

CITY OF ARKANSAS CITY, KANSAS

Financial Statements

For the Year Ended December 31, 2021

This page intentionally left blank.

CITY OF ARKANSAS CITY, KANSAS
 Financial Statements
 For the Year Ended December 31, 2021
 Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i
FINANCIAL SECTION	
Independent Auditor's Report	1 - 3
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statements	5 - 14
REGULATORY REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE 1	
Summary of Expenditures - Actual and Budget	15
SCHEDULE 2	
Schedule of Receipts and Expenditures - Actual and Budget and Actual Only	
General Fund	16 - 18
Special Recreation and Parks Fund	19
Special Street and Highway Fund	20
Tourism Fund	21
Special Alcohol Fund	22
Library Fund	23
Land Bank Fund	24
Healthcare Sales Tax Fund	25
Unpledged Healthcare Sales Tax Fund	26
CID Sales Tax Fund	27
Special Law Enforcement Trust Fund	28
Equipment Reserve Fund	29
Capital Improvements Reserve Fund	30
Bond and Interest Fund	31
Water Utility Fund	32
Sewer Utility Fund	33
Sanitation Utility Fund	34
Stormwater Utility Fund	35
SCHEDULE 3 Summary of Receipts and Disbursements - Agency Funds	36
GOVERNMENTAL AUDIT SECTION	
Schedule of Expenditures of Federal Awards	37
Notes to the Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39 - 40
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with "Government Auditing Standards"	41 - 42
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	43 - 44

INDEPENDENT AUDITOR'S REPORT

Mayor and City Commissioners
City of Arkansas City, 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 Arkansas City, Kansas, (the City), as of and for the year ended December 31, 2021 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis of 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 the 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), the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, 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 opinions.

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

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statement

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 and expenditures-actual and budget, and the summary of receipts and disbursements-agency (Schedules 1, 2, and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Matter

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 Arkansas City, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated April 8, 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 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.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 6, 2022

CITY OF ARKANSAS CITY, KANSAS
 Summary Statement of Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
 For the Year Ended December 31, 2021

<u>Funds</u>	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General Fund	\$ 2,036,661	\$ -	\$ 9,866,322	\$ 10,148,316	\$ 1,754,667	\$ 625,336	\$ 2,380,003
Special Purpose Funds:							
Special Recreation and Parks Fund	35,614	-	12,918	12,619	35,913	-	35,913
Special Street and Highway Fund	785,482	-	576,414	584,011	777,885	127,566	905,451
Tourism Fund	28,280	-	132,493	124,365	36,408	-	36,408
Special Alcohol Fund	93,482	-	13,619	12,876	94,225	2,731	96,956
Library Fund	-	-	392,710	392,710	-	-	-
Land Bank Fund	986	-	8,000	200	8,786	-	8,786
Healthcare Sales Tax Fund	-	-	1,892,217	1,892,217	-	-	-
Unpledged Healthcare Sales Tax Fund	189,526	-	313,063	290,704	211,885	-	211,885
CID Sales Tax Fund	-	-	63,750	63,750	-	-	-
Special Law Enforcement Trust Fund	11,144	-	611	8,215	3,540	-	3,540
Equipment Reserve Fund	200,946	-	-	-	200,946	-	200,946
Capital Improvements Reserve Fund	1,470,323	285,992	601,072	577,834	1,779,553	45,922	1,825,475
Bond and Interest Funds:							
Bond and Interest Fund	254,022	-	426,166	567,080	113,108	-	113,108
Business Funds:							
Water Utility Fund	4,077,294	279,677	4,675,428	6,021,426	3,010,973	566,313	3,577,286
Sewer Utility Fund	3,920,208	45,880	2,968,365	3,536,071	3,398,382	1,377,360	4,775,742
Sanitation Utility Fund	1,086,036	-	1,557,286	1,203,612	1,439,710	61,546	1,501,256
Stormwater Utility Fund	291,651	-	241,087	157,879	374,859	4,829	379,688
Total Reporting Entity [Excluding Agency Funds]	\$ 14,481,655	\$ 611,549	\$ 23,741,521	\$ 25,593,885	\$ 13,240,840	\$ 2,811,603	\$ 16,052,443

Composition of Cash:

RCB Bank	
Checking	\$ 14,989,417
Union State Bank	
Checking	75,380
The Stock Exchange Bank	
CD	1,000,000
Petty Cash	<u>1,625</u>
Total Cash	16,066,422
Less: Agency Funds per Schedule 3	<u>[13,979]</u>
Total Reporting Entity [Excluding Agency Funds]	\$ 16,052,443

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - Summary of Significant Accounting Policies

The City of Arkansas City, Kansas, (the City) is incorporated as a City of the second class, under the provisions of K.S.A. 13-101 et seq. The City operates under a Commission-City Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer, health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The financial statement and schedules of the City of Arkansas City, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting principles.

Financial Reporting Entity

The City of Arkansas City, Kansas (the City) is a municipal corporation governed by an elected five-member commission. This financial statement presents the City of Arkansas City, Kansas.

Related Municipal Entity. A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Arkansas City Public Library - The City of Arkansas City Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Separate audited financial statements are available at the Library.

South Central Kansas Regional Medical Center - The Medical Center Board of Trustees operates the City's hospital. The hospital can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Separate audited financial statements are available at the Medical Center.

Arkansas City Public Building Commission - The City of Arkansas City Public Building Commission was created to oversee the construction of the Regional Medical Center facility. Acquisition or disposition of real property or bond issuances must be approved by the City. The City is acting as the fiduciary agent for the Commission. Separate financial statements are not prepared by the Commission.

Strother Field Airport and Industrial Park - The City has adopted Ordinance No. 98-11-3793 providing for an interlocal cooperation agreement between the City of Arkansas City, the City of Winfield and Strother Field to provide financing of water systems improvements at Strother Field. The agreement provides for \$500,000 in G.O. bonds to be issued by the City of Winfield to finance the improvements. If Strother Field defaults on the bond issue, the cities of Arkansas City and Winfield would each be responsible for 50% of the remaining liability. The agreement acknowledges that the obligations of Arkansas City are subject to K.S.A. 10-1101 et seq., and as such, Arkansas City is obligated only to the extent that it has funds actually on hand in its treasury at the time for such purpose. The Strother Field Airport and Industrial Park joint venture have had an audit of their financial statements completed separately.

