

City of Ashland, Nebraska

Basic Financial Statements

September 30, 2022



City of Ashland, Nebraska
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Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Ashland, Nebraska

Report on the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, and each major fund of the City of Ashland, Nebraska (the "City") as of and for the year ended September 30, 2022, and the related notes to the basic financial statements, which collectively comprise the City's cash basis financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and each major fund of the City as of September 30, 2022, and the respective changes in financial position-cash basis for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements 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 audit opinions.

Emphasis of Matter - Basis of Accounting

We draw your attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting as described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 and *Government Auditing Standards* 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 statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 statements.
- 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 statements.
- 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedules of Revenues, Expenditures and Changes in Fund Balance on pages 32 – 34 (Budgetary Comparison Schedules) are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Budgetary Comparison Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Budgetary Comparison Schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Proprietary Funds Financial Schedules – Accrual Basis on pages 35 – 37 are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Proprietary Funds Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The Proprietary Funds Schedules have been subjected to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Proprietary Funds Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated March 15, 2023, on our consideration of the City's internal control over financial reporting and on 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 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.

Bergan KDV, LLC

Minneapolis, Minnesota
March 15, 2023

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City of Ashland, Nebraska Management's Discussion and Analysis

Within this section of the City of Ashland's annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2022.

Beginning with the fiscal year 2014, the City Council decided to present the City's governmental funds financial statements on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America ("GAAP"). The proprietary funds, are also presented on the cash basis of accounting, however, the proprietary funds will continue to be presented on the accrual basis of accounting in supplementary information to the basic financial statements.

The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and notes to the financial statements.

This discussion focuses on the City as the primary government and does not include any separate component units because there are no such entities meeting the requirements for inclusion in the financial statements as set forth by the Government Accounting Standards Board.

Financial Highlights

- The City's governmental funds reported a net increase in fund balance of \$1,386,927 and a total ending fund balance of \$3,877,785.
- The City's proprietary funds reported a net decrease in net position of \$103,665 and a total ending net position balance of \$1,364,364.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) fund financial statements and (2) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole.

The City has two types of funds:

Governmental funds provide information related to activities that are principally supported by taxes and intergovernmental revenues. They are useful in evaluating annual financing requirements of governmental programs and the commitment of expendable resources for the near term.

Budgetary schedules for the three types of governmental funds are included as supplementary information. These schedules demonstrate compliance with the City's adopted budget.

**City of Ashland, Nebraska
Management's Discussion and Analysis**

Fund Financial Statements (Continued)

Proprietary funds report services for which the City charges customers a fee. There are two kinds of proprietary funds, enterprise funds and internal service funds. *Enterprise funds* provide services to customers external to the City organization such as the water and wastewater utilities. *Internal service funds* provide services and charge fees to customers within the City organization such as equipment repair and maintenance. The City currently has no internal service funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the Governmental Funds

Revenues from governmental funds totaled \$3,731,534 in 2022, an increase of \$413,997 from 2021 revenues of \$3,317,537. The amounts of revenue by source are summarized below:

	2022	2021
Taxes	\$ 2,045,444	\$ 1,982,335
Special assessments	3,944	4,306
Licenses and permits	210,495	162,863
Intergovernmental	510,308	493,464
Charges for services	315,504	233,734
Keno	49,188	47,565
Interest income	6,104	6,230
Housing rehabilitation program	112,499	11,843
Other	478,048	375,197
Total	\$ 3,731,534	\$ 3,317,537

As depicted in the above summary, the City relies heavily on property taxes to support its governmental operations. Tax revenue provided approximately 55% of the City's total governmental revenues. In the prior year, taxes accounted for approximately 60% of the total governmental revenue.

The increase in revenue is related to several miscellaneous revenues received in the current year including a reimbursement received from Ashland Housing Authority for their portion of street improvements, increase in ASIP fees collected as more housing developments are built, and increase in ambulance fees as public need has increased.

**City of Ashland, Nebraska
Management's Discussion and Analysis**

Financial Analysis of the Governmental Funds (Continued)

Expenditures of governmental funds totaled \$3,339,607 for 2022, an increase of \$275,445 from 2021 expenditures of \$3,064,162. These expenditures, by function, are summarized below:

	2022	2021
General government	\$ 621,707	\$ 478,824
Streets and street lightening	837,797	897,869
Public health safety	829,561	622,565
Culture and recreation	517,719	504,955
Public buildings and inspections	119,297	103,671
Community development	22,152	39,685
Debt service	391,374	416,593
Total	\$ 3,339,607	\$ 3,064,162

The major increase in expenditures relates to increased completion of housing rehabilitation program projects and several larger equipment purchases for the police and fire departments.

