ 610,705.00	$ 610,705.00	$ 610,705.00	$ 610,705.00	$ 610,705.00	$ 610,195.07	$ 4,895,199.04

THE CITY OF SEDAN, KANSAS

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended December 31, 2020

THE CITY OF SEDAN, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2020

	Certified Budget	Adjustment For Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
GOVERNMENTAL TYPE FUNDS					
General	$ 712,808.00	$ 4,614.84	$ 717,422.84	$ 629,963.19	$ (87,459.65)
Special Purpose					
Library Fund	30,817.00		30,817.00	29,874.09	(942.91)
Special Street and Highway Fund	63,063.00		63,063.00	37,084.98	(25,978.02)
Special Parks Fund	13,477.00		13,477.00	7,207.53	(6,269.47)
Transient Guest Tax	14,155.00		14,155.00	70.00	(14,085.00)
Business Funds					
Water Fund	644,202.00	9,329.16	653,531.16	418,854.56	(234,676.60)
Sewer Fund	108,867.00		108,867.00	130,778.48	21,911.48

THE CITY OF SEDAN, KANSAS
GENERAL FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Taxes	$ 199,951.47	$ 218,670.49	$ 206,334.00	$ 12,336.49
Motor Vehicle Tax	33,726.65	25,205.22	32,680.00	(7,474.78)
Other Taxes	2,340.56	1,371.62	6,539.00	(5,167.38)
Local Sales Tax	247,563.88	289,770.02	228,000.00	61,770.02
Connecting Link	7,624.33	9,065.30	5,500.00	3,565.30
Franchise Tax	75,105.02	73,329.65	74,000.00	(670.35)
Fines and Forfeitures	11,932.00	11,316.90	3,100.00	8,216.90
Fees Licenses and Permits	3,885.00	1,031.50	5,000.00	(3,968.50)
Swimming Pool	11,526.00	8,626.85	12,000.00	(3,373.15)
Loan Proceeds	-	2,467.50	-	2,467.50
Rental Income	360.00	1,220.00	500.00	720.00
Interest	110.69	-	100.00	(100.00)
Miscellaneous	275.00	5,706.80	10,200.00	(4,493.20)
TOTAL CASH RECEIPTS	594,400.60	647,781.85	$ 583,953.00	$ 63,828.85
EXPENDITURES				
General Government	122,636.73	135,173.21	$ 138,510.00	$ (3,336.79)
Recycling	-	10.30	-	10.30
Governing Body	92.50	-	-	-
Police Department	144,808.78	154,622.61	161,100.00	(6,477.39)
Fire Department	21,069.55	17,152.38	21,650.00	(4,497.62)
Street Department	133,445.47	98,089.83	155,348.00	(57,258.17)
Ambulance	30,000.00	30,000.00	30,000.00	-
Park	15,237.35	12,190.05	22,700.00	(10,509.95)
Street Lighting	15,545.14	12,810.61	18,000.00	(5,189.39)
Hospital	110,508.04	144,192.42	110,000.00	34,192.42
Museum	35,328.84	5,000.00	5,000.00	-
Airport	1,538.26	698.32	2,000.00	(1,301.68)
Fair	4,000.00	4,000.00	4,000.00	-
Swimming Pool	20,849.65	16,521.74	29,500.00	(12,978.26)
Demolition	-		15,000.00	(15,000.00)
Reimbursed Expense	(34,525.76)	-	-	-
Lease Purchase Payment	3,321.53		-	-
Interest	328.84		-	-
Transfer	498.28	(498.28)	-	(498.28)
Miscellaneous	106.03		-	-
Total Certified Budget			712,808.00	(82,844.81)
Adjustment for Qualifying Budget Credits			4,614.84	(4,614.84)
TOTAL EXPENDITURES	624,789.23	629,963.19	$ 717,422.84	$ (87,459.65)
RECEIPTS OVER (UNDER) EXPENDITURES	$ (30,388.63)	$ 17,818.66		
UNENCUMBERED CASH, BEGINNING	170,568.42	140,179.79		
UNENCUMBERED CASH, ENDING	$ 140,179.79	$ 157,998.45		