Arkansas City/Winfield Recycling Center - The cities of Arkansas City and Winfield, Kansas entered into an interlocal agreement to jointly purchase and operate a recycling center. Records are maintained by the City of Winfield; both cities share equally in the costs and recycling revenues. Separate financial information can be obtained from the Center.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Basis of Presentation - Regulatory 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.

Reimbursed Expense

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as cash receipts. In the financial statement and budget schedule comparisons presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31 of each year, such taxes become a lien on the property.

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as cash receipts in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as cash receipts in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Arkansas City, Kansas, for the year of 2021:

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

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific revenue 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.

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.)

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

Budgetary Information

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

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

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City did not hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in 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 original budget was amended for the Library Fund, Healthcare Sales Tax Fund, Unpledged Healthcare Sales Tax Fund, and Water Utility Fund budget during the year ended December 31, 2021.

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.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

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 the prior year's accounts payable and encumbrances. Encumbrances are commitments by the City 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 following special purpose and business funds:

- Special Law Enforcement Trust Fund
- Equipment Reserve Fund
- Capital Improvements Reserve Fund

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

NOTE 2 - 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 branch 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 bank provides an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Government 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 as of December 31, 2021.

As of December 31, 2021, the City's carrying amount of deposits was \$16,066,422 and the bank balance was \$16,249,350. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$575,380 was covered by federal depository insurance and the balance of \$15,673,970 was collateralized with pledged securities held by the pledging financial institutions' agents in the City's name.

NOTE 3 - Interfund Transfers

Operating transfers were as follows during the year ended December 31, 2021:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
Water Utility Fund	General Fund	\$ 250,000	K.S.A. 12-825d
Sewer Utility Fund	General Fund	300,000	K.S.A. 12-825d
Sewer Utility Fund	Stormwater Utility Fund	<u>50,000</u>	K.S.A. 12-825d
		<u>\$ 600,000</u>	

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 4 - 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 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.15% of covered salary. 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, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for KPERS and 22.80% for KP&F for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$268,722 for KPERS and \$622,362 for KP&F 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 \$1,888,731 and \$4,693,394 for KP&F. 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 KPERS website at www.kpers.org or can be obtained as described above.

NOTE 5 - Other Long-Term Obligations from Operations

Other Post-Employment Benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in 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, disabled members in the Kansas Public Employees Retirement System (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.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - Other Long-Term Obligations from Operations (Continued)

Compensated Absences. It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

Vacation Leave. All employees shall accrue vacation leave each pay period according to their position and months of continuous full-time employment with the City as summarized by the following table:

Non - Fire/EMS personnel			Fire/EMS personnel		
Months of Continuous Full-time Employment	Vacation Hours Accrued Per year	Maximum Accrual Hours	Months of Continuous Full-time Employment	Vacation Hours Accrued Per year	Maximum Accrual Hours
0 - 59	80	160	0 - 59	112	224
60 - 119	120	240	60 - 119	168	336
120 - 179	160	320	120 - 179	224	448
180 +	200	400	180 +	280	560

Sick Leave. All full-time employees, except fire/EMS personnel, shall accrue paid sick leave at a rate of 4 hours per pay period. Fire/EMS personnel shall accrue 5.25 hours per pay period.

Employees hired prior to April 1, 2020, may accumulate sick leave to a maximum of 960 hours. Employees hired on or after April 1, 2020, may accumulate sick leave to a maximum of 720 hours.

Accumulated Leave Payout. All regular full-time employees separating from City employment that have given and satisfactorily completed an appropriate 14-day notice period will receive payment for all accumulated accrued and unused vacation, and depending upon the employee's length of service with the City, a percentage of their accrued unused sick leave as follows:

	Months of Continuous Full-time Employment				
	0 - 47	48 - 95	96 - 143	144 - 191	192 +
Sick Leave Payout %	0%	25%	50%	75%	100%

For employees hired prior to April 1, 2020, the maximum sick leave hours any employee can be paid out is 480 hours. For employees hired on or after April 1, 2020, the maximum sick leave hours any employee can be paid out is 360 hours.

Compensatory Time. All employees who are eligible, except firefighters, can elect to receive compensatory time off at a rate of not less than one and one-half hours for each overtime hour worked in lieu of cash overtime compensation. All eligible City employees, except police, may accrue up to twenty-four hours of compensatory time. Police personnel may accumulate up to sixty hours of compensatory time.

Banked Holiday Time. All non-exempt police, wastewater treatment plant, water treatment facility, and fire/emergency medical services personnel may accumulate one hour for every hour worked on an official City holiday, up to eight hours (12 hours for fire/EMS). Police, wastewater treatment plant and water treatment facility personnel shall not accumulate in excess of 24 hours. Fire/EMS personnel shall not accumulate in excess of 48 hours.

Personal Business Day Leave. All full-time employees after two months of continuous employment will accrue 8 hours of personal business day leave, then each January 1st thereafter shall be awarded an additional 8 hours of personal business day leave. Personal business day leave must be used within the calendar year and may not be accumulated.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 5 - Other Long-Term Obligations from Operations (Continued)

The City determines a liability for compensated absences when the following conditions are met:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has accrued a liability for annual leave, sick time, compensatory time, and banked holiday time, which has been earned, but not taken, by City employees. The estimated liability at December 31, 2021, was \$410,845 for annual leave, \$434,001 for sick leave, \$3,659 for compensatory time, and \$12,990 for banked holiday time.

NOTE 6 - Long-Term Debt

The following table summarizes changes in the City's long-term liabilities during the year ended December 31, 2021:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid</u>
General Obligation Bonds	\$21,840,000	\$ -	\$ 1,635,000	\$20,205,000	\$ 416,745
Revenue Bonds	17,280,000	-	425,000	16,855,000	638,913
Capital Leases	664,895	-	118,373	546,522	23,578
Total	<u>\$39,784,895</u>	<u>\$ -</u>	<u>\$ 2,178,373</u>	<u>\$37,606,522</u>	<u>\$1,079,236</u>

General Obligation Bonds. The follow table details the City's outstanding general obligation bonds:

<u>General Obligation Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes and utility revenues Series 2020	1.00% - 3.00%	<u>\$ 20,205,000</u>	<u>\$ 21,840,000</u>	10/13/20	08/01/36

Annual debt service requirements to maturity for the general obligation bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,595,000	\$ 470,925	\$ 2,065,925
2023	1,650,000	422,625	2,072,625
2024	1,695,000	372,825	2,067,825
2025	1,170,000	325,800	1,495,800
2026	1,195,000	290,625	1,485,625
2027 - 2031	6,465,000	985,463	7,450,463
2032 - 2036	6,435,000	328,600	6,763,600
Total	<u>\$20,205,000</u>	<u>\$ 3,196,863</u>	<u>\$23,401,863</u>

