# City of Centralia, Kansas

**Financial Statement**
**As of December 31, 2021**
**and For the Year Then Ended**

**With Report by Independent Auditor**

SHIPLEY
CPA, LLC
Audit, Assurance, & Consulting Services

**Table of Contents**


| | Page |
|---|---|
| **Independent Auditor's Report** | 1 – 3 |
| **Financial Statements** | |
| Summary Statement of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis | 4 |
| Notes to the Financial Statement | 5 – 12 |
| **Regulatory Required Supplemental Information** | |
| **Schedule 1** | |
| Summary of Expenditures – Actual and Budget – Regulatory Basis | 13 |
| **Schedule 2 - Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis** | |
| General Fund | 14 |
| **Special Purpose Funds** | |
| Library Fund | 15 |
| Special Highway Fund | 16 |
| Capital Improvement Fund | 17 |
| Equipment Reserve Fund | 18 |
| Grant Fund | 19 |
| **Business Funds** | |
| Water Utility Fund | 20 |
| Sewer Utility Fund | 21 |
| Electric Utility Fund | 22 |
| Centralia Lake Fund | 23 |
| Electric Reserve Fund | 24 |
| Water Reserve Fund | 25 |
| **Capital Project Fund** | |
| Capital Project Electric – Phase II | 26 |
| CCLIP Street Project | 27 |
| **Schedule 3 – Schedule of Receipts and Expenditures – Actual – Regulatory Basis** | |
| Agency Fund | 28 |
| **Schedule 4 – Schedule of Receipts and Expenditures – Related Municipal Entity – Regulatory Basis** | |
| Centralia City Library | 29 |

SHIPLEY CPA, LLC
Audit, Assurance, & Consulting Services

**Russell Shipley CPA, CFE, CGFM, CGMA**
Principal & Managing Director
(785) 760-4898
Russell@ShipleyCPA.com

PO Box 751193
Topeka, KS 66675

ShipleyCPA.com

# INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of the
City of Centralia, Kansas

## *Adverse and Unmodified Opinions*

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Centralia, Kansas (the City), as of and for the year ended December 31, 2021 and the related notes to the financial statement.

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

In my opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of my report, the accompanying 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 as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

*Unmodified Opinion on Regulatory Basis of Accounting*

In my opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2021, 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.

## *Basis for Adverse and Unmodified Opinions*

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of my report. I am required to be independent of the City, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse and unmodified audit opinions.

*Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City 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.

***Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statement***

My objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, I:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

***Supplementary Information***

My 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, 3 and 4 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary 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.

Shipley CPA, LLC

Shipley CPA, LLC
Topeka, Kansas
March 9, 2022

# CITY OF CENTRALIA, KANSAS
## SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
## REGULATORY BASIS
## FOR THE YEAR ENDED DECEMBER 31, 2021

| Funds | Beginning Unencumbered Cash Balance | Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Encumbrances And Accounts Payable | Ending Cash Balance |
|---|---|---|---|---|---|---|
| **General Funds:** | | | | | | |
| General Fund | $ 37,202 | $ 290,374 | $ 307,798 | $ 19,778 | $ 6,127 | $ 25,905 |
| **Special Purpose Funds:** | | | | | | |
| Library Fund | - | 29,526 | 29,526 | - | - | - |
| Special Highway Fund | 38,280 | 15,110 | 20,000 | 33,390 | - | 33,390 |
| Capital Improvement Fund | 64,979 | 65,445 | 107,991 | 22,433 | - | 22,433 |
| Equipment Reserve Fund | 51,957 | 58,138 | 94,901 | 15,194 | - | 15,194 |
| Grant Fund | - | 40,060 | 40,060 | - | - | - |
| **Business Funds:** | | | | | | |
| Water Utility Fund | 144,233 | 132,442 | 120,737 | 155,938 | - | 155,938 |
| Sewer Utility Fund | 84,864 | 78,483 | 133,479 | 29,868 | - | 29,868 |
| Electric Utility Fund | 221,402 | 443,530 | 450,673 | 214,259 | - | 214,259 |
| Centralia Lake Fund | 67,496 | 140,211 | 141,466 | 66,241 | - | 66,241 |
| Electric Reserve Fund | 57,701 | 78,099 | 60,800 | 75,000 | - | 75,000 |
| Water Reserve Fund | 37,626 | - | 5,373 | 32,253 | - | 32,253 |
| **Capital Project Funds:** | | | | | | |
| Capital Project Electric - Phase II | 32,753 | 631,342 | 480,590 | 183,505 | 136,776 | 320,281 |
| CCLIP Street Project | - | 45,000 | 8,502 | 36,498 | - | 36,498 |
| **Related Municipal Entity:** | | | | | | |
| Centralia City Library | 54,508 | 49,534 | 40,498 | 63,544 | - | 63,544 |
| **Total** | $ 893,001 | $ 2,097,294 | $ 2,042,394 | $ 947,901 | $ 142,903 | $ 1,090,804 |

