CITY OF ASHLAND, KANSAS

FINANCIAL STATEMENT
with
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Ashland, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash of the City of Ashland, Kansas, 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 of Ashland, Kansas, 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 balances of the City of Ashland, Kansas, 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 A.

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 of Ashland, Kansas 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 A of the financial statement, the financial statement is prepared by the City of Ashland, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note A 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 A; 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, which raise substantial doubt about the City of Ashland, Kansas' 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 judgement 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 of Ashland, Kansas' 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, which raise substantial doubt about the City of Ashland, Kansas' 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 (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, individual fund schedules of regulatory basis receipts and expenditures, and summary 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 A.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Ashland, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated August 23, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the website of the Kansas Department of Administration at the following link: https://admin.ks.gov/offices/ accounts-reports/local-government/municipal-services/municipal-audits. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures 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 A.

Kennedy McKee & Company LLP

September 22, 2022

CITY OF ASHLAND, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the Year Ended December 31, 2021

Fund	Beginning unencumbered cash balance	Prior year canceled encumbrances
General fund:		
General	$ 39,189	$ -
Special purpose funds:		
Library	3,978	-
Special highway	14,109	-
Special parks and recreation	4,690	-
Non-budgeted special purpose funds:		
GS little house grant	106	-
Special equipment	169,358	-
Gifts and grants	622	-
George Theis, Jr. memorial	649	-
Fire reserve	4,525	-
ARPA	-	-
	198,037	-
Capital project funds:		
CDBG water grant	-	-
Streetscape TA grant	-	-
	-	-
Business funds:		
Water utility	93,468	-
Electric utility	179,855	-
Sewer utility	12,176	-
Non-budgeted business funds:		
Water equipment reserve	82,800	-
Electric reserve	301,762	-
	670,061	-
Total - excluding agency funds	$ 907,287	$ -
Composition of cash balance:		
Checking accounts		
Petty cash		
Certificates of deposit		
Total cash		
Agency funds		
Total cash - excluding agency funds		

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

Receipts	Expenditures	Ending unencumbered cash balance (deficit)	Add encumbrances and accounts payable	Ending cash balance
$ 451,672	$ 465,817	$ 25,044	$ 2,044	$ 27,088
18,671	18,671	3,978	-	3,978
22,338	29,928	6,519	-	6,519
851	-	5,541	-	5,541
6,087	-	6,193	-	6,193
100,000	153,335	116,023	-	116,023
27,300	-	27,922	-	27,922
1	29	621	-	621
6,586	-	11,111	-	11,111
59,136	30,856	28,280	-	28,280
240,970	232,819	206,188	-	206,188
675,831	702,162	(26,331)	26,331	-
32,648	32,648	-	-	-
708,479	734,810	(26,331)	26,331	-
287,208	310,288	70,388	-	70,388
1,842,857	1,803,868	218,844	3,950	222,794
103,057	109,849	5,384	1,358	6,742
-	-	82,800	-	82,800
30,000	64,957	266,805	-	266,805
2,263,122	2,288,962	644,221	5,308	649,529
$ 3,664,243	$ 3,722,408	$ 849,122	$ 33,683	$ 882,805

	$ 613,508
	350
	300,500
	914,358
	(31,553)
	$ 882,805

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the City's financial statement. The financial statement and notes are representations of the City's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

The City of Ashland is a municipal corporation governed by an elected mayor and five-member council. This regulatory financial statement does not include the Ashland City Library or the Ashland, Kansas Public Building Commission related municipal entities. A related municipal entity is an entity established to benefit the City and/or its constituents.

Ashland City Library. The Library is fiscally dependent on the City and the budget is approved by the City Council. The members of the governing board are appointed by the City Council. Acquisition or disposition of real property by the Library must be approved by the City. Bond issuances must also be approved by the City.

Ashland, Kansas Public Building Commission. The Commission was authorized by City Ordinance No. 598, pursuant to K.S.A. 12-1757 *et. seq.*, and all amendments thereto, and as amended, supplemented, and limited by the City of Ashland, Kansas Charter Ordinance No. 7 establishing the composition thereof and purpose for which established.

2. Basis of Presentation - Fund Accounting

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2021:

REGULATORY BASIS FUND TYPES

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Basis of Presentation - Fund Accounting (Continued)

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 funds, etc.).

Agency funds – funds used to report assets held by the municipal reporting entity in a purely custodial capacity.

3. 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.

4. 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:

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

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 this year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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. The Electric Utility Fund budget was amended to increase the budgeted expenditures from the original budget of $1,666,781 to an amended budget amount of $1,924,781.

