

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

We noted no violations of Kansas Statutes for the period under audit.

NOTE 3 – Deposits and Investments

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

K.S.A. 12-1675 limits the Municipality'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 Municipality has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Municipality may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Municipality's deposits may not be returned to it. State statutes require the Municipality's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2020.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Deposits and Investments (Continued)

Custodial Credit Risk – Deposits

At December 31, 2020 the Municipality's carrying amount of deposits was \$ 909,747 and the bank balance was \$ 940,563. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank, \$ 340,429 was covered by federal depository insurance and \$ 600,134 was collateralized with securities held by the pledging financial institutions' agents in the Municipality'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 Municipality 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 4 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description – The City of Overbrook, 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 Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S. Kansas; Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions – K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates depending on whether the employee is KPERS 1, KPERS2, 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. K.S.A 74-4975 establishes KP&F member employee contribution rate of 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to provisions Section 414(h) of the Internal Revenue Code.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 4 – Defined Benefit Pension Plan (continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F 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 KPERS and 21.93% for KP&F for the fiscal year ended December 31, 2020. Contributions to the pension plan from The City of Overbrook were \$ 15,465 for KPERS and \$ 17,228 for KP&F for the year ended December 31, 2020.

Net Pension Liability

At December 31, 2020, The City of Overbrook, Kansas proportionate share of the collective net pension liability reported by KPERS was \$144,691 and \$ 181,160 for KP&F. 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 of Overbrook's proportion of the net pension liability was based on the ratio of the City of Overbrook'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 actual 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 publically available on the website www.KPERS.org or can be obtained as described above.

NOTE 5 – Other Long Term Obligations from Operations

Other Post Employment Benefits

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

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Other Long Term Obligations from Operations (continued)

Other Post Employment Benefits (continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the city makes health care 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.

Compensated Absences

City employees receive vacation and sick leave benefits. Vacations benefits accrue on a monthly basis and an annual carryover caps the number of days transferred from year to year. Upon termination, employees are compensated for any unused vacation leave. Sick leave accrues on a monthly basis up to a maximum. Upon termination, employees are not compensated for any unused sick leave. This amount has not been recorded in the financial statements.

NOTE 6 – Claims and Judgments

The City participates in federal, state and county 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 regulations, the City may be required to reimburse the grantor government. As of June 30, 2021, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2019 to 2020 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

CITY OF OVERBROOK, KANSAS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Pool Fund	K.S.A. 79-2526	\$ 39,500
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	14,988
General Fund	Water Reserve	K.S.A. 12-1,117	24,036
General Fund	Lake/Park	K.S.A. 79-2526	24,960
Water Fund	Equipment Reserve Fund	K.S.A. 12-825d	4,980
Water Fund	Water Reserve	K.S.A. 12-825d	5,832
Water Fund	Sewer Fund	K.S.A. 12-825d	11,000
Water Fund	Debt Reserve	K.S.A. 12-825d	13,704
Sewer Fund	Equipment Reserve Fund	K.S.A. 12-825d	4,980
Sewer Fund	Sewer Reserve	K.S.A. 12-825d	261
Sewer Fund	Debt Reserve	K.S.A. 12-825d	71,352
Street Maintenance	Equipment Reserve Fund	K.S.A. 12-1,117	4,980
Public Safety Fund	Law Equipment Reserve	K.S.A. 12-825d	6,000
Water Reserve Fund	Debt Reserve	K.S.A. 12-825d	32,195

NOTE 8 – Subsequent Events Review

Subsequent events for management's review have been evaluated through the date of the audit report. The date in the prior sentence is the date the financial statements were available to be issued.

CITY OF OVERBROOK, KANSAS

NOTES TO FINANCIAL STATEMENTS

Note 9 - Long Term Debt

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

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds Refunding and improvement	1.50-4.25%	9/1/10	775,000	9/1/25	\$ 155,000	\$	\$ 80,000	\$ (80,000)	\$ 75,000	\$ 6,187
Leases										
Maintenace truck	3.75%	10/16/18	29,000	10/16/22	22,150		7,110	(7,110)	15,040	833
2019 John Deere	3.75%	12/18/19	31,951	12/18/22	31,951		10,258	(10,258)	21,693	1,201
KDHE Loan:										
Kansas Department of Health and Environment(Waterline)	4.15%	2/1/03	160,000	2/1/24	42,156		42,156	(42,156)	0	1,473
Kansas Department of Health and Environment(Wastewater)	3.56%	10/22/04	1,060,660	10/22/24	360,509		60,546	(60,546)	299,963	9,312
Total Long Term Debt					\$ 611,766	\$ 0	\$ 200,070	\$ (200,070)	\$ 411,696	\$ 19,006