| | |
|---|---|
| **Composition of Cash:** | |
| Checking accounts | $ 742,904 |
| Certificates of deposit | 350,000 |
| **Total** | 1,092,904 |
| Less Agency Funds (per Schedule 3) | (2,100) |
| Total Reporting Entity (Excluding Agency Funds) | $ 1,090,804 |

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

**CITY OF CENTRALIA, KANSAS**

**NOTES TO THE FINANCIAL STATEMENT**
**DECEMBER 31, 2021**

## Note 1 – Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Centralia, Kansas (the City), is a municipal corporation governed by an elected five-member council plus a mayor. This regulatory financial statement presents the City. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate.

**Centralia City Library**

The Centralia City Library (the CCL), is organized under K.S.A. 12-1218. The City levies a property tax for the CCL under K.S.A 79-1952, which is deposited in the City's Library Fund and transferred to the CCL for its operations.

Regulatory Basis Fund Types

The accounts of the City are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying out specific activities or attaining certain objectives in accordance with specific regulations, restrictions, or limitations.

The following types of funds were utilized in recording the financial activities of the City for the year 2021:

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 that are intended for specified purposes.

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

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

Agency funds – Used to account for assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, tax collection accounts, etc.)

Basis of Accounting

*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.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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 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 regulatory basis of accounting.

Reimbursed Expenses

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a 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 – 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 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.

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City did hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at that time. There was one amendment to the 2021 budget in the Centralia Lake Fund.

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 revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

**Note 2 – Budgetary Information (continued)**

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 and the following special purpose funds: Capital Improvement Fund, Equipment Reserve Fund, and the Grant Fund.

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 3 – Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402(d)(1) 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 Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not have a peak period pledge agreement during 2021, and therefore the City did not designate peak periods. All deposits were legally secured at December 31, 2021.

At December 31, 2021, the carrying amount of the City's deposits including certificates of deposit was $1,027,260 and the bank balance was $1,059,836. The bank balance was held at one bank resulting in a concentration of credit risk. The difference between the carrying amount and the bank balance is outstanding checks and deposits. Of the bank balance, $250,000 was covered by FDIC insurance and the remaining was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

Related Municipal Entity

At December 31, 2021, the carrying amount of the CCL deposits including certificates of deposit was $63,544 and the bank balance was $63,974. The bank balance was held at one bank. The difference between the carrying amount and the bank balance is outstanding checks and deposits. Of the bank balance, all was covered by FDIC insurance.

**Note 3 – Deposits and Investments (continued)**

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Government 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 – Property Taxes**

In accordance with governing State statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar-year basis and are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half of the full amounts of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes levied and collected in the year prior to January 1st of the ensuing year.

**Note 5 – Capital Projects**

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

| Project Name | Project Authorization | Expended to Date |
|---|---|---|
| Capital Project Electric - Phase II | $ 1,070,846 | $ 480,590 |

**Note 6 – Long-Term Debt**

During 2021, the City issued Series 2021 General Obligation Bonds in the amount of $475,000 for the purpose of the Capital Project Electric - Phase II.

## Note 6 – Long-Term Debt (continued)

Changes in long-term liabilities for the City for the year ended December 31, 2021 were as follows:

| Issue | Interest Rates | Date of Issue | Amount of Issue | Date of Final Maturity | Balance Beginning of Year | Additions | Reductions/ Payments | Balance End of Year | Interest and Service Fee Paid |
|---|---|---|---|---|---|---|---|---|---|
| **General Obligation Bonds:** | | | | | | | | | |
| Series 2018-A | 3.00% | 5/2/2018 | $ 460,000 | 9/1/2027 | $ 360,000 | $ - | $ 50,000 | $ 310,000 | $ 10,800 |
| Series 2020 - Refunding | 1.00% | 9/26/2020 | 365,000 | 11/1/2039 | 365,000 | - | - | 365,000 | 5,373 |
| Series 2021 | 1.15% | 9/16/2021 | 475,000 | 9/1/2033 | - | 475,000 | - | 475,000 | - |
| | | | | | 725,000 | 475,000 | 50,000 | 1,150,000 | 16,173 |
| **Leases:** | | | | | | | | | |
| Chevy Pickup | 3.00% | 6/3/2021 | $ 40,492 | 6/3/2026 | - | 40,492 | 3,771 | 36,721 | 584 |
| Skid Steer | 3.20% | 7/9/2020 | 56,905 | 7/9/2025 | 56,905 | - | 10,671 | 46,234 | 1,735 |
| | | | | | 56,905 | 40,492 | 14,442 | 82,955 | 2,319 |
| | | | | | $ 781,905 | $ 515,492 | $ 64,442 | $ 1,232,955 | $ 18,492 |

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

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027-2031 | 2032-2036 | 2037-2041 | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Principal** | | | | | | | | | |
| Series 2018-A | $ 50,000 | $ 50,000 | $ 50,000 | $ 50,000 | $ 55,000 | $ 55,000 | $ - | $ - | $ 310,000 |
| Series 2020 - Refunding | 20,000 | 20,000 | 20,000 | 20,000 | 20,000 | 100,000 | 100,000 | 65,000 | 365,000 |
| Series 2021 | 35,000 | 35,000 | 35,000 | 40,000 | 40,000 | 200,000 | 90,000 | - | 475,000 |
| Chevy Pickup | 7,746 | 7,971 | 8,214 | 8,463 | 4,327 | - | - | - | 36,721 |
| Skid Steer | 11,014 | 11,370 | 11,736 | 12,114 | - | - | - | - | 46,234 |
| | 123,760 | 124,341 | 124,950 | 130,577 | 119,327 | 355,000 | 190,000 | 65,000 | 1,232,955 |
| **Interest** | | | | | | | | | |
| Series 2018-A | 9,300 | 7,800 | 6,300 | 4,800 | 3,300 | 1,650 | - | - | 33,150 |
| Series 2020 - Refunding | 5,373 | 5,173 | 4,972 | 4,772 | 4,573 | 19,763 | 12,639 | 2,903 | 60,168 |
| Series 2021 | 9,922 | 8,800 | 8,100 | 7,400 | 6,600 | 21,000 | 2,700 | - | 64,522 |
| Chevy Pickup | 996 | 760 | 518 | 268 | 38 | - | - | - | 2,580 |
| Skid Steer | 1,392 | 1,037 | 670 | 292 | - | - | - | - | 3,391 |
| | 26,983 | 23,570 | 20,560 | 17,532 | 14,511 | 42,413 | 15,339 | 2,903 | 163,811 |
| | $ 150,743 | $ 147,911 | $ 145,510 | $ 148,109 | $ 133,838 | $ 397,413 | $ 205,339 | $ 67,903 | $ 1,396,766 |

## Note 7 – Interfund Transactions

Operating transfers were as follows:

| From | To | Amount | Authority |
|---|---|---|---|
| General Fund | Capital Improvement Fund | $ 10,000 | |
| Sewer Utility Fund | Capital Improvement Fund | 40,000 | |
| Water Utility Fund | General Fund | 20,000 | K.S.A. 12-825d |
| Sewer Utility Fund | General Fund | 20,000 | K.S.A. 12-825d |
| Electric Utility Fund | Electric Reserve Fund | 30,000 | K.S.A. 12-825d |
| Centralia Lake Fund | Electric Reserve Fund | 10,000 | K.S.A. 12-825d |
| Water Utility Fund | Electric Reserve Fund | 12,000 | K.S.A. 12-825d |
| Electric Utility Fund | Equipment Reserve Fund | 78,099 | K.S.A. 12-825d |
| Electric Utility Fund | General Fund | 35,000 | K.S.A. 12-825d |
| Electric Utility Fund | CCLIP Street Project Fund | 15,000 | K.S.A. 12-1,118 |
| Water Utility Fund | CCLIP Street Project Fund | 15,000 | K.S.A. 12-1,118 |
| Sewer Utility Fund | CCLIP Street Project Fund | 15,000 | K.S.A. 12-1,118 |

## Note 8 – Compensated Absences

The City maintains a policy of providing vacation and sick leave to its full-time employees, granted in varying amounts depending on length of service and date of hire. Vacation days are vesting and are allowed a maximum of 40 hours to be carried over into the next period. Sick leave is non-vesting and accumulates with a maximum accrual of 480 hours. Per the City's policy at December 31, 2021, the City's liability for unused vacation was approximately $5,925.