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - Long-Term Debt (Continued)

Revenue Bonds. The follow table details the City's outstanding revenue bonds:

<u>Revenue Bonds</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes					
Public Building Commission	3.00% - 5.00%	<u>\$ 16,855,000</u>	<u>\$ 17,630,000</u>	07/23/19	09/01/44

On July 23, 2019, the Arkansas City Public Building Commission issued Refunding Revenue Bonds, Series 2019, in the amount of \$17,630,000. The bonds were issued to refund the Commission's outstanding Series 2009 Revenue Bonds. The refunded bonds were originally issued to finance the costs to construct, furnish and equip an acute care hospital known as the South-Central Kansas Regional Medical Center. The Public Building Commission will continue to lease the land and the medical center constructed thereon to the City and the City will continue to sublease the project to the Board of Trustees of the Medical Center.

As part of the 2019 revenue bond issue, the City approved a 1% sales tax. The City has pledged to appropriate 95% of the revenues derived from the sales tax to the Bond's Trustee for debt service payments. The City has accounted for these transactions in the Healthcare Sales Tax and Unpledged Healthcare Sales Tax funds. Any amount appropriated to the Trustee in excess of the scheduled debt service is held by the Trustee in an escrow account invested in U.S. Government Securities and reserved for future debt service payments. The City does not have control over this escrow account, and therefore, the City's financial statements do not include the escrow balance. As of December 31, 2021, the balance of this escrow account was \$3,675,119.

Annual debt service requirements to maturity for the revenue bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 440,000	\$ 626,163	\$ 1,066,163
2023	460,000	608,563	1,068,563
2024	480,000	585,563	1,065,563
2025	505,000	561,563	1,066,563
2026	530,000	536,313	1,066,313
2027 - 2031	3,080,000	2,262,013	5,342,013
2032 - 2036	3,820,000	1,559,013	5,379,013
2037 - 2041	4,490,000	899,506	5,389,506
2042 - 2044	<u>3,050,000</u>	<u>192,656</u>	<u>3,242,656</u>
Total	<u>\$ 16,855,000</u>	<u>\$ 7,831,353</u>	<u>\$ 24,686,353</u>

Capital Leases. The follow table details the City's outstanding capital lease obligations:

<u>Capital Leases</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Final Maturity</u>
Paid with taxes					
2013 Pumper Truck	2.82%	\$ 97,598	\$ 587,667	08/01/13	02/01/23
2019 Pumper Truck	3.55%	<u>448,924</u>	<u>620,775</u>	01/28/19	08/01/28
		<u>\$ 546,522</u>	<u>\$ 1,208,442</u>		

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 6 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for the capital leases are as follows:

Year ending December 31,	Principal	Interest	Total
2022	\$ 122,162	\$ 17,855	\$ 140,017
2023	92,619	13,943	106,562
2024	61,781	11,327	73,108
2025	64,010	9,097	73,107
2026	66,320	6,788	73,108
2027 - 2028	139,630	6,310	145,940
Total	<u>\$ 546,522</u>	<u>\$ 65,320</u>	<u>\$ 611,842</u>

Revolving Loan. On December 9, 2021, the City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) to finance the cost of wastewater treatment plant improvements. The loan is for a maximum principal of \$10,500,000, carries a gross interest rate of 1.31%, and is payable in semi-annual installments. \$0 were drawn against the agreement during the year ended December 31, 2021. Annual debt service requirements to maturity are not available as the loan was not finalized as of December 31, 2021.

NOTE 7 - Economic Development Bonds

The City has entered into various agreements to induce businesses to locate or expand operations in Arkansas City, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's), which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2021, there were three industrial revenue bond issues with principal balances due totaling \$16,161,576.

NOTE 8 - Capital Projects

The following is a summary of capital project authorizations and expenditures to date:

Project Name	Project Authorization	Expenditures Through 12/31/2021	Estimated Completion
2019 Summit St Mill & Overlay CCLIP	\$ 328,433	\$ 325,857	2021
Offset Well #5 (Well #15)	615,252	615,252	2021
Waterline Relocate for Westar Easement	650,000	98,865	2021
Wilson Park Planning - Phase 1 Upgrades	66,000	75,592	2021
Wilson Park Site Improvements	356,177	246,118	2022
Westar Hike/Bike Trail	1,275,745	352,714	2022
2020 Brad Meek/Hillside Waterline Replacement	1,274,307	1,274,307	2021
WWTP Upgrades	2,980,157	1,828,642	2023
North Pressure Zone High Service Pump Station	848,567	518,900	2022
Madison Avenue CCLIP Summit to 8th St	462,749	23,288	2023
Poplar Walking Trail Improvements	20,827	20,827	2021
KS to Radio Ln Mill/Overlay	1,050,777	56,524	2022
15th Street Bridge Replacement	451,491	27,568	2023
Sanitary Sewer Replacement (5th Ave to Adams)	46,400	15,560	2022
Truck Stop	22,000	18,813	2023
WWTP Admin Building	270,704	33,448	2022

CITY OF ARKANSAS CITY, KANSAS
Notes to the Financial Statements
For the Year Ended December 31, 2021

NOTE 9 - Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statement to maintain consistency between periods presented. The reclassifications had no impact on previously reported unencumbered cash balances.

NOTE 10 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

The City has been unable to obtain workers' compensation insurance at a cost it considers to be economically justifiable. For this reason, the City has joined together with other cities in the State to participate in Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for participating members. The City pays annual premium to KMIT for its workers' compensation insurance coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of a stated dollar amount for each insurance event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KMIT management.

NOTE 11 - Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims would not have a material effect on the financial statement of the City at December 31, 2021.

The City is a party to various claims, none of which is expected to have material financial impact on the City.

NOTE 12 - Subsequent Events

On March 16, 2022, the City entered into a lease-purchase agreement with a local financial institution for the acquisition of a street sweeper. The agreement carries an annual interest rate of 1.87%, requires annual payments of \$44,099, and is scheduled to mature on February 1, 2025.

On March 16, 2022, the City entered into two operating lease agreements with a fleet management company for the usage of two vehicles. These leases require combined monthly payments of \$1,110.