THE CITY OF SEDAN, KANSAS
LIBRARY FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Taxes	$ 28,944.81	$ 29,868.08	$ 4,937.00	$ 24,931.08
TOTAL CASH RECEIPTS	28,944.81	29,868.08	$ 4,937.00	$ 24,931.08
EXPENDITURES				
Appropriations to Library Board	28,944.81	29,874.09	$ 30,817.00	$ (942.91)
TOTAL EXPENDITURES	28,944.81	29,874.09	$ 30,817.00	$ (942.91)
RECEIPTS OVER (UNDER) EXPENDITURES	$ -	$ (6.01)		
UNENCUMBERED CASH, BEGINNING	1,115.63	1,115.63		
UNENCUMBERED CASH, ENDING	$ 1,115.63	$ 1,109.62		

THE CITY OF SEDAN, KANSAS
SPECIAL STREET AND HIGHWAY FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
State of Kansas	$ 28,068.83	$ 26,209.11	$ 28,200.00	$ (1,990.89)
TOTAL CASH RECEIPTS	28,068.83	26,209.11	$ 28,200.00	$ (1,990.89)
EXPENDITURES				
Street Repair and Maintenance	10,773.85	10,951.76	$ 49,563.00	$ (38,611.24)
Personnel Services	13,282.10	26,133.22	13,500.00	12,633.22
TOTAL EXPENDITURES	24,055.95	37,084.98	$ 63,063.00	$ (25,978.02)
RECEIPTS OVER (UNDER) EXPENDITURES	$ 4,012.88	$ (10,875.87)		
UNENCUMBERED CASH, BEGINNING	40,203.23	44,216.11		
UNENCUMBERED CASH, ENDING	$ 44,216.11	$ 33,340.24		

THE CITY OF SEDAN, KANSAS
SPECIAL PARK FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Taxes	$ -	$ -	$ 1,571.00	$ (1,571.00)
Miscellaneous	5,236.25	42.31	5,000.00	(4,957.69)
TOTAL CASH RECEIPTS	5,236.25	42.31	$ 6,571.00	$ (6,528.69)
EXPENDITURES				
Commodities	-	7,207.53	$ 3,477.00	$ 3,730.53
Contractual	-	-	5,000.00	(5,000.00)
Capital Outlay	-	-	5,000.00	(5,000.00)
Reimbursed Expenses	(4,495.75)	-	-	-
TOTAL EXPENDITURES	(4,495.75)	7,207.53	$ 13,477.00	$ (6,269.47)
RECEIPTS OVER (UNDER) EXPENDITURES	$ 9,732.00	$ (7,165.22)		
UNENCUMBERED CASH, BEGINNING	8,256.82	17,988.82		
UNENCUMBERED CASH, ENDING	$ 17,988.82	$ 10,823.60		

THE CITY OF SEDAN, KANSAS
TRANSIENT GUEST TAX FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Guest Tax	$ 2,610.63	$ 3,990.90	$ 4,200.00	$ (209.10)
TOTAL CASH RECEIPTS	2,610.63	3,990.90	$ 4,200.00	$ (209.10)
EXPENDITURES				
Tourism	2,588.01	70.00	$ 14,155.00	$ (14,085.00)
TOTAL EXPENDITURES	2,588.01	70.00	$ 14,155.00	$ (14,085.00)
RECEIPTS OVER (UNDER) EXPENDITURES	$ 22.62	$ 3,920.90		
UNENCUMBERED CASH, BEGINNING	9,255.96	9,278.58		
UNENCUMBERED CASH, ENDING	$ 9,278.58	$ 13,199.48		

THE CITY OF SEDAN, KANSAS
MUNICIPAL EQUIPMENT RESERVE FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Miscellaneous	$ -	$ -	-	-
TOTAL CASH RECEIPTS	-	-	-	-
EXPENDITURES				
Capital Outlay	1,493.01	-	-	-
Reimbursed Expenses	(272.15)	-	-	-
TOTAL EXPENDITURES	1,220.86	-	-	-
RECEIPTS OVER (UNDER) EXPENDITURES	$ (1,220.86)	$ -		
UNENCUMBERED CASH, BEGINNING	1,220.86	-		
UNENCUMBERED CASH, ENDING	$ -	$ -		