## Note 9 – Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no decreases in insurance coverage from the prior year.

The City pays an annual premium to Kansas Municipal Insurance Trust for its worker's compensation and employer's liability insurance coverage. The agreement to participate provides that the Municipalities will be self-sustaining through member premiums. Additional premiums may be due if total claims for the pool are different than what has been anticipated by pool administrator.

The City continues to carry commercial insurance for all other risks of loss, including general liability, crime, inland marine, errors and omissions, business auto, and property. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## Note 10 – Defined Benefit Pension Plan

*Plan Description:* The non-school Municipality participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained 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 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 memberemployee 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 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were $12,573 for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the (non-school municipality)'s proportionate share of the collective net pension liability reported by KPERS was $77,253. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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 this financial statement.

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 11 – Covid-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City's financial condition, liquidity, and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022. Future potential impacts may include disruptions or restrictions on the City's ability to operate under its current mission and operating model.

## Note 12 – Evaluation of Subsequent Events

The City has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditor's report, which is the date the financial statement was available for issue.

# Regulatory-Required Supplementary Information

**SCHEDULE 1**

**CITY OF CENTRALIA, KANSAS**
**SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| Funds | Certified Budget | Adjustments for Qualifying Budget Credits | Total Budget | Expenditures Chargeable to Current Year | Variance Over (Under) |
|---|---|---|---|---|---|
| **General Funds:** | | | | | |
| General Fund | $ 308,306 | $ - | $ 308,306 | $ 307,798 | $ (508) |
| **Special Purpose Funds:** | | | | | |
| Library Fund | 29,533 | - | 29,533 | 29,526 | (7) |
| Special Highway Fund | 20,000 | - | 20,000 | 20,000 | - |
| **Business Funds:** | | | | | |
| Water Utility Fund | 123,198 | - | 123,198 | 120,737 | (2,461) |
| Sewer Utility Fund | 133,585 | - | 133,585 | 133,479 | (106) |
| Electric Utility Fund | 463,493 | - | 463,493 | 450,673 | (12,820) |
| Centralia Lake Fund | 141,648 | - | 141,648 | 141,466 | (182) |
| Electric Reserve Fund | 60,800 | - | 60,800 | 60,800 | - |
| Water Reserve Fund | 25,890 | - | 25,890 | 5,373 | (20,517) |

# CITY OF CENTRALIA, KANSAS
## GENERAL FUND
## SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
## REGULATORY BASIS
## FOR THE YEAR ENDED DECEMBER 31, 2021

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Ad valorem tax | $ 53,531 | $ 59,559 | $ (6,028) |
| Delinquent tax | 1,414 | - | 1,414 |
| Motor vehicle tax | 12,515 | 10,084 | 2,431 |
| Recreational vehicle tax | 392 | 260 | 132 |
| 16/20M vehicle tax | 202 | 182 | 20 |
| Commercial vehicle tax | - | 690 | (690) |
| Watercraft tax | - | 42 | (42) |
| Liquor tax | 1,004 | - | 1,004 |
| Local sales tax | 58,770 | 47,000 | 11,770 |
| Franchise tax | 4,795 | 4,000 | 795 |
| SAC tax | 3,821 | - | 3,821 |
| Personal property current tax | 1,449 | - | 1,449 |
| Reimbursements | 837 | 4,500 | (3,663) |
| Sale of property | - | 1,000 | (1,000) |
| Sale of material | 578 | 500 | 78 |
| Licenses | 165 | 200 | (35) |
| Library wage reimbursement | 24,006 | 24,500 | (494) |
| Pool revenue | 5,550 | 5,500 | 50 |
| Grants | 2,431 | - | 2,431 |
| Solid waste revenue | 40,229 | 37,000 | 3,229 |
| Interest on idle funds | 2,936 | 5,000 | (2,064) |
| Miscellaneous | 749 | 5,000 | (4,251) |
| Transfers in | 75,000 | 75,000 | - |
| **Total Receipts** | 290,374 | $ 280,017 | $ 10,357 |
| **Expenditures** | | | |
| General administration | 102,312 | $ 110,479 | $ (8,167) |
| Streets | 95,137 | 100,654 | (5,517) |
| Pool | 23,396 | 22,879 | 517 |
| Solid waste | 34,559 | 35,000 | (441) |
| Parks | 11,221 | 11,981 | (760) |
| Library | 25,085 | - | 25,085 |
| Emergency services | 4,426 | 5,700 | (1,274) |
| Neighborhood revitalization rebate | 1,662 | 1,613 | 49 |
| Transfers out | 10,000 | - | 10,000 |
| Cash forward | - | 20,000 | (20,000) |
| **Total Expenditures** | 307,798 | $ 308,306 | $ (508) |
| **Receipts Over (Under) Expenditures** | (17,424) | | |
| **Unencumbered Cash, Beginning** | 37,202 | | |
| **Unencumbered Cash, Ending** | $ 19,778 | | |

