CITY OF CANTON, KANSAS

FINANCIAL STATEMENT

FOR THE YEAR ENDED
DECEMBER 31, 2021

CITY OF CANTON, KANSAS

CITY OF THE THIRD CLASS

For the Year Ended December 31, 2021

Anthony Wedel, Mayor

CITY COUNCIL

Gabe Griffith

Saxton Bezrucik

Stephen Panetta

Terry Gribble

Jason Clinkscale

CITY OFFICERS

Linda Klatt, Clerk

Mary Jane Lauer, Treasurer

Tim Karstetter, Attorney

Gary Price Jr., Municipal Judge

Mark Barnett, Chief of Police

CITY OF CANTON, KANSAS

For the Year Ended December 31, 2021

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LOYD GROUP, LLC

520 S. Main Street
P.O. Box 7
Galva, KS 67443
620-654-7565
www.loyd-group.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Canton, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Canton, Kansas (City), a Municipal Financial Reporting Entity, 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 our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our 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 our 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

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

Other Matter

The prior year's financial statement for the year ended December 31, 2020, was audited by another auditor, who expressed an unmodified opinion on regulatory basis of accounting, on May 19, 2021.

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

Our 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 our 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, we:

- 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 our 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.

We are 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 we identified during the audit.

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, individual fund schedules of regulatory basis receipts, expenditures-actual and budget and schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2, and 3 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

our 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.

Another auditor previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Canton, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued their report thereon dated May 19, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and their 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 https://admin.ks.gov/offices/oar/municipalservices. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2021 (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 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Loyd Group, LLC

Loyd Group, LLC
Galva, KS
May 25, 2022

CITY OF CANTON, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2021

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND:						
General Fund	$ 481,145	$ 431,539	$ 362,822	$ 549,862	$ 6,276	$ 556,138
SPECIAL PURPOSE FUNDS:						
Special City/County Highway Fund	78,421	20,073	32,597	65,897		65,897
Special Park and Recreation Fund	14,423	9,975	3,212	21,186	145	21,331
Special Equipment Fund	35,038	18,807	32,203	21,642	-	21,642
ARPA Grant Fund	-	53,032	-	53,032	-	53,032
Total Special Purpose Funds	127,882	101,887	68,012	161,757	145	161,902
BOND AND INTEREST FUND:						
Bond and Interest Fund	48,752	71,660	62,787	57,625	-	57,625
BUSINESS FUNDS:						
Sewer Fund	170,248	101,619	90,885	180,982	1,613	182,595
Water Fund	68,694	179,721	155,733	92,682	5,812	98,494
Trash Fund	25,001	57,978	65,904	17,075	4,406	21,481
Total Business Funds	263,943	339,318	312,522	290,739	11,831	302,570
Total Reporting Entity (Excluding Agency Funds)	$ 921,722	$ 944,404	$ 806,143	$ 1,059,983	$ 18,252	$ 1,078,235

COMPOSITION OF CASH:	
Cash on Hand	$ 100
Checking Account - State Bank of Canton	753,013
Money Market Account - Citizens State Bank	231,262
Certificates of Deposit - Citizens State Bank	100,678
Total Cash	1,085,053
Less Agency Funds per Schedule 3	(6,818)
Total Reporting Entity (Excluding Agency Funds)	$ 1,078,235

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

CITY OF CANTON, KANSAS

NOTES TO FINANCIAL STATEMENT

For the Year Ended December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Municipal Financial Reporting Entity

The City of Canton is a municipal corporation governed by an elected mayor and elected five-member council. The financial statement presents the City of Canton (the municipality). The City does not have any related municipal entities.

(b) 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 Fund – 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.

Bond and Interest Fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

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

Business Fund – 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.).

Trust Fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

(c) 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. 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 the regulatory basis of accounting.

(d) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Budgetary Information (Cont.)

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.

Senate Bill 13 repealed the tax lid law and introduced the use of a revenue neutral rate with an additional budget hearing required if the proposed tax levy exceeds the revenue neutral rate. These policy changes apply to the 2022 budget cycle. Additional information can be found in the Memo to State of Kansas Taxing Subdivisions (2021) at https://admin.ks.gov/offices/oar/municipal-services.

If the municipality 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 municipality did not hold a revenue neutral rate hearing for the year.