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

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

A legal operating budget is not required for the GS Little House Grant, Special Equipment, Gifts and Grants, George Theis, Jr. Memorial, Fire Reserve and ARPA special purpose funds, capital project funds, agency funds, or the utility reserve funds.

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.

B. 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 to 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.

B. DEPOSITS AND INVESTMENTS (CONTINUED)

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 carrying amount of the City's deposits was $914,258 and the bank balance was $1,178,663. Of the bank balance, $500,000 was covered by federal depository insurance and $678,663 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

C. LONG-TERM DEBT

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

Issue	Balance beginning of year	Additions	Reductions	Balance end of year	Interest and service fees paid
Capital leases:					
Water treatment project Issued March 15, 2016 In the amount of $142,850 At interest rate of 3.15% Maturing March 15, 2021	$ 30,370	$ -	$ 30,370	$ -	$ 957
Electrical expansion project Issued July 27, 2018 In the amount of $720,000 At interest rate of 2.75% Maturing September 1, 2025	529,434	-	100,221	429,213	14,559
Bucket truck Issued March 14, 2019 In the amount of 90,000 At the interest rate of 2.74% Maturing March 1, 2025	75,384	-	14,936	60,448	2,066
Total capital leases	635,188	-	145,527	489,661	17,582
Loans:					
Water supply loan Issued January 28, 2021 In the amount of 422,358 At the interest rate of 2.54% Maturing February 1, 2036	-	422,358	11,655	410,703	5,364
Total contractual indebtedness	$ 635,188	$ 422,358	$ 157,182	$ 900,364	$ 22,946

C. LONG-TERM DEBT (CONTINUED)

Current maturities of capital leases and interest through maturity are as follows:

	Principal due	Interest and service fees due	Total due
2022	$ 118,322	$ 13,460	$ 131,782
2023	121,574	10,207	131,781
2024	124,916	6,866	131,782
2025	124,849	3,432	128,281
Total	$ 489,661	$ 33,965	$ 523,626

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

	Principal due	Interest and service fees due	Total due
2022	$ 23,755	$ 10,282	$ 34,037
2023	24,362	9,675	34,037
2024	24,985	9,052	34,037
2025	25,624	8,413	34,037
2026	26,279	7,758	34,037
2027-2031	141,820	28,366	170,186
2032-2036	143,878	9,290	153,168
Total	$ 410,703	$ 82,836	$ 493,539

D. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Amount	Statutory authority
Electric utility	General	$ 125,000	K.S.A. 12-825d
Water utility	General	25,000	K.S.A. 12-825d
Sewer utility	General	7,500	K.S.A. 12-825d
Electric utility	Electric reserve	30,000	K.S.A. 12-825d
Electric utility	Special equipment	40,000	K.S.A. 12-825d
Sewer utility	Special equipment	10,000	K.S.A. 12-825d
Water utility	Special equipment	50,000	K.S.A. 12-825d
		$ 287,500	

E. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

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

Death and disability other post-employment benefits. As provided by K.S.A. 74-4927, 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 was 1% and contributions by the City were $2,039 for 2021.

Vacation leave. Ten working days per year are allowed as vacation leave to regular full- time employees after one year of service. This increases to fifteen vacation days after ten years of service. If not used by year-end, these days are lost.

Sick leave. Sick leave for regular full-time employees is earned at a rate of four hours per month and may accrue up to a maximum of 360 hours. Unused sick leave will not be paid upon termination or resignation.

Section 457 deferred compensation plan. The City offers a Section 457 deferred compensation plan to all employees on a voluntary basis. The City does not contribute to the plan.

F. 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.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates.

F. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 $38,129 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 $240,135. 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.

G. PUBLIC BUILDING COMMISSION REVENUE BONDS

In October 2015, the City of Ashland, Kansas (City) and the City of Ashland Public Building Commission (PBC) entered into agreements to issue $9,000,000 of Ashland, Kansas, Public Building Commission Revenue Bonds, Series 2015 to pay a portion of the costs to construct, furnish and equip a new hospital facility and improvements in an amount not to exceed $15,100,000. In June 2016, the City and PBC entered into agreements to issue another $5,510,000 of Ashland, Kansas, Public Building Commission Revenue Bonds, Series 2016 to pay a portion of the costs to construct, furnish and equip a new hospital facility and improvements. The new facility was constructed on a site owned by the Ashland Hospital District No. 3 (District). In connection with this agreement, the District transferred title to its facility to the PBC. Under the terms of the agreement, the City leased the facility from the PBC and then subleased it to the District. The sublease agreement with the City requires the District to pay basic rent to the bond trustee equal to the principal and interest on the Bonds as they come due. The District's obligation to make basic rent payments under the sublease is further secured by a pledge of its revenues. Upon retirement of the Bonds, the District will assume title and ownership of the facility. Accordingly, the leased property and bond indebtedness have been included in the financial statements of the District and not the City.