**CITY OF CENTRALIA, KANSAS**
**LIBRARY FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Ad valorem tax | $ 21,675 | $ 23,882 | $ (2,207) |
| Delinquent tax | 530 | $ - | 530 |
| Motor vehicle tax | 4,904 | 4,024 | 880 |
| Recreational vehicle tax | 154 | 104 | 50 |
| 16/20 M vehicle tax | 75 | 73 | 2 |
| Commercial vehicle tax | - | 275 | (275) |
| Watercraft tax | - | 17 | (17) |
| SAC tax | 1,324 | - | 1,324 |
| Personal property current tax | 581 | - | 581 |
| Miscellaneous | 283 | - | 283 |
| **Total Receipts** | 29,526 | $ 28,375 | $ 1,151 |
| **Expenditures** | | | |
| Operating expenses | 28,859 | $ 27,518 | $ 1,341 |
| Miscellaneous | - | 1,394 | (1,394) |
| Neighborhood revitalization rebate | 667 | 621 | 46 |
| **Total Expenditures** | 29,526 | $ 29,533 | $ (7) |
| **Receipts Over (Under) Expenditures** | - | | |
| **Unencumbered Cash, Beginning** | - | | |
| **Unencumbered Cash, Ending** | $ - | | |

**CITY OF CENTRALIA, KANSAS**
**SPECIAL HIGHWAY FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| State of Kansas gas tax | $ 15,110 | $ 11,620 | $ 3,490 |
| **Total Receipts** | 15,110 | $ 11,620 | $ 3,490 |
| **Expenditures** | | | |
| Street repair and maintenance | 20,000 | $ 20,000 | $ - |
| **Total Expenditures** | 20,000 | $ 20,000 | $ - |
| **Receipts Over (Under) Expenditures** | (4,890) | | |
| **Unencumbered Cash, Beginning** | 38,280 | | |
| **Unencumbered Cash, Ending** | $ 33,390 | | |

**CITY OF CENTRALIA, KANSAS**
**CAPITAL IMPROVEMENT FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual |
|---|---|
| **Receipts** | |
| Transfers in | $ 50,000 |
| Grants | 15,445 |
| **Total Receipts** | 65,445 |
| **Expenditures** | |
| Capital outlay | 107,991 |
| **Total Expenditures** | 107,991 |
| **Receipts Over (Under) Expenditures** | (42,546) |
| **Unencumbered Cash, Beginning** | 64,979 |
| **Unencumbered Cash, Ending** | $ 22,433 |

**CITY OF CENTRALIA, KANSAS**
**EQUIPMENT RESERVE FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual |
|---|---|
| **Receipts** | |
| Sale of material | $ 6,138 |
| Transfers in | 52,000 |
| **Total Receipts** | 58,138 |
| **Expenditures** | |
| Capital outlay | 94,901 |
| **Total Expenditures** | 94,901 |
| **Receipts Over (Under) Expenditures** | (36,763) |
| **Unencumbered Cash, Beginning** | 51,957 |
| **Unencumbered Cash, Ending** | $ 15,194 |

**CITY OF CENTRALIA, KANSAS**
**GRANT FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual |
|---|---|
| **Receipts** | |
| Grants | $ 40,060 |
| **Total Receipts** | 40,060 |
| **Expenditures** | |
| Capital outlay | 40,060 |
| **Total Expenditures** | 40,060 |
| **Receipts Over (Under) Expenditures** | - |
| **Unencumbered Cash, Beginning** | - |
| **Unencumbered Cash, Ending** | $ - |