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 budget amendments for 2020.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Agency Funds, Trust Funds and certain Special Purpose Funds as noted in the presentation of the appropriate Schedule 2.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

No statutory violations noted in 2021.

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, 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.

3. DEPOSITS AND INVESTMENTS (CONT.)

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2021.

At December 31, 2021, the City's carrying amount of deposits was $1,084,953 and the bank balance was $1,086,943. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $500,000 was covered by federal depository insurance and the remaining $586,943 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.

4. LONG-TERM DEBT

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 Paid
Kansas Water Pollution Control Revolving Loan	2.73%	07-27-04	$ 288,228	03-01-26	$ 95,539	$ -	$ 16,235	$ 79,304	$ 2,727
General Obligation Bonds Series 2013	1.00 - 3.25%	05-23-13	520,000	10-01-33	370,000	-	25,000	345,000	10,225
General Obligation Bonds Series 2014	1.90 - 2.90%	05-29-14	218,000	12-01-24	100,000	-	25,000	75,000	2,563
General Obligation Bonds Series 2017	2.25 - 4.00%	09-01-17	220,000	08-01-32	190,000	-	15,000	175,000	5,650
First Street Water Line Lease	3.85%	01-28-16	115,000	02-01-21	4,202	-	4,202	-	20
Total Contractual Indebtedness					$ 759,741	$ -	$ 85,437	$ 674,304	$ 21,185

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

	Year							
	2022	2023	2024	2025	2026	2027 to 2031	2032 to 2033	Total
PRINCIPAL:								
Kansas Water Pollution Control Revolving Loan	$ 16,722	$ 17,225	$ 17,741	$ 18,274	$ 9,342	$ -	$ -	$ 79,304
General Obligation Bonds Series 2013	25,000	25,000	25,000	25,000	25,000	150,000	70,000	345,000
General Obligation Bonds Series 2014	25,000	25,000	25,000	-	-	-	-	75,000
General Obligation Bonds Series 2017	15,000	15,000	15,000	15,000	15,000	80,000	20,000	175,000
TOTAL PRINCIPAL	81,722	82,225	82,741	58,274	49,342	230,000	90,000	674,304
INTEREST:								
Kansas Water Pollution Control Revolving Loan	2,239	1,738	1,220	688	139	-	-	6,024
General Obligation Bonds Series 2013	9,787	9,350	8,725	8,100	7,475	25,250	3,413	72,100
General Obligation Bonds Series 2014	2,012	1,400	725	-	-	-	-	4,137
General Obligation Bonds Series 2017	5,050	4,450	4,113	3,775	3,400	10,888	650	32,326
TOTAL INTEREST	19,088	16,938	14,783	12,563	11,014	36,138	4,063	114,587
TOTAL PRINCIPAL AND INTEREST	$ 100,810	$ 99,163	$ 97,524	$ 70,837	$ 60,356	$ 266,138	$ 94,063	$ 788,891

5. DEFINED BENEFIT PENSION PLAN

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which 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.

5. DEFINED BENEFIT PENSION PLAN

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 and 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 $14,696 for the year ended December 31, 2021.

Net Pension Liability. At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was $101,312. 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 these 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.

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) 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 this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

(b) Death and Disability Other Post Employment Benefits

K.S.A. 74-4927, disabled members in KPERS receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2021.

(c) Other Employee Benefits

Vacation – Vacation leave if not taken shall not accrue from year to year. No vacation leave shall be taken until a new employee has completed one year of continuous service. Employees may use vacation leave in units of not less than one hour. Upon retirement, discharge, dismissal, or other circumstances of separation of an employee from his employment with the City, the City, in its discretion, may pay to such employee the value of any earned but unused vacation leave.

Each permanent full-time employee will accrue vacation leave as follows:

Years of Service	Per Year
After 1 year	40 working hours
After 2 years	80 working hours
After 6 years	120 working hours
After 15 years	160 working hours

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

(c) Other Employee Benefits

Other employees shall not receive vacation leave.

Sick leave – All full-time employees and part-time employee who work at least 20 hours or more per week, shall be entitled to sick leave with pay for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. Sick leave, if not taken, shall accrue to no more than 720 hours at the end of each year. All excess sick days not used by the end of the year will be forfeited. Upon termination, no employee will be compensated for unused sick leave.

Amount of sick leave - Eligible employees shall earn eight hours of sick leave for each full month of service. Other employees shall not have paid sick leave.