Financial Analysis of the Proprietary Funds

The City's proprietary fund's net position at the end of the fiscal year was \$6,833,401. The following table provides a summary of this net position as compared to the prior year:

Cash and cash equivalents	\$ 1,266,202
Certificates of deposit	93,253
Due from other funds	4,909
Total assets	\$ 1,364,364
Net position Unrestricted	\$ 1,364,364

This reflects a decrease in net position for current year activity of \$103,665 for the City. This is the first year the City has presented cash-basis proprietary fund statements. Comparative amounts will be presented in subsequent years.

**City of Ashland, Nebraska
Management's Discussion and Analysis**

Financial Analysis of the Proprietary Funds (Continued)

Proprietary fund activities are shown comparing costs to revenues generated by related services. The water and sanitary sewer systems are designed to be self-supporting with user charges and other revenues designed to recover costs.

	2022
Operating receipts	\$ 1,824,087
Operating disbursements	(1,927,752)
Decrease in net position	\$ (103,665)

General Fund Budgetary Highlights

The General Fund budget for fiscal year 2022 included projected revenues of \$3,969,023. This was an increase of \$558,577 over the previous year budget of \$3,410,446. Actual revenues were significantly lower than budgeted revenues due to the project related to the Housing Rehabilitation Program grant moving slower than anticipated and the City extending the project for a year to be able to expend all of the grant dollars.

The expenditure budget was \$4,939,537, an increase of \$1,588,784 over the previous year budget of \$3,350,753. Actual expenditures were significantly lower than budgeted expenditures due to project delays planned for street improvements.

Assessed Valuation and Property Taxes

Assessed valuation for property within the corporate city limits increased 19.09% over the past year. Valuation for tax year 2022 and 2021 was \$195,960,133 and \$164,552,590, respectively. Tax rates are applied to every \$100 of actual valuation. The breakdown of tax rates for 2021-22 and the preceding year are as follows:

	2022	2021
General Fund	0.4500	0.4500
Debt Service Fund	0.1260	0.1260
Total	0.5760	0.5760

**City of Ashland, Nebraska
Management's Discussion and Analysis**

Debt Administration

As of September 30, 2022, the City had total bonded debt outstanding of \$5,180,000 in both governmental funds and proprietary funds. The City's administration continues to monitor call dates and interest rates in order to refinance any long-term debt that would save the City money. Future bond payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 625,000	\$ 75,953	\$ 700,953
2024	645,000	68,353	713,353
2025	670,000	60,050	730,050
2026	675,000	50,780	725,780
2027	670,000	40,754	710,754
2028-2031	<u>1,895,000</u>	<u>68,199</u>	<u>1,963,199</u>
Total	<u>\$ 5,180,000</u>	<u>\$ 364,089</u>	<u>\$ 5,544,089</u>

In addition, on April 4, 2022, the City issued Street, Water and Street Improvement Bond Anticipation Notes in the amount of \$995,000 for the purpose of paying the costs of paving, water, sewer, and related street improvements.

Economic Factors and Next Year's Budget

The general outlook for the Ashland economy for the next year is for minimal increases in both revenues and expenditures. The City continues to be challenged to comply with the State imposed budget limitations. This will continue to be difficult until the City can expand the tax base. The City's administration continues to monitor non-essential expenditures. The strict monitoring is not designed to reduce the City's ability to provide a consistent level of services, but rather, to make certain that non-essential spending is limited or deferred.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have any questions about this report or would like to request additional information, please contact Ashland City Hall, 2304 Silver Street, Ashland, Nebraska 68003.

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BASIC FINANCIAL STATEMENTS

City of Ashland, Nebraska
Statement of Net Position - Cash Basis
September 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 3,284,949	\$ 1,266,202	\$ 4,551,151
Restricted cash	459,167	-	459,167
Cash with County Treasurer	64,295	-	64,295
Certificates of deposit	74,283	93,253	167,536
Due from other funds	303,191	4,909	308,100
	<u>303,191</u>	<u>4,909</u>	<u>308,100</u>
Total assets	<u>\$ 4,185,885</u>	<u>\$ 1,364,364</u>	<u>\$ 5,550,249</u>
Liabilities			
Due to other funds	308,100	-	308,100
Total liabilities	<u>308,100</u>	<u>-</u>	<u>308,100</u>
Net Position			
Restricted for			
Debt service	1,937,062	-	1,937,062
Community betterment	119,963	-	119,963
Community development	459,167	-	459,167
Unrestricted	1,361,593	1,364,364	2,725,957
	<u>1,361,593</u>	<u>1,364,364</u>	<u>2,725,957</u>
Total net position	<u>\$ 3,877,785</u>	<u>\$ 1,364,364</u>	<u>\$ 5,242,149</u>