H. RELATED PARTY TRANSACTIONS

The City paid approximately $72,621 in insurance premiums during the year to an insurance company of which the Mayor is an officer.

I. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters; and medical needs of employees. The City purchases commercial insurance to cover health, property, liability, and worker's compensation claims. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

J. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project authorization	Cash disbursements and accounts payable to date
CDBG water system improvement	$ 168,727	$ 156,590
TA streetscape project	83,760	50,460
	$ 252,487	$ 207,050

As of December 31, 2021 $96,954 was available in the Water Supply Loan from KDHE to be used for the CDBG water system improvement.

K. CONTINGENCIES

The City receives Federal and State Grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, would be insignificant.

L. CORONAVIRUS (COVID-19)

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 result of operations. 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.

As a result of the COVID-19 outbreak, numerous Federal and State grants have been made available to the City to assist with the risks and help offset incurred costs of the City. The City received funding from the American Rescue Plan Act of 2021 (ARPA) during the current year.

M. SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through September 22, 2022 and does not believe any events have occurred which affect the financial statement as presented except for the ongoing concern regarding the novel strain of coronavirus (COVID-19) as discussed in Note L above.

REGULATORY – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

CITY OF ASHLAND, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2021

Fund	Certified budget	Adjustment for qualifying budget credits	Total budget for comparison	Expenditures chargeable to current year	Variance favorable (unfavorable)
General fund:					
General	$ 490,500	$ -	$ 490,500	$ 465,817	$ 24,683
Special purpose funds:					
Library	20,000	-	20,000	18,671	1,329
Special highway	31,218	-	31,218	29,928	1,290
Special parks and recreation	6,150	-	6,150	-	6,150
Business funds:					
Water utility	316,537	-	316,537	310,288	6,249
Electric utility	1,924,781	-	1,924,781	1,803,868	120,913
Sewer utility	114,325	-	114,325	109,849	4,476
Total	$ 2,903,511	$ -	$ 2,903,511	$ 2,738,421	$ 165,090

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CITY OF ASHLAND, 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	Budget	Variance favorable (unfavorable)
Receipts:				
Taxes and shared revenue:				
Ad valorem property tax	$ 168,041	$ 163,222	$ 170,148	$ (6,926)
Delinquent tax	20,507	-	-	-
Motor vehicle tax	47,349	50,940	46,408	4,532
Recreational vehicle tax	411	623	543	80
16/20M truck tax	647	668	635	33
Local alcoholic liquor	998	851	1,258	(407)
Interconnecting links	21,355	21,325	12,750	8,575
State and federal aid	21,471	-	-	-
Licenses, fees, fines and permits:				
Franchise fees	12,488	12,763	15,000	(2,237)
Fines	190	94	-	94
Licenses and permits	525	375	450	(75)
Charges for services:				
Cemetery	1,520	1,855	1,500	355
Swimming pool	3,353	2,711	4,200	(1,489)
Use of money and property:				
Farm income	12,387	12,387	12,000	387
Airport receipts	10,532	13,205	10,000	3,205
Miscellaneous	25,854	20,471	5,000	15,471
Transfer from electric utility	30,000	125,000	125,000	-
Transfer from water utility	35,000	25,000	60,000	(35,000)
Transfer from sewer utility	10,000	7,500	12,000	(4,500)
Neighborhood revitalization rebate	(8,064)	(7,318)	(13,243)	5,925
Total receipts	414,564	451,672	$ 463,649	$ (11,977)
Expenditures:				
General government:				
General operations	99,633	122,532	$ 130,000	$ 7,468
Cemetery	10,781	10,678	13,000	2,322
Employee benefits	44,339	47,892	52,000	4,108
Nuisance abatement	-	3,962	9,500	5,538
Subtotal	154,753	185,064	204,500	19,436