SCHEDULE 1

CITY OF ARKANSAS CITY, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2021

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance- Over [Under]</u>
General Funds:					
General Fund	\$ 10,702,736	\$ -	\$ 10,702,736	\$ 10,148,316	\$ [554,420]
Special Purpose Funds:					
Special Recreation and Parks Fund	46,068	-	46,068	12,619	[33,449]
Special Street and Highway Fund	1,357,500	-	1,357,500	584,011	[773,489]
Tourism Fund	139,145	-	139,145	124,365	[14,780]
Special Alcohol Fund	90,524	-	90,524	12,876	[77,648]
Library Fund	409,950	-	409,950	392,710	[17,240]
Land Bank Fund	3,500	-	3,500	200	[3,300]
Healthcare Sales Tax Fund	1,946,000	-	1,946,000	1,892,217	[53,783]
Unpledged Healthcare Sales Tax Fund	507,706	-	507,706	290,704	[217,002]
CID Sales Tax Fund	65,000	-	65,000	63,750	[1,250]
Bond and Interest Funds:					
Bond and Interest Fund	673,385	-	673,385	567,080	[106,305]
Business Funds:					
Water Utility Fund	6,510,616	-	6,510,616	6,021,426	[489,190]
Sewer Utility Fund	14,169,544	-	14,169,544	3,536,071	[10,633,473]
Sanitation Utility Fund	1,495,989	-	1,495,989	1,203,612	[292,377]
Stormwater Utility Fund	306,139	-	306,139	157,879	[148,260]

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Ad valorem property tax	\$ 2,814,332	\$ 3,233,585	\$ 3,238,670	\$ [5,085]
Delinquent tax	132,773	173,392	75,000	98,392
Motor vehicle tax	408,290	431,262	434,683	[3,421]
Recreational vehicle tax	3,396	3,981	3,988	[7]
16/20M truck tax	6,986	7,674	9,969	[2,295]
Neighborhood revitalization	[81,221]	[86,855]	[83,754]	[3,101]
Compensating use tax	311,666	368,502	290,000	78,502
Sales tax	1,805,442	1,836,649	1,580,000	256,649
Franchise tax	1,154,854	1,220,180	1,142,000	78,180
Special assessments	26,727	44,629	30,000	14,629
Intergovernmental				
Local alcoholic liquor tax	10,092	12,918	13,460	[542]
Federal grant	14,423	80,749	68,245	12,504
State grant	22,686	22,654	-	22,654
Licenses and permits				
Licenses, permits and fees	248,152	75,613	98,500	[22,887]
Charges and services				
Cemetery permits/deeds	28,885	25,195	23,000	2,195
Rural fire contracts	379,160	386,596	350,000	36,596
County ambulance fees	191,100	195,130	176,500	18,630
Other ambulance fees	560,638	536,298	600,000	[63,702]
Fines, forfeitures and penalties				
Fines	372,131	380,767	409,100	[28,333]
Use of money and property				
Interest	13,080	3,593	12,000	[8,407]
Sale of assets	17,177	113,508	-	113,508
Rental income	28,864	45,528	38,500	7,028
Other receipts				
Donations	6,951	10,982	10,000	982
Reimbursed expense	397,552	183,072	97,500	85,572
Miscellaneous	460,623	10,720	61,000	[50,280]
Operating transfers from				
Water Utility Fund	400,000	250,000	400,000	[150,000]
Sewer Utility Fund	550,000	300,000	550,000	[250,000]
Sanitation Utility Fund	200,000	-	200,000	[200,000]
Total Receipts	<u>10,484,759</u>	<u>9,866,322</u>	<u>\$ 9,828,361</u>	<u>\$ 37,961</u>

See independent auditor's report on the financial statements.

SCHEDULE 2 - 1 (Continued)

CITY OF ARKANSAS CITY, KANSAS
 General Fund - Continued
 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Expenditures				
General administrative services				
Personal services	\$ 931,934	\$ 799,645	\$ 949,423	\$ [149,778]
Contractual services	358,627	403,933	346,405	57,528
Commodities	45,676	33,607	40,000	[6,393]
Capital outlay	<u>42,076</u>	<u>14,639</u>	<u>27,000</u>	<u>[12,361]</u>
Total general administrative services	<u>1,378,313</u>	<u>1,251,824</u>	<u>1,362,828</u>	<u>[111,004]</u>
Municipal court/legal				
Personal services	47,583	87,902	47,655	40,247
Contractual services	131,252	151,122	121,050	30,072
Commodities	1,400	2,192	1,450	742
Capital outlay	<u>2,958</u>	<u>3,106</u>	<u>3,000</u>	<u>106</u>
Total municipal court/legal	<u>183,193</u>	<u>244,322</u>	<u>173,155</u>	<u>71,167</u>
Neighborhood services				
Personal services	202,218	247,614	222,976	24,638
Contractual services	45,087	46,864	27,550	19,314
Commodities	15,062	32,280	61,750	[29,470]
Capital outlay	<u>1,812</u>	<u>1,737</u>	<u>39,000</u>	<u>[37,263]</u>
Total neighborhood services	<u>264,179</u>	<u>328,495</u>	<u>351,276</u>	<u>[22,781]</u>
Fire/EMT services				
Personal services	2,035,662	2,287,797	2,273,671	14,126
Contractual services	90,341	116,726	99,600	17,126
Commodities	219,260	207,553	177,750	29,803
Capital outlay	332,396	460,424	70,500	389,924
Debt service	<u>140,017</u>	<u>140,017</u>	<u>140,000</u>	<u>17</u>
Total fire/EMT services	<u>2,817,676</u>	<u>3,212,517</u>	<u>2,761,521</u>	<u>450,996</u>
Law enforcement				
Personal services	2,458,488	2,631,713	2,737,387	[105,674]
Contractual services	117,805	131,743	128,700	3,043
Commodities	90,301	117,838	136,000	[18,162]
Capital outlay	<u>206,270</u>	<u>188,685</u>	<u>224,500</u>	<u>[35,815]</u>
Total law enforcement	<u>2,872,864</u>	<u>3,069,979</u>	<u>3,226,587</u>	<u>[156,608]</u>
Parks and facilities				
Personal services	518,908	570,101	553,655	16,446
Contractual services	141,939	146,172	159,300	[13,128]
Commodities	163,141	129,963	225,250	[95,287]
Capital outlay	<u>43,730</u>	<u>140,335</u>	<u>183,000</u>	<u>[42,665]</u>
Total parks and facilities	<u>867,718</u>	<u>986,571</u>	<u>1,121,205</u>	<u>[134,634]</u>