City of Ashland, Nebraska
Statement of Activities - Cash Basis
For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets (Cash Basis)		
		Charges for services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Net Total
Primary government							
Governmental activities							
General services	\$ 621,707	\$ 232,845	\$ 75,767	\$ -	\$ (313,095)		\$ (313,095)
Public safety	829,561	274,335	-	-	(555,226)		(555,226)
Public works	1,294,089	15,371	116,443	472,840	(689,435)		(689,435)
Culture and recreation	539,871	52,636	-	-	(487,235)		(487,235)
Interest and fees	54,379	-	-	-	(54,379)		(54,379)
Total governmental activities	<u>3,339,607</u>	<u>575,187</u>	<u>192,210</u>	<u>472,840</u>	<u>(2,099,370)</u>		<u>(2,099,370)</u>
Business-type activities							
Utilities	1,495,625	1,821,802				\$ 326,177	326,177
Debt service and interest	432,127	-				(432,127)	(432,127)
Total business-type activities	<u>1,495,625</u>	<u>1,821,802</u>				<u>(105,950)</u>	<u>(105,950)</u>
Total government	<u>\$ 4,835,232</u>	<u>\$ 2,396,989</u>	<u>\$ 192,210</u>	<u>\$ 472,840</u>	<u>(2,099,370)</u>	<u>(105,950)</u>	<u>(2,205,320)</u>
		General Revenues					
		Taxes					
					1,102,823	-	1,102,823
					849,193	-	849,193
					55,129	-	55,129
					6,104	2,285	8,389
					995,000	-	995,000
					478,048	-	478,048
					<u>3,486,297</u>	<u>2,285</u>	<u>3,488,582</u>
					<u>1,386,927</u>	<u>(103,665)</u>	<u>1,283,262</u>
					2,490,858	1,468,029	3,958,887
					<u>\$ 3,877,785</u>	<u>\$ 1,364,364</u>	<u>\$ 5,242,149</u>

See accompanying notes to the basic financial statements.

City of Ashland, Nebraska
Balance Sheet - Governmental Funds - Cash Basis
September 30, 2022

	General	Debt Service	Special Revenue Keno	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,538,476	\$ 1,626,510	\$ 119,963	\$ 3,284,949
Restricted cash	459,167	-	-	459,167
Cash with County Treasurer	51,505	12,790	-	64,295
Certificates of deposit	74,283	-	-	74,283
Due from other funds	260	302,931	-	303,191
	<u>2,123,691</u>	<u>1,942,231</u>	<u>119,963</u>	<u>4,185,885</u>
Total assets	<u>\$ 2,123,691</u>	<u>\$ 1,942,231</u>	<u>\$ 119,963</u>	<u>\$ 4,185,885</u>
Liabilities				
Due to other funds	<u>\$ 302,931</u>	<u>\$ 5,169</u>	<u>\$ -</u>	<u>\$ 308,100</u>
Fund balance				
Restricted for				
Debt service	-	1,937,062	-	1,937,062
Community betterment	-	-	119,963	119,963
Community development	459,167	-	-	459,167
Unassigned	<u>1,361,593</u>	<u>-</u>	<u>-</u>	<u>1,361,593</u>
Total fund balance	<u>1,820,760</u>	<u>1,937,062</u>	<u>119,963</u>	<u>3,877,785</u>
	<u>\$ 2,123,691</u>	<u>\$ 1,942,231</u>	<u>\$ 119,963</u>	<u>\$ 4,185,885</u>
Total liabilities and fund balance	<u>\$ 2,123,691</u>	<u>\$ 1,942,231</u>	<u>\$ 119,963</u>	<u>\$ 4,185,885</u>

City of Ashland, Nebraska
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds - Cash Basis
For The Year Ended September 30, 2022