**CITY OF CENTRALIA, KANSAS**
**WATER UTILITY FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Fees received | $ 131,942 | $ 99,565 | $ 32,377 |
| Licenses | 500 | - | 500 |
| **Total Receipts** | 132,442 | $ 99,565 | $ 32,877 |
| **Expenditures** | | | |
| Salaries | 26,663 | $ 20,284 | $ 6,379 |
| Benefits | 4,414 | 4,301 | 113 |
| Purchased water | 23,474 | 25,788 | (2,314) |
| Commodities | 3,717 | 1,000 | 2,717 |
| Contractual | 12,016 | 13,000 | (984) |
| Insurance | 3,453 | 3,100 | 353 |
| Capital outlay | - | 10,000 | (10,000) |
| Transfers out | 47,000 | 45,725 | 1,275 |
| **Total Expenditures** | 120,737 | $ 123,198 | $ (2,461) |
| **Receipts Over (Under) Expenditures** | 11,705 | | |
| **Unencumbered Cash, Beginning** | 144,233 | | |
| **Unencumbered Cash, Ending** | $ 155,938 | | |

**CITY OF CENTRALIA, KANSAS**
**SEWER UTILITY FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Fees received | $ 77,698 | $ 75,900 | $ 1,798 |
| Licenses | 300 | - | 300 |
| Reimbursements | 485 | - | 485 |
| **Total Receipts** | 78,483 | $ 75,900 | $ 2,583 |
| **Expenditures** | | | |
| Salaries | 24,411 | $ 20,284 | $ 4,127 |
| Benefits | 4,239 | 4,301 | (62) |
| Operating expenses | 16,482 | 14,000 | 2,482 |
| Capital outlay | 13,347 | 75,000 | (61,653) |
| Transfers out | 75,000 | 20,000 | 55,000 |
| **Total Expenditures** | 133,479 | $ 133,585 | $ (106) |
| **Receipts Over (Under) Expenditures** | (54,996) | | |
| **Unencumbered Cash, Beginning** | 84,864 | | |
| **Unencumbered Cash, Ending** | $ 29,868 | | |

**CITY OF CENTRALIA, KANSAS**
**ELECTRIC UTILITY FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Fees received | $ 440,940 | $ 426,839 | $ 14,101 |
| Miscellaneous | 2,590 | - | 2,590 |
| **Total Receipts** | 443,530 | $ 426,839 | $ 16,691 |
| **Expenditures** | | | |
| Salaries | 27,698 | $ 20,284 | $ 7,414 |
| Benefits | 4,541 | 5,260 | (719) |
| Purchased electricity | 206,532 | 186,850 | 19,682 |
| Electric transmissions cost | 19,825 | 31,000 | (11,175) |
| Commodities | 2,515 | 5,000 | (2,485) |
| Contractual | 30,092 | 20,000 | 10,092 |
| Insurance | 1,371 | 2,000 | (629) |
| Capital outlay | - | 50,000 | (50,000) |
| Transfers out | 158,099 | 143,099 | 15,000 |
| **Total Expenditures** | 450,673 | $ 463,493 | $ (12,820) |
| **Receipts Over (Under) Expenditures** | (7,143) | | |
| **Unencumbered Cash, Beginning** | 221,402 | | |
| **Unencumbered Cash, Ending** | $ 214,259 | | |

**CITY OF CENTRALIA, KANSAS**
**CENTRALIA LAKE FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Lake permit fees | $ 104,215 | $ 100,000 | $ 4,215 |
| Advance lake fees | 18,486 | 15,000 | 3,486 |
| Kansas fish and game permits | 17,510 | 15,000 | 2,510 |
| Haying lease payments | - | 4,650 | (4,650) |
| **Total Receipts** | 140,211 | $ 134,650 | $ 5,561 |
| **Expenditures** | | | |
| Salaries and benefits | 15,802 | $ 16,148 | $ (346) |
| Contractual | 16,153 | 1,000 | 15,153 |
| Commodities | 7,168 | 8,000 | (832) |
| Insurance | 4,040 | 3,500 | 540 |
| Utilities | 21,969 | 23,000 | (1,031) |
| Road work | 2,941 | 13,000 | (10,059) |
| Capital outlay | 61,282 | 47,000 | 14,282 |
| Miscellaneous | 2,111 | - | 2,111 |
| Transfers out | 10,000 | 30,000 | (20,000) |
| **Total Expenditures** | 141,466 | $ 141,648 | $ (182) |
| **Receipts Over (Under) Expenditures** | (1,255) | | |
| **Unencumbered Cash, Beginning** | 67,496 | | |
| **Unencumbered Cash, Ending** | $ 66,241 | | |