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 General Fund - Continued
 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Expenditures - Continued				
Public works/streets				
Personal services	\$ 414,560	\$ 429,674	\$ 454,910	\$ [25,236]
Contractual services	428,119	269,041	318,400	[49,359]
Commodities	58,727	55,910	72,100	[16,190]
Capital outlay	<u>635</u>	<u>1,150</u>	<u>2,000</u>	<u>[850]</u>
Total public works/streets	<u>902,041</u>	<u>755,775</u>	<u>847,410</u>	<u>[91,635]</u>
Northwest Community Center				
Personal services	45,248	47,759	46,875	884
Contractual services	6,430	8,995	10,000	[1,005]
Commodities	2,751	3,440	5,750	[2,310]
Capital outlay	<u>144</u>	<u>433</u>	<u>500</u>	<u>[67]</u>
Total Northwest Community Center	<u>54,573</u>	<u>60,627</u>	<u>63,125</u>	<u>[2,498]</u>
Senior center				
Personal services	191,427	194,817	209,479	[14,662]
Contractual services	28,229	27,118	29,950	[2,832]
Commodities	14,473	16,271	26,000	[9,729]
Capital outlay	<u>-</u>	<u>-</u>	<u>1,200</u>	<u>[1,200]</u>
Total senior center	<u>234,129</u>	<u>238,206</u>	<u>266,629</u>	<u>[28,423]</u>
Operating transfers to				
Healthcare Sales Tax Fund	-	-	79,000	[79,000]
Emergency Reserve	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>[450,000]</u>
Total Expenditures	<u>9,574,686</u>	<u>10,148,316</u>	<u>\$ 10,702,736</u>	<u>\$ [554,420]</u>
Receipts Over [Under] Expenditures	910,073	[281,994]		
Unencumbered Cash, Beginning	<u>1,126,588</u>	<u>2,036,661</u>		
Unencumbered Cash, Ending	<u>\$ 2,036,661</u>	<u>\$ 1,754,667</u>		

See independent auditor's report on the financial statements.

SCHEDULE 2 - 2

CITY OF ARKANSAS CITY, KANSAS
 Special Recreation and Parks 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Local alcoholic liquor tax	\$ 10,092	\$ 12,918	\$ 13,460	\$ [542]
Total Receipts	<u>10,092</u>	<u>12,918</u>	<u>\$ 13,460</u>	<u>\$ [542]</u>
Expenditures				
Culture and recreation				
Contractual services	-	9,119	\$ -	\$ 3,500
Commodities	88	3,500	5,000	4,119
Capital outlay	-	-	41,068	[41,068]
Total Expenditures	<u>88</u>	<u>12,619</u>	<u>\$ 46,068</u>	<u>\$ [33,449]</u>
 Receipts Over [Under] Expenditures	 10,004	 299		
 Unencumbered Cash, Beginning	 <u>25,610</u>	 <u>35,614</u>		
 Unencumbered Cash, Ending	 <u>\$ 35,614</u>	 <u>\$ 35,913</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
Special Street and 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Highway gas tax	\$ 305,269	\$ 337,818	\$ 268,200	\$ 69,618
County gas tax	51,371	56,468	39,580	16,888
Intergovernmental				
KDOT federal exchange funds	282	128,786	145,000	[16,214]
CCLIP Grant		-	300,000	[300,000]
Other receipts				
Reimbursed expense	6,144	20,192	-	20,192
Sale of materials	-	33,150	-	33,150
Total Receipts	<u>363,066</u>	<u>576,414</u>	<u>\$ 752,780</u>	<u>\$ [176,366]</u>
Expenditures				
General government				
Contractual services	49,530	140,107	\$ 65,000	\$ 75,107
Commodities	157,022	201,561	174,500	27,061
Capital outlay	55,824	242,343	260,000	[17,657]
Capital improvements	-	-	858,000	[858,000]
Total Expenditures	<u>262,376</u>	<u>584,011</u>	<u>\$ 1,357,500</u>	<u>\$ [773,489]</u>
Receipts Over [Under] Expenditures	100,690	[7,597]		
Unencumbered Cash, Beginning	<u>684,792</u>	<u>785,482</u>		
Unencumbered Cash, Ending	<u>\$ 785,482</u>	<u>\$ 777,885</u>		

See independent auditor's report on the financial statements.