	General	Debt Service	Special Revenue Keno	Total Governmental
Revenues				
Taxes	\$ 1,805,017	\$ 240,427	\$ -	\$ 2,045,444
Special assessments	-	3,944	-	3,944
Licenses and permits	210,495	-	-	210,495
Intergovernmental revenues	488,994	21,314	-	510,308
Charges for services	315,504	-	-	315,504
Keno	-	-	49,188	49,188
Interest income	4,316	1,729	59	6,104
Housing rehabilitation program	112,499	-	-	112,499
Other revenues	478,048	-	-	478,048
Total revenues	3,414,873	267,414	49,247	3,731,534
Expenditures				
General government	584,660	14,967	22,080	621,707
Streets and street lighting	837,797	-	-	837,797
Public health and safety	829,561	-	-	829,561
Culture and recreation	517,719	-	-	517,719
Public buildings and inspections	119,297	-	-	119,297
Community development	-	-	22,152	22,152
Debt service				
Capital lease principal	34,620	92,375	-	126,995
Principal retirement	-	210,000	-	210,000
Interest	4,533	49,846	-	54,379
Total expenditures	2,928,187	367,188	44,232	3,339,607
Excess (deficiency) of revenues over expenditures	486,686	(99,774)	5,015	391,927
Other financing sources				
Issuance of bond anticipation notes	-	995,000	-	995,000
Total other financing sources	-	995,000	-	995,000
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	486,686	895,226	5,015	1,386,927
Fund balance - beginning of year	1,334,074	1,041,836	114,948	2,490,858
Fund balance - end of year	<u>\$ 1,820,760</u>	<u>\$ 1,937,062</u>	<u>\$ 119,963</u>	<u>\$ 3,877,785</u>

City of Ashland, Nebraska
Statement of Net Position - Proprietary Funds - Cash Basis
September 30, 2022

	Utilities
Assets	
Cash and cash equivalents	1,266,202
Certificates of deposit	93,253
Due from other funds	4,909
Total assets	\$ 1,364,364
 Net Position	
Unrestricted	1,364,364
Total net position	\$ 1,364,364

City of Ashland, Nebraska
Statement of Cash Receipts, Disbursements, and Changes
in Net Position - Proprietary Funds - Cash Basis
For The Year Ended September 30, 2022

	Utilities
Receipts	
User fees	1,552,188
Late charges	29,061
Interest	2,285
Grants and contributions	233,978
Miscellaneous income	6,575
Total receipts	1,824,087
Disbursements	
General administrative	391,760
Production and distribution	1,103,865
Debt service - principal	390,000
Debt service - interest	42,127
Total disbursements	1,927,752
Excess (deficiency) of receipts over disbursements	(103,665)
Net position - beginning of year	1,468,029
Net position - end of year	\$ 1,364,364

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City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the City of Ashland, Nebraska (the "City") are discussed in the subsequent section of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2022.

The City operates under a Council-Mayor form of government and provides the following services: public safety (police and fire), streets, water, sanitary sewer, culture-recreation, public improvements, planning and zoning, and general administrative services.

B. Financial Reporting Entity

These financial statements present the financial statements of the City as the primary government. In determining its reporting entity, the City has considered all potential component units for which it is financially accountable, including other organizations which are fiscally dependent on the City, or the significance of their relationship with the City are such that exclusion would make the financial statements misleading or incomplete. The Governmental Accounting Standards Board ("GASB") has set forth criteria to be considered in determining financial accountability, which was used in making this evaluation. The City has no potential component units to include in its reporting entity.

Basis of Presentation

C. Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. In addition to the City's funds meeting the required criteria, the City's management has designated all remaining funds to be presented as major funds for financial reporting purposes.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Both the governmental funds and proprietary fund are reported using a cash basis measurement focus. Their reported fund balance is considered a measure of "available cash and investments." The operating statements focus on cash received and cash disbursed. The cash basis is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. This basis of accounting is applied to all transactions, including the disbursements for capital assets, receipt of proceeds from issuance of debt and the retirement of debt.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Types and Major Funds

Governmental funds are those through which most general governmental functions of the City are financed. The City reports the following major governmental funds:

General Fund – This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Special Revenue Fund – This fund is used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes. This fund type includes the Keno Fund.

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The City reports the following major proprietary fund:

Utility Fund – This fund is used to account for the operations and capital needs to provide treated water, and wastewater collection and treatment to customers within the City and adjoining areas.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

D. Net Position Flow Assumption

Net position is required to be classified into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a. Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- b. Unrestricted – This component consists of net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to use restricted resources first and the unrestricted resources as they are needed.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance,
(Continued)*

E. Fund Balance Flow Assumptions

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City Code, state or federal laws or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City Council through an ordinance or resolution.
- d. Assigned – Amounts that are designated by the Mayor for specific purposes but are not spendable until a budget ordinance is passed by the City Council.
- e. Unassigned – All amounts not included in other spendable classifications.

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amounts to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

F. Cash and Investments

The City's reporting entity considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

G. Receivables

In the proprietary fund statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Utility accounts receivable are ordinarily due 21 days after the issuance of the invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets and Depreciation

The proprietary fund's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the proprietary financial statements. The proprietary fund maintains infrastructure asset records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The proprietary fund generally capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Buildings	15 - 40 years
Improvements and infrastructure	7 - 50 years
Equipment and furniture	4 - 20 years
Automobiles	4 - 10 years

I. Deferred Outflows/Inflows of Resources

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. As of September 30, 2022, the City had deferred inflows of resources of \$467,956 related to unspent COVID American Rescue Plan funds.