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	Total
Principal						
General Obligation Bonds	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	75,000
Special Assessment Bonds						0
Certificates of Participation						0
Capital Leases	18,025	18,708				36,733
Revenue Bonds						0
KDHE Loans	64,282	66,023	67,811	91,836	10,011	299,963
Temporary Notes						0
Total Principal	97,307	99,731	82,811	106,836	25,011	411,696
Interest						
General Obligation Bonds	3,187	2,550	1,912	1,276	637	9,562
Special Assessment Bonds						0
Certificates of Participation						0
Capital Leases	1,385	705				2,090
Revenue Bonds						0
KDHE Loans	9,065	7,370	5,629	3,842	2,005	27,911
Temporary Notes						0
Total Interest	13,637	10,625	7,541	5,118	2,642	39,563
Total Principal and Interest	\$ 110,944	\$ 110,356	\$ 90,352	\$ 111,954	\$ 27,653	\$ 451,259

City of Overbrook, Kansas
Regulatory-Required
Supplementary Information
For the year ended December 31, 2020

CITY OF OVERBROOK, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 (Budgeted Funds Only)
 For the Year Ended December 31, 2020

Funds	Certified Budget	Adjustments to Comply with Legal Max	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 740,599	\$ 0	\$ 0	\$ 740,599	\$ 488,788	\$ (251,811)
Special Purpose Funds:						
Public safety	241,000	0	0	241,000	175,380	(65,620)
Street maintenance	75,000	0	0	75,000	45,666	(29,334)
Library	88,100	0	0	88,100	83,190	(4,910)
Parks and Recreation	60,350	0	0	60,350	30,223	(30,127)
Special highway	130,445	0	0	130,445	12,710	(117,735)
	594,895	0	0	594,895	347,169	(247,726)
Business Funds:						
Water utility	366,994	0	0	366,994	311,562	(55,432)
Sewer utility	125,000	0	0	125,000	125,000	0
Pool	73,767	0	0	73,767	59,362	(14,405)
	565,761	0	0	565,761	495,924	(69,837)
Bond and Interest Fund:						
Bond and Interest	91,187	0	0	91,187	86,187	(5,000)

CITY OF OVERBROOK, KANSAS
 GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 139,468	\$ 143,915	\$ (4,447)
Delinquent tax	678	700	(22)
Motor vehicle tax	13,551	13,983	(432)
RV tax	131	135	(4)
16/20M vehicle tax	43	44	(1)
Commercial Vehicle tax	99	102	(3)
Watercraft tax			0
Total taxes	<u>153,970</u>	<u>158,879</u>	<u>(4,909)</u>
Franchise fees	57,280	70,000	(12,720)
Intergovernmental revenues	2,493	3,200	(707)
Sales tax	193,468	170,000	23,468
Licenses, rent, permits	1,079	1,500	(421)
Municipal court	17,308	20,000	(2,692)
Interest income	8,003	3,500	4,503
Miscellaneous revenues	38,835	0	38,835
Operating transfers			0
Total Cash Receipts	<u>472,436</u>	<u>427,079</u>	<u>45,357</u>
EXPENDITURES			
General government			
Personnel services	123,683	150,000	(26,317)
Commodities	61,889	95,000	(33,111)
Contractual	165,435	85,000	80,435
Public safety	3,418	71,555	(68,137)
Highways and streets	18,485	45,000	(26,515)
Recreation and culture	8,394	40,000	(31,606)
Capital outlay	4,000	160,000	(156,000)
Operating transfers	103,484	94,044	9,440
Adjustment for qualifying budget credits			0
Total Expenditures	<u>488,788</u>	<u>\$ 740,599</u>	<u>\$ (251,811)</u>
Receipts Over (Under) Expenditures	(16,352)		
Unencumbered Cash, Beginning	276,910		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 260,558</u>		

CITY OF OVERBROOK, KANSAS
SPECIAL PURPOSE FUND
 LAW FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
 For the Year Ended December 31, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
CASH RECEIPTS			
Taxes and Shared Revenue			
Ad valorem property tax	\$ 138,376	\$ 141,559	\$ (3,183)
Delinquent tax	489	500	(11)
Motor vehicle tax	19,910	20,368	(458)
RV tax	191	195	(4)
16/20M vehicle tax	62	63	(1)
Commercial Vehicle tax	145	148	(3)
Watercraft tax			0
Intergovernmental revenue			0
Interest income			0
Miscellaneous revenues	303		0
Operating transfers			303
	<u>159,475</u>	<u>162,833</u>	<u>0</u>
Total Cash Receipts	<u>159,475</u>	<u>162,833</u>	<u>(3,358)</u>
EXPENDITURES			
General administration			0
Public safety			0
Personnel services	144,012	145,000	(988)
Commodities	18,351	20,000	(1,649)
Contractual	449	20,000	(19,551)
Capital outlay	6,568	50,000	(43,432)
Operating transfers	6,000	6,000	0
Adjustment for qualifying budget credits			0
	<u>175,380</u>	<u>241,000</u>	<u>0</u>
Total Expenditures	<u>175,380</u>	<u>\$ 241,000</u>	<u>\$ (65,620)</u>
Receipts Over (Under) Expenditures	(15,905)		
Unencumbered Cash, Beginning	60,786		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 44,881</u>		