THE CITY OF SEDAN, KANSAS
COVID GRANT FUND
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)

	Prior Year Actual	Actual
CASH RECEIPTS		
Grants	$ -	$ 63,500.00
TOTAL CASH RECEIPTS	-	63,500.00
EXPENDITURES		
Contractual	-	7,500.00
Commodities	-	56,000.00
TOTAL EXPENDITURES	-	63,500.00
RECEIPTS OVER (UNDER) EXPENDITURES	$ -	$ -
UNENCUMBERED CASH, BEGINNING	-	-
UNENCUMBERED CASH, ENDING	$ -	$ -

THE CITY OF SEDAN, KANSAS
CHAUTAUQUA COUNTY SPARK GRANT
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)

	Prior Year Actual	Actual
CASH RECEIPTS		
Grants	$ -	$ 52,233.37
TOTAL CASH RECEIPTS	-	52,233.37
EXPENDITURES		
Contractual	-	52,233.37
TOTAL EXPENDITURES	-	52,233.37
RECEIPTS OVER (UNDER) EXPENDITURES	$ -	$ -
UNENCUMBERED CASH, BEGINNING	-	-
UNENCUMBERED CASH, ENDING	$ -	$ -

THE CITY OF SEDAN, KANSAS
WATER PROJECT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis

For the Year Ended December 31, 2020
(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Actual
CASH RECEIPTS		
Loan Proceeds	$ 1,934,577.66	$ 1,776,798.36
Federal CDBG Grant	255,626.90	332,273.10
Federal Rural Development Grant	-	1,400,887.80
General Obligations Bond	-	3,916,000.00
TOTAL CASH RECEIPTS	2,190,204.56	7,425,959.26
EXPENDITURES		
Contractual	2,455,556.05	3,041,684.93
Loan Principal	-	4,088,728.72
Loan Interest & Fees	-	36,526.64
Tansfer	1,325.50	-
TOTAL EXPENDITURES	2,456,881.55	7,166,940.29
RECEIPTS OVER (UNDER) EXPENDITURES	$ (266,676.99)	$ 259,018.97
UNENCUMBERED CASH, BEGINNING	-	(266,676.99)
UNENCUMBERED CASH, ENDING	$ (266,676.99)	$ (7,658.02)

THE CITY OF SEDAN, KANSAS
WATER FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Water Sales	$ 501,072.14	$ 501,532.96	$ 460,000.00	41,532.96
Connection Fees	2,135.50	3,251.36	12,000.00	(8,748.64)
Penalties	9,924.79	11,746.10		11,746.10
Interest	4,131.84	16,608.91	2,000.00	14,608.91
Miscellaneous	-	-	2,000.00	(2,000.00)
Transfer	1,325.50	-	-	-
TOTAL CASH RECEIPTS	518,589.77	533,139.33	$ 476,000.00	$ 57,139.33
EXPENDITURES				
Personnel Services	144,812.04	154,505.69	$ 163,348.00	$ (8,842.31)
Water Purchased	180,495.00	196,333.96	-	196,333.96
Contractual Services	34,220.26	17,153.13	222,000.00	(204,846.87)
Commodities	20,640.17	23,421.71	50,000.00	(26,578.29)
Reimbursed Expenses	(1,715.51)	-	-	-
Capital Outlay	-	-	56,544.00	(56,544.00)
Lease Purchase Payments	48,692.28	-	-	-
Loan Principal	-	127.93	63,095.00	(62,967.07)
Loan Interest & Fees	-	19,651.32	83,215.00	(63,563.68)
Interest	865.33	-	-	-
Sales Tax	7,174.06	7,461.65	6,000.00	1,461.65
Refunds	69.80	199.17	-	199.17
Total Certified Budget			644,202.00	(225,347.44)
Adjustment for Qualifying Budget Credits			9,329.16	(9,329.16)
TOTAL EXPENDITURES	435,253.43	418,854.56	$ 653,531.16	$ (234,676.60)
RECEIPTS OVER (UNDER) EXPENDITURES	$ 83,336.34	$ 114,284.77		
UNENCUMBERED CASH, BEGINNING	193,608.51	276,944.85		
UNENCUMBERED CASH, ENDING	$ 276,944.85	$ 391,229.62		