7. OTHER RELATIONSHIPS

McPherson Area Solid Waste Utility

The City along with McPherson County and seven other cities located within McPherson County entered into an interlocal agreement, authorized by State Statute, to form the McPherson Area Solid Waste Utility (the Utility) effective July 17, 1991. The purpose of the Utility is to assist its Members in planning, technical and financial matters for comprehensive solid waste management and accomplish the desired objectives of an effective county-wide solid waste management program, including the operation of a cooperative solid waste management program and the operation of a cooperative solid waste processing and disposal system for the benefit of its Members.

Management of the Utility is carried out by an appointed three member Board of Directors. The City of McPherson appoints one member to the Board of Directors, McPherson County appoints a second Director and the third Director is appointed collectively by the other seven Members of the Utility.

The agreement and the Utility may be terminated by written consent of at least two-thirds of the Members, provided that prior to such termination all contractual obligations and indebtedness of the Utility have been paid in full or sufficient resources have been escrowed for the payment of such obligations in full when due. Upon such termination, the Board of Directors shall liquidate the Utility and distribute the assets in a manner that, in its discretion, it deems appropriate. Accordingly, any ongoing financial interest or access to the Utility's resources is indeterminable until such action is taken by its Board of Directors. In addition, no Member shall be permitted to withdraw for twenty years or such sooner time as provision is made for the payment or discharge of the debt incurred by the County or assumed by the Utility. Any withdrawing Member shall not be entitled to distribution of any real or personal property of the Utility by reason of its withdrawal.

The Board of Directors shall determine the methods of obtaining financing for the Utility. The County provided the initial financing for the acquisition of land to be used as a site for disposal of refuse, constructing structures and acquiring equipment necessary for the sanitary disposal of refuse in McPherson County. Effective January 1, 1992, the fiscal accounting and operations of the Utility were transferred from McPherson County to management of the Utility.

Financial information of the McPherson Area Solid Waste Utililty is not included in this report. Complete financial statements may be obtained from the administrative offices of the entity at 1431 17th Ave, McPherson, Kansas 67460.

8. 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 the date of this report, the 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 torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2020 to 2021 and there were no settlements that exceeded insurance coverage in the past three years.

8. CLAIMS AND JUDGMENTS (CONT.)

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 impact on the City.

9. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	Special Equipment	K.S.A. 12-825d	$ 10,000
Water	Special Equipment	K.S.A. 12-1,117	5,000
			$ 15,000

10. RELATED PARTY

The Mayor of the City owns a majority of the insurance agency where the City has their insurance. The amount paid by the City in 2021 was $30,323.

11. COVID-19 NOTE

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus 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 2021. Future potential impacts may include a decrease in certain revenues, reduced customer traffic and the temporary closure of operating hours of our offices.

As a result of COVID-19, the State of Kansas has received Coronavirus State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan Act (ARPA). The SLFRF was received from the U.S. Department of Treasury. The City received SLFRF in the amount of $53,032 during 2021. The SLFRF are to be used to strengthen and improve infrastructure and continue to support the recovery related to the public health emergency. Additional information and updates on ARPA SLFRF, which includes audit requirements, can be found at https://home.treasury.gov/.

12. SUBSEQUENT EVENTS

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

CITY OF CANTON, KANSAS

REGULATORY - REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2021

CITY OF CANTON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
(Budgeted Funds Only)
For the Year Ended December 31, 2021

	Certified Budget	Adjustment for for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
GENERAL FUND:					
General Fund	$ 695,407	$ -	$ 695,407	$ 362,822	$ (332,585)
SPECIAL PURPOSE FUNDS:					
Special City/County Highway Fund	98,912	-	98,912	32,597	(66,315)
Special Park and Recreation Fund	15,331	-	15,331	3,212	(12,119)
Special Equipment Fund	69,838	-	69,838	32,203	(37,635)
BOND AND INTEREST FUND:					
Bond and Interest Fund	119,771	-	119,771	62,787	(56,984)
BUSINESS FUNDS:					
Sewer Fund	248,603	-	248,603	90,885	(157,718)
Water Fund	158,859	-	158,859	155,733	(3,126)
Trash Fund	83,817	-	83,817	65,904	(17,913)