CITY OF ASHLAND, 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	Budget	Variance favorable (unfavorable)
Public safety:				
Fire department	$ 12,176	$ 15,000	$ 15,000	$ -
Highways and streets:				
Streets and alleys	207,146	223,845	212,500	(11,345)
Spraying	-	-	1,000	1,000
Subtotal	207,146	223,845	213,500	(10,345)
Culture and recreation:				
Park department	758	1,089	2,500	1,411
Swimming pool	27,582	17,387	35,000	17,613
Airport	11,177	23,432	20,000	(3,432)
Subtotal	39,517	41,908	57,500	15,592
Total expenditures	413,592	465,817	$ 490,500	$ 24,683
Receipts over (under) expenditures	972	(14,145)		
Unencumbered cash, beginning of year	38,217	39,189	$ 26,851	$ 12,338
Unencumbered cash, end of year	$ 39,189	$ 25,044		

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CITY OF ASHLAND, KANSAS

LIBRARY 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 favorable (unfavorable)
Receipts:				
Taxes:				
Ad valorem property tax	$ 13,692	$ 15,013	$ 15,649	$ (636)
Delinquent tax	1,732	-	-	-
Motor vehicle tax	4,150	4,221	3,781	440
Recreational vehicle tax	36	51	44	7
16/20M truck tax	54	59	52	7
Neighborhood revitalization rebate	(657)	(673)	(1,218)	545
Total receipts	19,007	18,671	$ 18,308	$ 363
Expenditures:				
Library appropriation	19,007	18,671	$ 20,000	$ 1,329
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	3,978	3,978	$ 1,692	$ 2,286
Unencumbered cash, end of year	$ 3,978	$ 3,978		

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CITY OF ASHLAND, KANSAS

SPECIAL 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	Budget	Variance favorable (unfavorable)
Receipts:				
Gasoline tax	$ 20,217	$ 22,338	$ 17,610	$ 4,728
Expenditures:				
Highways and streets:				
Commodities	14,676	29,928	$ 31,218	$ 1,290
Receipts over (under) expenditures	5,541	(7,590)		
Unencumbered cash, beginning of year	8,568	14,109	$ 13,608	$ 501
Unencumbered cash, end of year	$ 14,109	$ 6,519		

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CITY OF ASHLAND, KANSAS

SPECIAL PARKS 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	Budget	Variance favorable (unfavorable)
Receipts:				
Local alcoholic liquor	$ 998	$ 851	$ 1,258	$ (407)
Expenditures:				
Culture and recreation:				
Commodities	-	-	$ 6,150	$ 6,150
Receipts over (under) expenditures	998	851		
Unencumbered cash, beginning of year	3,692	4,690	$ 4,892	$ (202)
Unencumbered cash, end of year	$ 4,690	$ 5,541		

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CITY OF ASHLAND, KANSAS

NON-BUDGETED SPECIAL PURPOSE FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021

	GS little house grant	Special equipment	Gifts and grants
Receipts:			
Grants and donations	$ 6,087	$ -	$ 27,300
Interest	-	-	-
Federal aid	-	-	-
Transfer from electric utility	-	40,000	-
Transfer from sewer utility	-	10,000	-
Transfer from water utility	-	50,000	-
Miscellaneous	-	-	-
Total receipts	6,087	100,000	27,300
Expenditures:			
Commodities	-	-	-
Capital outlay	-	153,335	-
Total expenditures	-	153,335	-
Receipts over (under) expenditures	6,087	(53,335)	27,300
Unencumbered cash, beginning of year	106	169,358	622
Unencumbered cash, end of year	$ 6,193	$ 116,023	$ 27,922

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George Theis, Jr. memorial	Fire reserve	ARPA	Total
$ -	$ -	$ -	$ 33,387
1	-	-	1
-	-	59,136	59,136
-	-	-	40,000
-	-	-	10,000
-	-	-	50,000
-	6,586	-	6,586
1 -	6,586	59,136	199,110
29	-	-	29
-	-	30,856	184,191
29	-	30,856	184,220
(28)	6,586	28,280	14,890
649	4,525	-	175,260
$ 621	$ 11,111	$ 28,280	$ 190,150

CITY OF ASHLAND, KANSAS

CAPITAL PROJECT FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021

	CDBG water grant	Streetscape TA grant	Total
Receipts:			
Contribution of matching funds	$ -	$ 32,648	$ 32,648
Debt proceeds	307,794	-	307,794
Federal aid	368,037	-	368,037
Total receipts	675,831	32,648	708,479
Expenditures:			
Contractual services	694,373	32,648	727,021
Miscellaneous expense	7,789	-	7,789
Total expenditures	702,162	32,648	734,810
Receipts over (under) expenditures	(26,331)	-	(26,331)
Unencumbered cash, beginning of year	-	-	-
Unencumbered cash, end of year	$ (26,331)	$ -	$ (26,331)