THE CITY OF SEDAN, KANSAS
SEWER FUND
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)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
CASH RECEIPTS				
Sewer Charges	$ 116,364.80	$ 117,242.64	$ 127,000.00	$ (9,757.36)
Fines and Forfeitures	1,344.17	1,580.97	1,600.00	(19.03)
TOTAL CASH RECEIPTS	117,708.97	118,823.61	$ 128,600.00	$ (9,776.39)
EXPENDITURES				
Personnel Services	57,857.34	68,754.42	$ 58,348.00	$ 10,406.42
Contractual Services	6,997.28	6,590.52	18,000.00	(11,409.48)
Commodities	13,114.31	9,873.00	10,000.00	(127.00)
Capital Outlay	-	-	22,519.00	(22,519.00)
Principal	43,107.14	44,493.23	-	44,493.23
Interest	2,261.12	983.66	-	983.66
Miscellaneous	192.28	83.65	-	83.65
TOTAL EXPENDITURES	123,529.47	130,778.48	$ 108,867.00	$ 21,911.48
RECEIPTS OVER (UNDER) EXPENDITURES	$ (5,820.50)	$ (11,954.87)		
UNENCUMBERED CASH, BEGINNING	30,970.51	25,150.01		
UNENCUMBERED CASH, ENDING	$ 25,150.01	$ 13,195.14		

THE CITY OF SEDAM, KANSAS
AGENCY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2019)

Regulatory Basis
PAYROLL CLEARING FUND

For the Year Ended December 31, 2020

	Prior Year Actual	Current Year Actual
CASH RECEIPTS		
Payroll Clearing	$ -	$ 545,228.17
Transfer	498.28	-
TOTAL CASH RECEIPTS	498.28	545,228.17
		-
EXPENDITURES		
Payroll Clearing	498.28	544,729.89
Transfer	-	498.28
TOTAL EXPENDITURES	498.28	545,228.17
RECEIPTS OVER (UNDER) EXPENDITURES	-	-
UNENCUMBERED CASH, BEGINNING	-	-
UNENCUMBERED CASH, ENDING	$ -	$ -

City of Sedan, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Federal Grantor/Pass-Through Agency/Program	*Federal CFDA Number*	*Pass-through Number*	*Amount Passed through to Subrecipients*	*Federal Expenditures*
Environmental Protection Agency				
Passed-Through Kansas Department of Agriculture Office of Rural Development				
DWSRF Cluster				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	2935	$ -	$ 1,206,894.99
Total DWSRF Cluster				1,206,894.99
Total Environmental Protection Agency			$ -	$ 1,206,894.99
United States Department of Agriculture				
Passed-Through Kansas Department of Agriculture Office of Rural Development				
Water and Waste Disposal Systems for Rural Communities	10.760	2935	$ -	$ 1,400,887.80
Total U.S. Department of Agriculture			$ -	$ 1,400,887.80
United States Department of the Treasury				
Passed-Through Kansas Department of Agriculture Office of Rural Development				
Covid-19 Coronavirus Relief Fund (CRF)				
Covid-19 Strengthening People and Revitalizing Kansas (SPARK)	21.019	none	$ -	$ 52,233.37
Total U.S. Department of the Treasury			$ -	$ 52,233.37
United States Department of Housing and Urban Development				
Passed-Through Kansas Department of Agriculture Office of Rural Development				
Community Development Block Grants	14.228	18-PF-015	$ -	$ 307,273.10
Covid-19 Community Development Block Grants	14.228	20-CV-115	-	63,500.00
Total Community Development Block Grants			-	370,773.10
Total U.S. Department of Housing and Urban Development			$ -	$ 370,773.10
Total Expenditures of Federal Awards			$ -	$ 3,030,789.26

The accompanying notes are an integral part of this schedule.

CITY OF SEDAN, KANSAS

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Sedan, Kansas (the City) under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in fund balances, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas (regulatory basis) with exceptions as noted in Note 3 below. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal* Governments, or the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federals Awards,* wherein certain types of expenditures are not allowable or are limited to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City did not elect to use the 10% de minimis indirect cost rate.