CITY OF CANTON, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes -				
Ad valorem property tax	$ 141,057	$ 125,170	$ 150,406	$ (25,236)
Delinquent tax	11,158	6,132	1,500	4,632
Motor vehicle tax	18,626	18,761	20,279	(1,518)
Recreational vehicle tax	382	668	428	240
16/20M vehicle tax	60	120	113	7
Commercial vehicle tax	226	125	177	(52)
Watercraft tax	-	-	82	(82)
Oil Tax	-	48	-	48
Local alcoholic liquor tax	2,452	9,475	5,679	3,796
Local sales tax	98,746	104,556	90,000	14,556
Special assessments	-	-	500	(500)
State Assessed	-	18,692	-	18,692
Sales tax for streets	62,749	79,987	60,000	19,987
Total Taxes	335,456	363,734	329,164	34,570
Licenses and Permits -				
City licenses	855	355	1,000	(645)
Building permits	62	30	-	30
Pet Licenses	-	345	-	345
Rec Vehicle Registration	-	775	-	775
VIN Inspections	-	825	-	825
Utility franchise fees	26,895	28,419	28,000	419
Total Licenses and Permits	27,812	30,749	29,000	1,749
Charges for Services -				
Swimming pool	3,914	3,363	3,500	(137)
Fines, Forfeitures and Penalties -				
Police fines	4,018	3,029	5,000	(1,971)
Fines and Forfeitures	-	5,898	-	5,898
Total Fines, Forfeitures and Penalties	4,018	8,927	8,500	3,790
Use of Money and Property -				
Interest income	1,542	1,302	1,300	2

CITY OF CANTON, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Other -				
Economic development	$ 2,138	$ 2,011	$ -	$ 2,011
Grant - McPherson County Foundation	6,000	-	-	-
Miscellaneous	7,953	172	4,000	(3,828)
Reimbursed expenses	15,212	15,531	-	15,531
Gifts and Donations	-	100	-	100
Community center rent	910	1,175	1,200	(25)
Nex-Tech Rental	-	3,807	-	3,807
MP CO Tower Lease	-	600	-	600
Return Check/ACH Fee	-	60	-	60
Refund	-	7	-	7
Rental Income	-	1	-	1
Total Other	32,213	23,464	5,200	20,081
Total Receipts	404,955	431,539	$ 373,164	$ 54,294
Expenditures				
Administrative -				
Personal services	102,098	109,803	$ 115,000	$ (5,197)
Contractual services	65,457	71,508	93,000	(21,492)
Commodities	16,407	9,947	13,000	(3,053)
Capital outlay	1,832	10,918	2,000	8,918
Community center	3,153	3,926	3,800	126
Transfer to Special Equipment Fund	-	10,000	-	10,000
Transfer to Capital Improvement Fund	-	-	10,000	(10,000)
Total Administrative	188,947	216,102	236,800	(20,698)
Police -				
Personal services	72,558	76,438	72,000	4,438
Contractual services	8,905	4,049	10,000	(5,951)
Commodities	6,999	8,664	9,000	(336)
Capital outlay	-	367	5,000	(4,633)
Total Police	88,462	89,518	96,000	(6,482)
Police VIN-				
Materials and Supplies	-	105	-	105
Other	-	5	-	5
Refunds	-	20	-	20
Total Police VIN	-	130	-	130

CITY OF CANTON, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Street -				
Contractual services	$ 1,081	$ 3,929	$ 10,000	$ (6,071)
Commodities	923	691	20,000	(19,309)
Total Street	2,004	4,620	30,000	(25,380)
Street Lights -				
Commodities	14,651	17,089	15,000	2,089
Park and Recreation -				
Contractual services	2,915	1,852	-	1,852
McMurray Ball Park -				
Personal services	-	-	2,400	(2,400)
Contractual services	327	4,981	2,000	2,981
Materials and Supplies	-	4,794	-	4,794
Total McMurral Ball Park	327	9,775	4,400	5,375
Expenditures (cont.)				
Fire Department -				
Contractual services	4,225	4,209	4,229	(20)
Swimming Pool -				
Personal services	13,231	11,692	20,000	(8,308)
Contractual services	1,939	2,242	3,500	(1,258)
Commodities	2,639	5,593	10,000	(4,407)
Capital outlay	-	-	5,000	(5,000)
Total Swimming Pool	17,809	19,527	38,500	(18,973)
Other -				
Grant expenses	6,024	-	-	-
Cash forward	-	-	270,478	(270,478)
Total Expenditures	325,364	362,822	$ 695,407	$ (332,585)
Receipts Over (Under) Expenditures	79,591	68,717		
Unencumbered Cash, Beginning	401,554	481,145		
Unencumbered Cash, Ending	$ 481,145	$ 549,862		