J. Long-term Debt, Deferred Debt Expense and Bond Discounts and Premiums

In the proprietary financial statements, outstanding debt is reported as a liability. Bond discounts or premiums and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using the method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period.

K. Compensated Absences

The amounts of unpaid vacation accumulated by City employees are accrued as expenses when incurred in proprietary funds, which use the accrual basis of accounting. These amounts are included in accrued expenses on the statement of net position – proprietary funds. Compensated absences in the governmental funds are expensed when taken.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues, Expenditures and Expenses

L. Property Taxes

The tax levy for the City is certified by the County Board each year. Real estate taxes are due and attach as an enforceable lien on December 31 following the levy date. The first half of real estate taxes becomes delinquent on April 1 and the second half becomes delinquent August 1 following the levy date. Delinquent taxes bear interest at a 14% annual rate. Property taxes are collected by the County Treasurer and are periodically remitted to the City.

The tax rate to finance governmental services other than the payment of principal and interest on long-term debt for the year ended September 30, 2022, was \$0.4500 per \$100 of assessed valuation and the debt service requirement was \$0.1260 per \$100 of assessed valuation. The assessed valuation for the 2021-2022 tax year was \$195,960,133.

M. Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

N. Expenditures/Expenses

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by character and function

Proprietary Fund – by operating and non-operating

In the fund financial statements, governmental funds and proprietary funds report expenditures of financial resources.

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

A. Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as transfers.

B. Use of Estimates

The preparation of the proprietary fund financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Budgetary Information

An appropriated budget is adopted each fiscal year for the General, Special Revenue, Debt Service, and Utility Funds on the cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

C. Budgetary Information (Continued)

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the Mayor and City Council a proposed operating budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 30, the budget is legally enacted through passage of an ordinance and filed with the appropriate governmental entities and agencies.

The City Council adopts the budget on a per-fund basis and budgetary control is exercised at the fund level. The legal level of budgetary control is by fund type. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

An encumbrance system is not used by the City and all appropriations lapse at year-end.

The City did comply with its overall adopted budget for the year ended September 30, 2022.

NOTE 3 – DEPOSITS

Deposit risks include:

Custodial Credit Risk: For deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the City will not be able to recover the value of its deposits or collateral securities in the possession of a third party.

Credit Risk: For deposits, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the City.

Interest Rate Risk: For deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The City has not adopted a specific risk management policy for deposits but does require all deposits and investments be in compliance with the provisions of State statutes. Statutes authorize the City to invest in time deposits at banks selected as depositories of City funds, direct debt securities of the United States Government, and certain government agency bonds.

Cash is stated at cost, which approximates fair value. The City's cash deposits, including demand deposits and certificates of deposit, are insured by the Federal Deposit Insurance Corporation and securities held in safekeeping pledged to the entity where the security is held. At September 30, 2022, the City's deposits at banks were \$5,493,278; of which \$5,461,231 was covered by federal depository insurance or pledged security.

Cash with the Saunders County Treasurer of \$64,295 was covered by collateral held by the County or was invested in U.S. Government Securities held by the County's agent.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 4 – FAIR VALUE MEASUREMENTS

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets.

Assets and liabilities are classified into one of the following categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. All of the City's certificates of deposits as of September 30, 2022, are categorized as Level 2 investments.

NOTE 5 – CAPITAL ASSETS AND DEPRECIATION

Although the City does not report capital asset activity in the governmental fund or the proprietary fund financial statements, the information is presented below for additional information for the year ended September 30, 2022.

	Beginning Balance	Increases	Decreases	Ending Balance
Not being depreciated				
Land	\$ 78,858	\$ -	\$ -	\$ 78,858
Construction in progress	150,529	705,057	-	855,586
Subtotal	<u>229,387</u>	<u>705,057</u>	<u>-</u>	<u>934,444</u>
Other capital assets				
Improvement/infrastructure	14,254,315	-	-	14,254,315
Equipment and furniture	1,181,866	69,883	-	1,251,749
Subtotal	<u>15,436,181</u>	<u>69,883</u>	<u>-</u>	<u>15,506,064</u>
Accumuated depreciation:				
Improvement/infrastructure	(5,579,728)	(489,413)	-	(6,069,141)
Equipment and furniture	(925,428)	(142,687)	-	(1,068,115)
Subtotal	<u>(6,505,156)</u>	<u>(632,100)</u>	<u>-</u>	<u>(7,137,256)</u>
Net other capital assets	<u>8,931,025</u>	<u>(562,217)</u>	<u>-</u>	<u>8,368,808</u>
Net capital assets	<u>\$ 9,160,412</u>	<u>\$ 142,840</u>	<u>\$ -</u>	<u>\$ 9,303,252</u>

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS

General obligation bonds, issued by the City for various municipal improvements, are repaid with property taxes recorded in the Debt Service Fund. The City has pledged its full faith and credit as collateral for the general obligation bonds. The City has no debt outstanding subject to legal debt limitations. The City's borrowing capacity is restrained by maintaining the City's debt at a responsible level.