Note 3. Reconciliation of the Schedule of Expenditures of Federal Awards to the Financial Statements

Federal funds are intermingled with non-federal funds. The federal portion of funds is assumed to be spent before other funding sources. Therefore, all federal fund requests are considered expended based on draw down requests approved by the pass-through entity.

YERKES & MICHELS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants
John D. Carroll, CPA Emily S. Vail, CPA Ashley R. Osburn, CPA, MBAA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditors' Report

City Council
City of Sedan, Kansas
111 East Cherokee Street
Sedan, Kansas 67361

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide,* the regulatory basis financial statement of the City of Sedan, Kansas (City), as of and for the year ended December 31, 2020, and the related notes to the financial statement, which collectively comprise the City of Sedan, Kansas's basic financial statement, and have issued our report thereon dated March 25, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the City's internal control over financial reporting (internal control) to determine the 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe that a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying *Schedule of Findings and Questioned Costs* as item Finding 2020-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's regulatory basis financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

City of Sedan, Kansas's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs* and the accompanying *Corrective Action Plan*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, KS

March 25, 2022

YERKES & MICHELS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANTS
American Institute of Certified Public Accountants, Kansas Society of Certified Public Accountants
John D. Carroll, CPA Emily S. Vail, CPA Ashley R. Osburn, CPA, MBAA

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditors' Report

City Council
City of Sedan, Kansas
111 East Cherokee Street
Sedan, Kansas 67361

Report on Compliance for Each Major Federal Program

We have audited the City of Sedan, Kansas's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Requirements for Federal Awards* (Uniform Guidance); and the *Kansas Municipal Audit and Accounting Guide*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Sedan, Kansas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City of Sedan, Kansas, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items Finding 2020-002, that we consider to be a significant deficiency.

The City's response to the internal control over compliance findings, identified in our audit, are described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Yerkes & Michels

YERKES & MICHELS, CPA, LLC
Independence, KS

March 25, 2022

CITY OF SEDAN, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	____ yes	__X__ no
• Significant deficiency(ies) identified?	__X__ yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	__X__ no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	_____ yes	__X__ no
• Significant deficiency(ies) identified?	__X__ yes	_____ none reported
Type of auditor's report issued on compliance for major programs:	*Unmodified*	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes	__X__ no

Identification of major federal program(s):

CFDA Number	Name of Federal Program or Cluster
66.468 and 10.760	Capitalization Grants for Drinking Water State Revolving Funds / DWSRF Cluster and Water and Waste Disposal Systems for Rural Communities

Dollar Threshold used to distinguish between Type A and Type B programs:	$ 750,000	
Auditee qualified as low risk auditee?	____ yes	__X__ no

CITY OF SEDAN, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2020

Section II – Financial Statement Findings

Finding 2020-001

Criteria: AU-C section 315 defines internal control as a process effected by those charge with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. To obtain an acceptable internal control environment that reduces the risk of material misstatement of the financial statement or the required supplementary information, control activities and monitoring functions must be properly implemented and effectively designed. AU-C section 265 further explains that deficiencies in the design of a control function that can result in material misstatements should be considered, at minimum, to be a significant deficiency.

Statement of Condition: Due to the staff consisting of one primary full-time manager and a part time individual that cannot take part in financial transactions, it is not possible for the City to properly segregate the recording, custody, and reviewing duties. The same person preparing checks also has custody of signed checks to mail out, and they perform bank reconciliations. Payroll reports and summaries are also not being reviewed.

Context: The segregation of tasks concerning the recording function, custody of assets, and reviewing functions were discussed with management. It was noted that only the project manager handles financial transactions. This does not allow for a proper segregation of duties.

Effect of Condition: The lack of segregation of duties does not allow the City to have an effective system of control. This increases the risk of material misstatement whether due to fraud or error and provides the opportunity for the misappropriation of assets. We consider this to be a significant deficiency.

Cause of Condition: The current workload and budget of the City does not allow for additional staff to be hired.

Repeat Finding: This is repeated from Finding 2019-001.