CITY OF CANTON, KANSAS

SPECIAL PURPOSE FUND

SPECIAL CITY/COUNTY HIGHWAY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
State of Kansas gas tax	$ 18,136	$ 20,073	$ 16,000	$ 4,073
Expenditures				
Street maintenance	24,537	28,774	$ 50,000	$ (21,226)
Contractual Services	-	3,823	-	3,823
Capital Outlay	-	-	48,912	(48,912)
Total Expenditures	24,537	32,597	$ 98,912	$ (66,315)
Receipts Over (Under) Expenditures	(6,401)	(12,524)		
Unencumbered Cash, Beginning	84,822	78,421		
Unencumbered Cash, Ending	$ 78,421	$ 65,897		

CITY OF CANTON, KANSAS

SPECIAL PURPOSE FUND

SPECIAL PARK AND RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Local alcoholic liquor tax	$ 2,452	$ 9,475	$ 2,584	$ 6,891
Donations	15,500	500	-	500
Total Receipts	17,952	9,975	$ 2,584	$ 7,391
Expenditures				
Commodities	2,702	-	$ -	$ -
Contractual Services	-	1,603	-	1,603
Park improvements/playground	15,990	1,609	15,331	(13,722)
Total Expenditures	18,692	3,212	$ 15,331	$ (12,119)
Receipts Over (Under) Expenditures	(740)	6,763		
Unencumbered Cash, Beginning	15,163	14,423		
Unencumbered Cash, Ending	$ 14,423	$ 21,186		

CITY OF CANTON, KANSAS

SPECIAL PURPOSE FUND

SPECIAL EQUIPMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Transfer from General Fund	$ -	$ 10,000	$ 10,000	$ -
Transfer from Water Fund	-	5,000	5,000	-
Transfer from Sewer Fund	15,000	-	-	-
Transfer from Capital Improvement Fund	6,415	-	-	-
Sale of equipment	21,400	-	-	-
Miscellaneous	4,000	3,807	3,000	807
Total Receipts	46,815	18,807	$ 18,000	$ 807
Expenditures				
Capital outlay	-	32,203	$ 64,838	$ (32,635)
Maintenance tools	-	-	5,000	(5,000)
2014 Case backhoe	49,200	-	-	-
Cash forward	-	-	-	-
Total Expenditures	49,200	32,203	$ 69,838	$ (37,635)
Receipts Over (Under) Expenditures	(2,385)	(13,396)		
Unencumbered Cash, Beginning	37,423	35,038		
Unencumbered Cash, Ending	$ 35,038	$ 21,642		

CITY OF CANTON, KANSAS

ARPA FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020 Actual	2021 Actual
Receipts	$ -	$ 53,032
Expenditures	-	-
Receipts Over (Under) Expenditures	-	53,032
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ 53,032

CITY OF CANTON, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Ad valorem tax	$ 59,534	$ 52,830	$ -	$ 52,830
Delinquent tax	3,899	2,618	-	2,618
Motor vehicle tax	7,877	7,917	8,559	(642)
Recreational vehicle tax	161	282	181	101
16/20M vehicle tax	26	51	47	4
Commercial vehicle tax	96	53	75	(22)
Watercraft tax	-	-	34	(34)
Oil	-	20	-	20
State Assessed	-	7,889	-	7,889
Total Receipts	71,593	71,660	$ 8,896	$ 62,764
Expenditures				
2013 GO Bond Principal - Streets	25,000	-	$ 25,000	$ (25,000)
2013 GO Bond Interest - Streets	10,662	-	10,225	(10,225)
2014 GO Bond Principal - Streets	20,000	50,000	25,000	25,000
2014 GO Bond Interest - Streets	2,942	12,787	2,563	10,224
Cash forward	-	-	56,983	(56,983)
Total Expenditures	58,604	62,787	$ 119,771	$ (56,984)
Receipts Over (Under) Expenditures	12,989	8,873		
Unencumbered Cash, Beginning	35,763	48,752		
Unencumbered Cash, Ending	$ 48,752	$ 57,625		