SCHEDULE 2 - 4

CITY OF ARKANSAS CITY, KANSAS
 Tourism 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
State guest tax	\$ 127,670	\$ 127,489	\$ 130,000	\$ [2,511]
Other receipts				
Donations	<u>-</u>	<u>5,004</u>	<u>-</u>	<u>5,004</u>
Total Receipts	<u>127,670</u>	<u>132,493</u>	<u>\$ 130,000</u>	<u>\$ 2,493</u>
Expenditures				
Culture and recreation				
Contractual services	<u>127,497</u>	<u>124,365</u>	<u>\$ 139,145</u>	<u>\$ [14,780]</u>
Total Expenditures	<u>127,497</u>	<u>124,365</u>	<u>\$ 139,145</u>	<u>\$ [14,780]</u>
Receipts Over [Under] Expenditures	173	8,128		
Unencumbered Cash, Beginning	<u>28,107</u>	<u>28,280</u>		
Unencumbered Cash, Ending	<u>\$ 28,280</u>	<u>\$ 36,408</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
Special Alcohol 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Local alcoholic liquor tax	\$ 10,092	\$ 12,919	\$ 13,460	\$ [541]
Other receipts				
Donations	<u>1,450</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total Receipts	<u>11,542</u>	<u>13,619</u>	<u>\$ 13,460</u>	<u>\$ 159</u>
Expenditures				
Culture and recreation				
Contractual services	1,000	1,000	\$ 1,000	\$ -
Commodities	<u>1,876</u>	<u>11,876</u>	<u>89,524</u>	<u>[77,648]</u>
Total Expenditures	<u>2,876</u>	<u>12,876</u>	<u>\$ 90,524</u>	<u>\$ [77,648]</u>
Receipts Over [Under] Expenditures	8,666	743		
Unencumbered Cash, Beginning	<u>84,816</u>	<u>93,482</u>		
Unencumbered Cash, Ending	<u>\$ 93,482</u>	<u>\$ 94,225</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Ad valorem property tax	\$ 318,480	\$ 331,457	\$ 331,932	\$ [475]
Delinquent tax	15,811	20,041	12,000	8,041
Motor vehicle tax	46,200	48,796	74,188	[25,392]
Recreational vehicle tax	384	451	451	-
Commercial vehicle tax	-	-	714	[714]
16/20M truck tax	801	868	415	453
Neighborhood revitalization	[9,191]	[8,903]	[9,750]	847
Total Receipts	<u>372,485</u>	<u>392,710</u>	<u>\$ 409,950</u>	<u>\$ [17,240]</u>
Expenditures				
Culture and recreation				
Appropriation to library board	<u>372,485</u>	<u>392,710</u>	<u>\$ 409,950</u>	<u>\$ [17,240]</u>
Total Expenditures	<u>372,485</u>	<u>392,710</u>	<u>\$ 409,950</u>	<u>\$ [17,240]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 Land Bank 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Use of money and property				
Rental income	\$ -	\$ -	\$ 1,000	\$ [1,000]
Sale of assets	<u>1,000</u>	<u>8,000</u>	<u>2,500</u>	<u>5,500</u>
Total Receipts	<u>1,000</u>	<u>8,000</u>	<u>\$ 3,500</u>	<u>\$ 4,500</u>
Expenditures				
General government				
Contractual	<u>14</u>	<u>200</u>	<u>\$ 3,500</u>	<u>\$ [3,300]</u>
Total Expenditures	<u>14</u>	<u>200</u>	<u>\$ 3,500</u>	<u>\$ [3,300]</u>
Receipts Over [Under] Expenditures	986	7,800		
Unencumbered Cash, Beginning	<u>-</u>	<u>986</u>		
Unencumbered Cash, Ending	<u>\$ 986</u>	<u>\$ 8,786</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 Healthcare Sales Tax 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ 1,715,169	\$ 1,744,817	\$ 1,701,000	\$ 43,817
Use tax	62,334	147,400	166,000	[18,600]
Operating transfers from				
General Fund	-	-	79,000	[79,000]
Total Receipts	<u>1,777,503</u>	<u>1,892,217</u>	<u>\$ 1,946,000</u>	<u>\$ [53,783]</u>
Expenditures				
Debt Service				
Principal	350,000	425,000	\$ 425,000	\$ -
Interest	717,962	638,913	638,913	-
Appropriations to trustee	709,541	828,304	882,087	[53,783]
Total Expenditures	<u>1,777,503</u>	<u>1,892,217</u>	<u>\$ 1,946,000</u>	<u>\$ [53,783]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 Unpledged Healthcare Sales Tax 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and Shared Revenue:				
Sales tax	\$ 90,272	\$ 91,833	\$ 104,180	\$ [12,347]
Use tax	249,333	221,101	214,000	7,101
Use of money and property				
Interest	245	129	-	129
Total Receipts	<u>339,850</u>	<u>313,063</u>	<u>\$ 318,180</u>	<u>\$ [5,117]</u>
Expenditures				
Healthcare appropriations	136,143	287,704	\$ 507,706	\$ [220,002]
Debt appropriations	90,272	-	-	-
Miscellaneous	3,000	3,000	-	3,000
Total Expenditures	<u>229,415</u>	<u>290,704</u>	<u>\$ 507,706</u>	<u>\$ [217,002]</u>
Receipts Over [Under] Expenditures	110,435	22,359		
Unencumbered Cash, Beginning	<u>79,091</u>	<u>189,526</u>		
Unencumbered Cash, Ending	<u>\$ 189,526</u>	<u>\$ 211,885</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 CID Sales Tax 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Sales tax	\$ 51,940	\$ 63,750	\$ 65,000	\$ [1,250]
Total Receipts	<u>51,940</u>	<u>63,750</u>	<u>\$ 65,000</u>	<u>\$ [1,250]</u>
Expenditures				
Appropriations	<u>52,919</u>	<u>63,750</u>	<u>\$ 65,000</u>	<u>\$ [1,250]</u>
Total Expenditures	<u>52,919</u>	<u>63,750</u>	<u>\$ 65,000</u>	<u>\$ [1,250]</u>
Receipts Over [Under] Expenditures	[979]	-		
Unencumbered Cash, Beginning	<u>979</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF ARKANSAS CITY, KANSAS
 Special Law Enforcement Trust Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2021 and 2020

	<u>2020</u>	<u>2021</u>
Receipts		
Other receipts		
Donations	\$ 16,464	\$ 611
Total Receipts	<u>16,464</u>	<u>611</u>
Expenditures		
Capital improvements		
Contractual services	705	8,215
Capital outlay	<u>20,348</u>	<u>-</u>
Total Expenditures	<u>21,053</u>	<u>8,215</u>
Receipts Over [Under] Expenditures	[4,589]	[7,604]
Unencumbered Cash, Beginning	<u>15,733</u>	<u>11,144</u>
Unencumbered Cash, Ending	<u>\$ 11,144</u>	<u>\$ 3,540</u>

* - This fund is not required to be budgeted.

This page intentionally left blank.

CITY OF ARKANSAS CITY, KANSAS
 Equipment Reserve Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2021 and 2020

	<u>2020</u>	<u>2021</u>
Receipts		
Operating transfers from General Fund	\$ -	\$ -
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital improvements Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>200,946</u>	<u>200,946</u>
Unencumbered Cash, Ending	<u>\$ 200,946</u>	<u>\$ 200,946</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, KANSAS
 Capital Improvements Reserve Fund
 Schedule of Receipts and Expenditures - Actual*
 Regulatory Basis
 For the Years Ended December 31, 2021 and 2020

	<u>2020</u>	<u>2021</u>
Receipts		
Use of money and property		
Interest	\$ 5,378	\$ 1,284
Other receipts		
Donations	271,558	299,788
Reimbursed expense	<u>206,474</u>	<u>300,000</u>
Total Receipts	<u>483,410</u>	<u>601,072</u>
Expenditures		
General government		
Commodities	19,910	917
Capital outlay	<u>598,474</u>	<u>576,917</u>
Total Expenditures	<u>618,384</u>	<u>577,834</u>
Receipts Over [Under] Expenditures	[134,974]	23,238
Unencumbered Cash, Beginning	1,605,297	1,470,323
Prior Year Cancelled Encumbrances	<u>-</u>	<u>285,992</u>
Unencumbered Cash, Ending	<u>\$ 1,470,323</u>	<u>\$ 1,779,553</u>

* - This fund is not required to be budgeted.