Although the City does not report long-term obligations in the governmental fund or the proprietary fund financial statements, the information is presented below for additional information.

Changes in long-term debt obligations were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Funds					
General Obligation					
Bonds payable	\$ 1,860,000	\$ -	\$ (210,000)	\$ 1,650,000	\$ 190,000
Proprietary Funds					
Bond payable	\$ 3,920,000	\$ -	\$ (390,000)	\$ 3,530,000	\$ 435,000

A. Bonds Payable

Specific changes in the individual governmental bond issues were as follows:

Description	Interest Rate	Maturity Date	Balance 9/30/21	Net Additions (Reductions)	Balance 9/30/22
Governmental Funds:					
October 21, 2015 bond	0.45-2.60%	5/1/2024	\$ 25,000	\$ (25,000)	\$ -
December 19, 2018 bond	2.05-3.15%	1/15/2019	410,000	(45,000)	365,000
October 3, 2019 bond	1.65-2.25%	1/15/2030	450,000	(45,000)	405,000
August 15, 2018 bond	2.45-3.60%	8/15/2031	515,000	(45,000)	470,000
January 29, 2020 bond	1.30-1.90%	2/1/2030	460,000	(50,000)	410,000
Total			<u>\$ 1,860,000</u>	<u>\$ (210,000)</u>	<u>\$ 1,650,000</u>

Specific changes in the individual proprietary bond issues were as follows:

Description	Interest Rate	Maturity Date	Balance 9/30/21	Net Additions (Reductions)	Balance 9/30/22
Proprietary Funds:					
June 17, 2020 bond	0.85-1.60%	9/15/2030	\$ 2,380,000	\$ (285,000)	\$ 2,095,000
June 23, 2021 bond	0.30-1.35%	3/1/2031	1,540,000	(105,000)	1,435,000
Total			<u>\$ 3,920,000</u>	<u>\$ (390,000)</u>	<u>\$ 3,530,000</u>

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

On April 13, 2022, the City issued Street, Water and Sewer Improvement bond anticipation notes in the amount of \$995,000 for the purpose of paving, water, sewer, and related street improvements. The bonds have an interest rate of 1.45% and a maturity date of April 1, 2024.

B. Annual Requirements

The annual debt service requirements to maturity for bonded debt as of September 30, 2022, are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 190,000	\$ 39,364	\$ 229,364
2024	195,000	35,233	230,233
2025	200,000	30,912	230,912
2026	200,000	26,237	226,237
2027	205,000	21,290	226,290
2028-2031	660,000	34,186	694,186
Total	<u>\$ 1,650,000</u>	<u>\$ 187,222</u>	<u>\$ 1,837,222</u>

<u>Year Ending September 30,</u>	<u>Proprietary Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 435,000	\$ 36,589	\$ 471,589
2024	450,000	33,120	483,120
2025	470,000	29,138	499,138
2026	475,000	24,543	499,543
2027	465,000	19,464	484,464
2028-2031	1,235,000	34,013	1,269,013
Total	<u>\$ 3,530,000</u>	<u>\$ 176,867</u>	<u>\$ 3,706,867</u>

C. Leases

The City has entered into leases for equipment and vehicles in the governmental funds. The lease terms vary and are payable in monthly or quarterly installments. For the year ended September 30, 2022, the City implemented GASB Statement No. 87, Leases which had no material effect on the account balances.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 6 – LONG-TERM OBLIGATIONS (CONTINUED)

Leases as of September 30, 2022, consisted of the following:

Description	Interest Rate	Maturity Date	Balance 9/30/21	Net Additions (Reductions)	Balance 9/30/22
Vehicle lease	5.00%	3/8/2022	\$ 22,472	\$ (22,472)	\$ -
Equipment lease	3.95%	4/29/2024	122,146	(39,281)	82,865
Equipment lease	2.66%	5/26/2024	-	61,244	61,244
Vehicle lease	3.80%	11/15/2024	145,106	(34,620)	110,486
Total			<u>\$ 267,252</u>	<u>\$ (12,657)</u>	<u>\$ 254,595</u>