Recommendations: We recommend that the office staff continually review their procedures for opportunities to increase the segregation of duties in the office as well as the overall internal controls and oversight over the accounting functions in the office. We recommend the Board be aware of the importance of segregating the office duties in order to maintain a good internal control structure that will aid in the prevention

Finding 2020-001 (cont'd)

and detection of errors and irregularities whether caused by fraud or human error. We recommend that signed checks be mailed out by someone other than the Director to segregate recording and custody functions; that all bank reconciliations continue to be reviewed, and that review be documented; and that all payroll reports and summaries be reviewed, and that review be documented.

View of responsible officials and planned corrective actions: Management concurs with the finding and will work to incorporate more mitigating controls through board oversight. At this time, it is not economically feasible to hire additional staff. See the Corrective Action Plan developed by the City on page 39.

Section III – Federal Award Findings and Questioned Costs

DWSRF Cluster – CFDA #66.468 and Water Systems for Rural Communities – CFDA #10.760

Finding 2020-002:

Criteria: AU-C section 315 defines internal control as a process effected by those charge with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regards to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. To obtain an acceptable internal control environment that reduces the risk of material misstatement of the financial statement or the required supplementary information, control activities and monitoring functions must be properly implemented and effectively designed. AU-C section 265 further explains that deficiencies in the design of a control function that can result in material misstatements should be considered, at minimum, to be a significant deficiency.

Statement of Condition: The City currently lacks a system of internal control for the assurance of completeness and accuracy for the Schedule of Expenditures of Federal Awards.

Context: The Schedule of Expenditures of Federal Awards (SEFA) prepared by the City was not prepared prior to the start of auditor's field work. Observation and inquiry demonstrated the City's inaccuracy in calculating the federal expenditures of all Federal awards. Additionally, there was no documented review by management of the SEFA or the supporting documentation used to prepare the schedule.

Finding 2020-002 (cont'd)

Effect of Condition: The Schedule of Expenditures of Federal Awards serves as the primary basis for the auditor's major program determination. Misstatements in the schedule could result in the omission of potential major programs from required compliance audit procedures. Failure to audit a program as major, when required, is cause for the future reissuance of the compliance audit report. Also, the SEFA is a required supplementary schedule and the lack of controls over the SEFA could result in a material misstatement of the SEFA in the financial reporting package.

Cause of Condition: The City has not designed nor implemented an adequate system of control regarding the preparation of the required Schedule of Expenditures of Federal Awards.

Repeat Finding: This is repeated from Finding 2019-002.

Recommendations: Controls should be in place to ensure accuracy and completeness of the Schedule of Expenditures of Federal Awards. Management should be aware of all Federal awards received and expended, their source, and their compliance requirements. During the preparation of the schedule, the City should verify with granting agencies all CFDA titles and numbers, and the appropriate pass-through entity to be reported. After the schedule is completed, a reconciliation of the financial statements to the schedule should be performed, and management should review the schedule to verify all known Federal Programs are reported and that expenditures are properly captured on the regulatory basis of accounting. The reconciliation and management's review should be documented.

View of responsible officials and planned corrective actions: Management concurs with the finding. The City will develop an appropriate system of control over the preparation of the SEFA. See the Corrective Action Plan developed by the City on page 39.

City of Sedan

111 E Cherokee Street

Sedan, KS 67361

March 28, 2022

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020

Finding 2019-001: Lack of segregation of duties regarding overall financial statement controls, this finding will be repeated as Finding 2020-001.

Finding 2019-002: Lack of controls over the preparation of the Schedule of Expenditures of Federal Awards, this finding will be repeated as Finding 2020-002.

City of Sedan

111 E Cherokee Street

Sedan, KS 67361

March 28, 2022

Corrective Action Plan

Finding 2020-001: The staff and the Council will review current procedures and work to ensure the maximum benefit from mitigating controls is obtained. However, the Council does not feel that it is economically feasible to hire additional staff at this time.

Finding 2020-002: Controls will be implemented to ensure accuracy and completeness of the Schedule of Expenditures of Federal Awards. Management will be aware of all Federal awards received and expended, their source, and their compliance requirements. During the preparation of the schedule, the City will verify with granting agencies all CFDA titles and numbers, and the appropriate pass-through entity to be reported. After the schedule is completed, a reconciliation of the financial statements to the schedule will be performed, and management will review the schedule to verify all known Federal Programs are reported and that expenditures are properly captured on the regulatory basis of accounting. The reconciliation and management's review will be documented.