CITY OF ARKANSAS CITY, 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)

	Prior Year <u>Actual</u>	Current Year		Variance- Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes and shared receipts				
Ad valorem property tax	\$ 581,310	\$ 302,885	\$ 303,357	\$ [472]
Delinquent tax	35,572	40,013	30,000	10,013
Motor vehicle tax	84,286	89,003	89,767	[764]
Recreational vehicle tax	693	822	824	[2]
Commercial vehicle tax	-	-	1,302	[1,302]
16/20M truck tax	1,553	1,579	757	822
Neighborhood revitalization	[16,774]	[8,136]	[17,296]	9,160
Debt proceeds				
Sale of bonds	21,840,000	-	-	-
Bond premium	1,254,936	-	-	-
Total Receipts	<u>23,781,576</u>	<u>426,166</u>	<u>\$ 408,711</u>	<u>\$ 17,455</u>
Expenditures				
Debt service				
Principal	23,114,128	515,000	\$ 525,000	\$ [10,000]
Interest	169,746	52,080	48,285	3,795
Cost of issuance	373,361	-	-	-
Miscellaneous	-	-	100	[100]
Cash basis reserve	-	-	100,000	[100,000]
Total Expenditures	<u>23,657,235</u>	<u>567,080</u>	<u>\$ 673,385</u>	<u>\$ [106,305]</u>
Receipts Over [Under] Expenditures	124,341	[140,914]		
Unencumbered Cash, Beginning	<u>129,681</u>	<u>254,022</u>		
Unencumbered Cash, Ending	<u>\$ 254,022</u>	<u>\$ 113,108</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, 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)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Water receipts	\$ 4,264,988	\$ 4,524,363	\$ 4,300,000	\$ 224,363
Connection fees	67,563	73,552	83,000	[9,448]
Use of money and property				
Interest	12,348	3,759	15,000	[11,241]
Other receipts				
Bad debt collection	178	502	-	502
Penalties	24,752	27,529	29,000	[1,471]
Reimbursed expense	137,651	2,193	-	2,193
Miscellaneous	43,367	43,530	37,500	6,030
Total Receipts	<u>4,550,847</u>	<u>4,675,428</u>	<u>\$ 4,464,500</u>	<u>\$ 210,928</u>
Expenditures				
Treatment				
Personal services	195,602	202,992	\$ 188,654	\$ 14,338
Contractual services	1,185,193	525,417	716,700	[191,283]
Commodities	543,444	496,235	436,700	59,535
Capital outlay	1,177	777,860	1,000,000	[222,140]
Total treatment	<u>1,925,416</u>	<u>2,002,504</u>	<u>2,342,054</u>	<u>[339,550]</u>
Distribution				
Personal services	509,746	537,611	632,433	[94,822]
Contractual services	44,928	140,555	108,300	32,255
Commodities	129,139	178,451	136,200	42,251
Capital outlay	104,261	1,271,067	1,285,000	[13,933]
Total distribution	<u>788,074</u>	<u>2,127,684</u>	<u>2,161,933</u>	<u>[34,249]</u>
Administration				
Personal services	13,337	11,812	11,600	212
Contractual services	69,311	85,479	55,300	30,179
Commodities	17,985	27,383	14,700	12,683
Capital outlay	25,857	31,899	34,500	[2,601]
Total administration	<u>126,490</u>	<u>156,573</u>	<u>116,100</u>	<u>40,473</u>
Debt service				
Principal	918,341	1,120,000	943,629	176,371
Interest	572,189	364,665	546,900	[182,235]
Total debt service	<u>1,490,530</u>	<u>1,484,665</u>	<u>1,490,529</u>	<u>[5,864]</u>
Operating transfers to General Fund	<u>400,000</u>	<u>250,000</u>	<u>400,000</u>	<u>[150,000]</u>
Total Expenditures	<u>4,730,510</u>	<u>6,021,426</u>	<u>\$ 6,510,616</u>	<u>\$ [489,190]</u>
Receipts Over [Under] Expenditures	[179,663]	[1,345,998]		
Unencumbered Cash, Beginning	4,256,957	4,077,294		
Prior Year Cancelled Encumbrances	-	279,677		
Unencumbered Cash, Ending	<u>\$ 4,077,294</u>	<u>\$ 3,010,973</u>		

CITY OF ARKANSAS CITY, 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)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Receipts				
Charges for services				
Wastewater receipts	\$ 1,958,039	\$ 2,026,383	\$ 2,000,000	\$ 26,383
Use of money and property				
Interest	12,202	4,048	15,800	[11,752]
Sale of assets	-	46	-	46
Other receipts				
Penalties	13,020	20,520	20,000	520
Reimbursed expense	1,177	-	-	-
Federal grant	-	890,398	-	890,398
Miscellaneous	30,635	26,970	5,000	21,970
Loan proceeds	-	-	12,000,000	[12,000,000]
Total Receipts	<u>2,015,073</u>	<u>2,968,365</u>	<u>\$ 14,040,800</u>	<u>\$ [11,072,435]</u>
Expenditures				
Treatment				
Personal services	294,314	395,770	\$ 429,721	\$ [33,951]
Contractual services	148,552	151,658	165,160	[13,502]
Commodities	354,733	72,231	106,400	[34,169]
Capital outlay	357,693	2,223,152	12,004,000	[9,780,848]
Total treatment	<u>1,155,292</u>	<u>2,842,811</u>	<u>12,705,281</u>	<u>[9,862,470]</u>
Collections				
Personal services	160,013	96,993	170,363	[73,370]
Contractual services	80,632	80,556	39,950	40,606
Commodities	53,774	64,614	46,850	17,764
Capital outlay	-	24,076	557,500	[533,424]
Total collections	<u>294,419</u>	<u>266,239</u>	<u>814,663</u>	<u>[548,424]</u>
Administration				
Personal services	8,612	7,087	5,500	1,587
Contractual services	16,503	31,732	13,100	18,632
Commodities	10,659	17,039	10,500	6,539
Capital outlay	15,540	21,163	20,500	663
Total administration	<u>51,314</u>	<u>77,021</u>	<u>49,600</u>	<u>27,421</u>
Operating transfers to				
General Fund	550,000	300,000	550,000	[250,000]
Stormwater Utility Fund	50,000	50,000	50,000	-
Total Expenditures	<u>2,101,025</u>	<u>3,536,071</u>	<u>\$ 14,169,544</u>	<u>\$ [10,633,473]</u>
Receipts Over [Under] Expenditures	[85,952]	[567,706]		
Unencumbered Cash, Beginning	4,006,160	3,920,208		
Prior Year Cancelled Encumbrances	-	45,880		
Unencumbered Cash, Ending	<u>\$ 3,920,208</u>	<u>\$ 3,398,382</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
 Sanitation 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)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Sanitation fees	\$ 1,511,146	\$ 1,491,895	\$ 1,450,000	\$ 41,895
Service fees	4,147	15,494	10,000	5,494
Use of money and property				
Interest	3,410	1,057	4,500	[3,443]
Sale of assets	170	29,755	-	29,755
Other receipts				
Penalties	9,354	13,779	14,500	[721]
Miscellaneous	3,363	5,306	200	5,106
Total Receipts	<u>1,531,590</u>	<u>1,557,286</u>	<u>\$ 1,479,200</u>	<u>\$ 78,086</u>
Expenditures				
General utility services				
Personal services	610,213	645,099	\$ 661,464	\$ [16,365]
Contractual services	365,873	343,967	421,150	[77,183]
Commodities	142,746	152,541	177,550	[25,009]
Capital outlay	216,461	549	1,000	[451]
Total general utility services	<u>1,335,293</u>	<u>1,142,156</u>	<u>1,261,164</u>	<u>[119,008]</u>
Administration				
Personal services	8,250	20,450	3,800	16,650
Contractual services	14,478	15,955	12,425	3,530
Commodities	7,119	10,900	5,600	5,300
Capital outlay	10,715	14,151	13,000	1,151
Total administration	<u>40,562</u>	<u>61,456</u>	<u>34,825</u>	<u>26,631</u>
Operating transfers to				
General Fund	200,000	-	200,000	[200,000]
Total Expenditures	<u>1,575,855</u>	<u>1,203,612</u>	<u>\$ 1,495,989</u>	<u>\$ [292,377]</u>
Receipts Over [Under] Expenditures	[44,265]	353,674		
Unencumbered Cash, Beginning	<u>1,130,301</u>	<u>1,086,036</u>		
Unencumbered Cash, Ending	<u>\$ 1,086,036</u>	<u>\$ 1,439,710</u>		