CITY OF CANTON, KANSAS

CAPITAL PROJECT FUND

CAPITAL IMPROVEMENT FUND - STREETS

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	2020 Actual	2021 Actual
Receipts	$ -	$ -
Expenditures		
Transfer to Special Equipment Fund	6,415	-
Receipts Over (Under) Expenditures	(6,415)	-
Unencumbered Cash, Beginning	6,415	-
Unencumbered Cash, Ending	$ -	$ -

CITY OF CANTON, KANSAS

BUSINESS FUND

SEWER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Sales to customers	$ 101,689	$ 101,525	$ 100,000	$ 1,525
Interest income	258	94	200	(106)
Miscellaneous	-	-	400	(400)
Total Receipts	101,947	101,619	$ 100,600	$ 1,019
Expenditures				
Personal services	49,556	51,873	$ 50,000	$ 1,873
Contractual services	16,326	14,254	27,000	(12,746)
Commodities	5,441	5,308	5,000	308
Capital outlay	-	-	147,421	(147,421)
Remittances	-	488	-	488
Miscellaneous	-	-	220	(220)
Revolving Loan Principal	15,762	16,235	16,235	-
Revolving Loan Interest	3,200	2,727	2,727	-
Transfer to Special Equipment Fund	15,000	-	-	-
Total Expenditures	105,284	90,885	$ 248,603	$ (157,718)
Receipts Over (Under) Expenditures	(3,337)	10,734		
Unencumbered Cash, Beginning	173,585	170,248		
Unencumbered Cash, Ending	$ 170,248	$ 180,982		

CITY OF CANTON, KANSAS

BUSINESS FUND

WATER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Regulatory Basis

For the Year Ended December 31, 2021

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

		2021		
	2020	Actual	Budget	Variance - Over (Under)
Receipts				
Sales to customers	$ 167,912	$ 169,018	$ 150,000	$ 19,018
Meter hookups/connection fees	3,850	2,600	1,700	900
Interest income	294	121	-	121
Sales tax	-	-	900	(900)
Grants	-	3,891	-	3,891
Reimbursements	-	23	-	23
Transfer Agency Clearing	-	4,068	-	4,068
Miscellaneous	-	-	150	(150)
Total Receipts	172,056	179,721	$ 152,750	$ 26,971
Expenditures				
Personal services	50,435	54,510	$ 52,000	$ 2,510
Contractual services	30,643	25,310	33,000	(7,690)
Commodities	22,243	44,386	35,000	9,386
Capital outlay	-	-	7,387	(7,387)
First Street Water Line Lease Principal	24,653	4,200	4,222	(22)
First Street Water Line Lease Interest	679	20	-	20
GO Bond Principal	10,000	15,000	15,000	-
GO Bond Interest	6,050	5,650	5,650	-
Miscellaneous	-	1,137	1,600	(463)
Remittances	-	520	-	520
Transfer to Special Equipment Fund	-	5,000	5,000	-
Total Expenditures	144,703	155,733	$ 158,859	$ (3,126)
Receipts Over (Under) Expenditures	27,353	23,988		
Unencumbered Cash, Beginning	41,341	68,694		
Unencumbered Cash, Ending	$ 68,694	$ 92,682		

CITY OF CANTON, KANSAS

BUSINESS FUND

TRASH FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		2021		
	2020 Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Sales to customers	$ 56,503	$ 57,978	$ 56,000	$ 1,978
Expenditures				
Contractual services	51,519	53,174	$ 50,000	$ 3,174
Machinery and Equipment	-	12,730	33,817	(21,087)
Total Expenditures	51,519	65,904	$ 83,817	$ (17,913)
Receipts Over (Under) Expenditures	4,984	(7,926)		
Unencumbered Cash, Beginning	20,017	25,001		
Unencumbered Cash, Ending	$ 25,001	$ 17,075		

CITY OF CANTON, KANSAS

AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS
Regulatory Basis
For the Year Ended December 31, 2021

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Payroll Clearing Fund	$ -	$ 210,794	$ 205,864	$ 4,930
Sales Tax Clearing Fund	55	1,751	1,333	473
Overpayment Deposit Clearing Fund	934	8,052	7,571	1,415
Penalty Clearing Fund	-	4,068	4,068	-
Total	$ 989	$ 224,665	$ 218,836	$ 6,818