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CITY OF ASHLAND, KANSAS

WATER UTILITY 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 favorable (unfavorable)
Receipts:				
Customer charges	$ 252,609	$ 241,153	$ 220,000	$ 21,153
Interest	1,617	262	6,000	(5,738)
Insurance proceeds and other	2,395	45,793	-	45,793
Total receipts	256,621	287,208	$ 226,000	$ 61,208
Expenditures:				
Production	20,530	29,831	$ 55,000	$ 25,169
Transmission and distribution	45,167	129,256	80,000	(49,256)
General and administrative	99,622	59,077	50,000	(9,077)
Capital outlay	-	105	-	(105)
Debt service	-	17,019	34,037	17,018
Transfer to water equipment reserve	27,500	-	30,000	30,000
Transfer to general	35,000	25,000	60,000	35,000
Transfer to special equipment	27,500	50,000	7,500	(42,500)
Total expenditures	255,319	310,288	$ 316,537	$ 6,249
Receipts over (under) expenditures	1,302	(23,080)		
Unencumbered cash, beginning of year	92,166	93,468	$ 90,666	$ 2,802
Unencumbered cash, end of year	$ 93,468	$ 70,388	$ 129	$ 70,259

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CITY OF ASHLAND, KANSAS

ELECTRIC UTILITY 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 favorable (unfavorable)
Receipts:				
Customer charges	$ 1,557,109	$ 1,696,978	$ 1,753,000	$ (56,022)
Electricity production and other	12,568	145,879	-	145,879
Total receipts	1,569,677	1,842,857	$ 1,753,000	$ 89,857
Expenditures:				
Production	971,376	1,047,270	$ 1,100,000	$ 52,730
Transmission and distribution	181,556	317,545	408,000	90,455
General and administrative	86,083	112,271	100,000	(12,271)
Debt service	131,782	131,782	131,781	(1)
Transfer to general	30,000	125,000	125,000	-
Transfer to special equipment	80,000	40,000	30,000	(10,000)
Transfer to electric reserve	80,000	30,000	30,000	-
Total expenditures	1,560,797	1,803,868	$ 1,924,781	$ 120,913
Receipts over (under) expenditures	8,880	38,989		
Unencumbered cash, beginning of year	170,975	179,855	$ 179,855	$ -
Unencumbered cash, end of year	$ 179,855	$ 218,844	$ 8,074	$ 210,770

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CITY OF ASHLAND, KANSAS

SEWER UTILITY 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 favorable (unfavorable)
Receipts:				
Customer charges	$ 98,960	$ 100,959	$ 100,000	$ 959
Interest	3,673	2,098	6,000	(3,902)
Total receipts	102,633	103,057	$ 106,000	$ (2,943)
Expenditures:				
Production	14,591	16,949	$ 16,000	$ (949)
Transmission and distribution	10,300	13,104	10,000	(3,104)
General and administrative	23,442	30,970	25,000	(5,970)
Debt service	31,325	31,326	31,325	(1)
Transfer to general	10,000	7,500	12,000	4,500
Transfer to special equipment	7,000	10,000	20,000	10,000
Total expenditures	96,658	109,849	$ 114,325	$ 4,476
Receipts over (under) expenditures	5,975	(6,792)		
Unencumbered cash, beginning of year	6,201	12,176	$ 8,875	$ 3,301
Unencumbered cash, end of year	$ 12,176	$ 5,384	$ 550	$ 4,834

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CITY OF ASHLAND, KANSAS

NON-BUDGETED BUSINESS FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2021

	Water equipment reserve	Electric reserve	Total
Receipts:			
Transfer from electric utility	$ -	$ 30,000	$ 30,000
Expenditures			
Repairs and maintenance	-	26,767	26,767
Supplies	-	38,190	38,190
Total expenditures	-	64,957	64,957
Receipts over (under) expenditures	-	(34,957)	(34,957)
Unencumbered cash, beginning of year	82,800	301,762	384,562
Unencumbered cash, end of year	$ 82,800	$ 266,805	$ 349,605

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CITY OF ASHLAND, KANSAS

AGENCY FUNDS

SUMMARY OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS

For the Year Ended December 31, 2021

Fund	Beginning cash balance	Receipts	Disbursements	Ending cash balance
Sanitation fund	$ -	$ 122,808	$ 121,592	$ 1,216
Customer deposits fund	33,503	6,200	9,366	30,337
City sales tax	-	133,313	133,313	-
	$ 33,503	$ 262,321	$ 264,271	$ 31,553

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