The following is a schedule by year of future minimum lease payments under these leases as of September 30, 2022:

Year Ending September 30,	Lease Liability		
	Principal	Interest	Total
2023	\$ 105,618	\$ 8,372	\$ 113,990
2024	109,129	4,840	113,969
2025	37,967	1,186	39,153
2026	-	-	-
2027	-	-	-
Total	<u>\$ 252,714</u>	<u>\$ 14,398</u>	<u>\$ 267,112</u>

NOTE 7 – DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 414. The plan is available to all full time City employees whose regular scheduled service is more than 32 hours per week and have been employed with the City for 6 months. The plan requires participating employees to make a 5% contribution of their compensation along with a 5% match by the City. The City continues to offer its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457 if the employees want to contribute more than the maximum 5% allowed to the 414H plan. The plan is available to all full time City employees whose regular scheduled service is more than 32 hours per week and have been employed with the City for 6 months. There is no employer match with the 457 plan. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust by a third party for the employees and are not reflected in these financial statements. The City's retirement expense was \$37,091 for the year ended September 30, 2022.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 8 – KENO FUND OPERATIONS

The following data summarizes the Keno (Special Revenue) Fund's gross activity for the year ended September 30, 2022:

Gross sales	\$	832,448
Less		
Prizes paid		(677,769)
Operator's commission		<u>(114,681)</u>
Payments received		39,998
Due to operator		<u>9,190</u>
Keno receipts	\$	<u><u>49,188</u></u>

NOTE 9 – INTERFUND TRANSACTIONS

Purpose	Receivable Fund	Payable Fund	Amount
Due To/From			
To reimburse Debt Service Fund for debt service payments	Debt Service	General	\$ 302,931
To reimburse Utility Fund for debt service paymnts	Utility	Debt Service	5,169
To reimburse General Funds for miscellaneous payments	General	Utility	260

NOTE 10 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage to, or destruction of assets, errors or omissions, injuries to employees or acts of God. These risks are transferred to independent insurance carriers and no self-insurance program is maintained by the City. City management believes adequate coverage exists for potential exposures as of September 30, 2022. The City did not pay any settlement amounts, which exceeded its insurance coverage for the years ending September 30, 2022, 2021, and 2020.

NOTE 11 – DESIGNATED REVENUES

The City has committed a portion of the proceeds from sales tax to be applied toward general operations, thereby providing property tax relief.

City of Ashland, Nebraska
Notes to Financial Statements

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The City entered into an agreement with Iron Horse Development, LLC and Sanitary and Improvement District No. 9 of Cass County, Nebraska (the "District") to provide water and sewer infrastructure improvements necessary to serve the District. The agreement warranted immediate cash paid to the City in the amount of \$650,000, which was received on January 26, 2000. For the year ended September 30, 2003, the City received \$301,000 and an additional \$249,000 is payable from the District within 90 days of the commencement of public infrastructure improvement in the third phase, which has not yet been completed. As of September 30, 2022, the City has incurred total direct costs of \$463,817 with \$2,920 in expenditures in the year ending September 30, 2022.

During the year, the City has accepted various bids for sanitary sewer improvement and other projects in the normal course of business that have not been completed and/or fully paid for at year-end. The City approved an estimate of \$569,930 towards the 2020 Sanitary Sewer Improvement Project and accepted a bid from General Excavating for that amount. As of September 30, 2022, the project had not yet been completed and the remaining balance of the contract is \$37,072.

The City is involved in various litigation matters in the normal course of business. The outcome of such litigation is not expected to have a material effect on the City's financial position or results of operations.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 15, 2023, the date on which the financial statements were available for issue.

SUPPLEMENTARY INFORMATION

City of Ashland, Nebraska
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
General Fund
For The Year Ended September 30, 2022

	Initial & Final Budget	Actual	Variance
Revenues			
Taxes	\$ 1,595,028	\$ 1,805,017	\$ 209,989
Licenses and permits	202,200	210,495	8,295
Intergovernmental revenues	434,429	488,994	54,565
Charges for services	41,550	41,169	(381)
Miscellaneous revenues	1,050,565	478,048	(572,517)
Gain on sale of assets	2,500	-	(2,500)
Ambulance fees	165,000	219,081	54,081
Rural fire department	24,311	55,254	30,943
Grant income	448,400	112,499	(335,901)
Interest income	5,040	4,316	(724)
Total revenues	<u>3,969,023</u>	<u>3,414,873</u>	<u>(554,150)</u>
Expenditures			
General government	831,383	584,660	246,723
Streets and street lighting	2,619,132	837,797	1,781,335
Public health and safety	865,523	868,714	(3,191)
Culture and recreation	524,335	517,719	6,616
Public buildings and inspections	99,164	119,297	(20,133)
Total expenditures	<u>4,939,537</u>	<u>2,928,187</u>	<u>2,011,350</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (970,514)</u>	486,686	<u>\$ 1,457,200</u>
Fund balance - beginning of year		<u>1,334,074</u>	
Fund balance - end of year		<u>\$ 1,820,760</u>	