**CITY OF CENTRALIA, KANSAS**
**ELECTRIC RESERVE FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Transfers in | $ 78,099 | $ 78,099 | $ - |
| **Total Receipts** | 78,099 | $ 78,099 | $ - |
| **Expenditures** | | | |
| Bond principal | 50,000 | $ 50,000 | $ - |
| Bond interest | 10,800 | 10,800 | - |
| **Total Expenditures** | 60,800 | $ 60,800 | $ - |
| **Receipts Over (Under) Expenditures** | 17,299 | | |
| **Unencumbered Cash, Beginning** | 57,701 | | |
| **Unencumbered Cash, Ending** | $ 75,000 | | |

**CITY OF CENTRALIA, KANSAS**
**WATER RESERVE FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual | Budget | Variance Over (Under) |
|---|---|---|---|
| **Receipts** | | | |
| Transfers in | $ - | $ 25,725 | $ (25,725) |
| **Total Receipts** | - | $ 25,725 | $ (25,725) |
| **Expenditures** | | | |
| Bond principal | - | $ 11,481 | $ (11,481) |
| Bond interest | 5,373 | 14,409 | (9,036) |
| **Total Expenditures** | 5,373 | $ 25,890 | $ (20,517) |
| **Receipts Over (Under) Expenditures** | (5,373) | | |
| **Unencumbered Cash, Beginning** | 37,626 | | |
| **Unencumbered Cash, Ending** | $ 32,253 | | |

**CITY OF CENTRALIA, KANSAS**
**CAPITAL PROJECT ELECTRIC – PHASE II FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual |
|---|---|
| **Receipts** | |
| Bond proceeds | $ 475,000 |
| Grants | 156,342 |
| **Total Receipts** | 631,342 |
| **Expenditures** | |
| Capital outlay | 459,286 |
| Bond issuance cost | 21,304 |
| **Total Expenditures** | 480,590 |
| **Receipts Over (Under) Expenditures** | 150,752 |
| **Unencumbered Cash, Beginning** | 32,753 |
| **Unencumbered Cash, Ending** | $ 183,505 |

**CITY OF CENTRALIA, KANSAS**
**CCLIP STREET PROJECT FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual |
|---|---|
| **Receipts** | |
| Transfers in | $ 45,000 |
| **Total Receipts** | 45,000 |
| **Expenditures** | |
| Capital outlay | 8,502 |
| **Total Expenditures** | 8,502 |
| **Receipts Over (Under) Expenditures** | 36,498 |
| **Unencumbered Cash, Beginning** | - |
| **Unencumbered Cash, Ending** | $ 36,498 |

**CITY OF CENTRALIA, KANSAS**
**AGENCY FUND**
**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| Funds | Beginning Cash Balance | Receipts | Disbursements | Ending Cash Balance |
|---|---|---|---|---|
| Utility Deposits | $ 2,700 | $ 2,100 | $ 2,700 | $ 2,100 |
| **Total Agency Funds** | $ 2,700 | $ 2,100 | $ 2,700 | $ 2,100 |

**CITY OF CENTRALIA, KANSAS**
**SCHEDULE OF RECEIPTS AND EXPENDITURES**
**RELATED MUNICIPAL ENTITY**
**CENTRALIA CITY LIBRARY**
**REGULATORY BASIS**
**FOR THE YEAR ENDED DECEMBER 31, 2021**

| | Actual |
|---|---|
| **Receipts** | |
| Miscellaneous | 49,534 |
| **Total Receipts** | 49,534 |
| **Expenditures** | |
| Salaries | 25,152 |
| Operating expenses | 5,100 |
| Contractual | 9,401 |
| Commodities | 845 |
| **Total Expenditures** | 40,498 |
| **Receipts Over (Under) Expenditures** | 9,036 |
| **Unencumbered Cash, Beginning** | 54,508 |
| **Unencumbered Cash, Ending** | $ 63,544 |