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
Stormwater 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)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges for services				
Stormwater receipts	\$ 187,504	\$ 188,905	\$ 186,000	\$ 2,905
Intergovernmental				
Federal grants	53,094	-	-	-
Use of money and property				
Interest	572	253	1,500	[1,247]
Other receipts				
Penalties	1,338	1,923	2,100	[177]
Miscellaneous	12,305	6	-	6
Operating transfers from				
Sewer Utility Fund	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Total Receipts	<u>304,813</u>	<u>241,087</u>	<u>\$ 239,600</u>	<u>\$ 1,487</u>
Expenditures				
General utility services				
Personal services	142,831	131,372	\$ 175,939	\$ [44,567]
Contractual services	628	1,670	23,000	[21,330]
Commodities	5,859	24,837	17,200	7,637
Capital outlay	<u>9,921</u>	<u>-</u>	<u>90,000</u>	<u>[90,000]</u>
Total Expenditures	<u>159,239</u>	<u>157,879</u>	<u>\$ 306,139</u>	<u>\$ [148,260]</u>
Receipts Over [Under] Expenditures	145,574	83,208		
Unencumbered Cash, Beginning	<u>146,077</u>	<u>291,651</u>		
Unencumbered Cash, Ending	<u>\$ 291,651</u>	<u>\$ 374,859</u>		

See independent auditor's report on the financial statements.

SCHEDULE 3

CITY OF ARKANSAS CITY, KANSAS
 Agency Funds
 Summary of Receipts and Disbursements
 Regulatory Basis
 For the Year Ended December 31, 2021

<u>Fund</u>	Beginning Cash <u>Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	Ending Cash <u>Balance</u>
Municipal Court	\$ 15,923	\$ 84,185	\$ 86,129	\$ 13,979
	<u>\$ 15,923</u>	<u>\$ 84,185</u>	<u>\$ 86,129</u>	<u>\$ 13,979</u>

See independent auditor's report on the financial statements.

CITY OF ARKANSAS CITY, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures
<u>U.S. Department of the Interior</u>		
Passed Through Kansas Historical Society:		
Community Development Block Grants/Entitlement Grants	15.904	\$ 11,000
Total U.S. Department of the Interior		<u>11,000</u>
<u>U.S. Department of Justice</u>		
Bulletproof Vest Partnership Program		
Public Safety Partnership and Community Policing Program	16.607	4,275
	16.710	44,761
Passed Through Crime Victims Compensation Board:		
Equitable Sharing Program	16.922	<u>500</u>
Total U.S. Department of Justice		<u>49,536</u>
<u>U.S. Department of Health and Human Services</u>		
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	<u>29,906</u>
Total U.S. Department of Health and Human Services		<u>29,906</u>
<u>U.S. Department of the Treasury</u>		
Passed Through Kansas Governor's Office:		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>1,343,829</u>
Total U.S. Department of the Treasury		<u>1,343,829</u>
<u>U.S. Department of Transportation</u>		
Passed Through Kansas Department of Transportation:		
Highway Safety Cluster:		
State and Community Highway Safety	20.600	<u>1,807</u>
Total Highway Safety Cluster		<u>1,807</u>
Total U.S. Department of Transportation		<u>1,807</u>
Total Expenditures of Federal Awards		<u>\$ 1,436,078</u>

The accompanying notes are an integral part of this schedule.

CITY OF ARKANSAS CITY, KANSAS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

1. Organization

The City of Arkansas City, Kansas, (the City), is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2021.

5. Outstanding Loans

The City did not have any outstanding loans under any federal grants as of December 31, 2021.

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the Schedule of Expenditures of Federal Awards.

CITY OF ARKANSAS CITY, KANSAS
 Schedule of Findings and Questioned Costs
 For the Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified (Regulatory Basis)</u> <u>Adverse (GAAP)</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
--	------------------

Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
--	---

CITY OF ARKANSAS CITY, KANSAS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2021

Section II - Financial Statement Findings

Current Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Mayor and City Commissioners
City of Arkansas City, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of the City of Arkansas City, Kansas (the City), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 6, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 6, 2022

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

Mayor and City Commissioners
City of Arkansas City, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Arkansas City, Kansas (the City), with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2021. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirement referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grants agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion of the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgement and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, 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 Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended December 31, 2021, and have issued our report thereon dated April 6, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 6, 2022