City of Ashland, Nebraska
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
Special Revenue Fund
For The Year Ended September 30, 2022

	Initial and Final Budget	Actual	Variance
Revenues			
Keno	\$ 62,000	\$ 49,188	\$ (12,812)
Interest income	125	59	(66)
Total revenues	<u>62,125</u>	<u>49,247</u>	<u>(12,878)</u>
Expenditures			
General and administrative	16,000	22,080	(6,080)
Community development	46,125	22,152	23,973
Total expenditures	<u>62,125</u>	<u>44,232</u>	<u>17,893</u>
Excess of revenues over expenditures	<u>\$ -</u>	5,015	<u>\$ 5,015</u>
Fund balance - beginning of year		<u>114,948</u>	
Fund balance - end of year		<u>\$ 119,963</u>	

City of Ashland, Nebraska
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual (Budgetary Basis)
Debt Service Fund
For The Year Ended September 30, 2022

	Initial and Final Budget	Actual	Variance
Revenues			
Taxes	\$ 246,909	\$ 240,427	\$ (6,482)
Intergovernmental revenues	-	21,314	21,314
Special assessments	2,000	3,944	1,944
Interest income	-	1,729	1,729
Total revenues	<u>248,909</u>	<u>267,414</u>	<u>18,505</u>
Expenditures			
General government	-	14,967	(14,967)
Debt service			
Capital lease payments	136,963	98,430	38,533
Principal retirement	210,000	210,000	-
Interest	43,792	43,791	1
Total expenditures	<u>390,755</u>	<u>367,188</u>	<u>23,567</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (141,846)</u>	(99,774)	<u>\$ 42,072</u>
Other financing sources			
Proceeds from bond anticipation note issuance	1,195,190	995,000	(200,190)
Total other financing sources	<u>1,195,190</u>	<u>995,000</u>	<u>(200,190)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>\$ 1,053,344</u>	895,226	<u>\$ (158,118)</u>
Fund balance - beginning of year		<u>1,041,836</u>	
Fund balance - end of year		<u>\$ 1,937,062</u>	

City of Ashland, Nebraska
Schedule of Net Position - Proprietary Funds - Accrual Basis
September 30, 2022

	Utilities
Assets	
Current assets	
Cash and cash equivalents	\$ 1,266,202
Certificates of deposit	93,253
Due from other funds	4,909
Utility billing receivables	155,934
Total current assets	1,520,298
Noncurrent assets	
Land	78,858
Utility systems	14,254,315
Equipment and furniture	1,251,749
Accumulated depreciation	(7,137,256)
Construction in progress	855,586
Net property, plant and equipment	9,303,252
Total assets	\$ 10,823,550
Liabilities and Net Position	
Current liabilities	
Accrued expenses	\$ 19,308
Water meter deposits	31,000
Deferred revenue	467,956
Current portion of noncurrent liabilities	435,000
Total current liabilities	953,264
Noncurrent liabilities	
Bonds payable, net of current portion	3,095,000
Total non-current liabilities	3,095,000
Net position	
Net invested in capital assets	5,773,252
Unrestricted	1,002,034
Total net position	6,775,286
Total liabilities and net position	\$ 10,823,550

City of Ashland, Nebraska
Schedule of Revenues,
Expenses and Changes in Net Position
Proprietary Funds - Accrual Basis
For The Year Ended September 30, 2022

	Utilities
Operating revenues	
User fees	\$ 1,557,105
Late charges	29,061
Miscellaneous income	6,575
Total operating revenues	1,592,741
Operating expenses	
General administrative	384,003
Production and distribution	180,509
Depreciation and amortization	632,100
Total operating expenses	1,196,612
Operating income	396,129
Non-operating revenues (expenses)	
Interest income	2,285
Interest and fiscal fees	(39,708)
Total non-operating revenues (expenses)	(37,423)
Change in net position	358,706
Net position - beginning of year	6,416,580
Net position - end of year	\$ 6,775,286

City of Ashland, Nebraska
Schedule of Cash Flows
Proprietary Funds - Accrual Basis
For The Year Ended September 30, 2022

	Utilities
Cash flows from operating activities	
Cash receipts from customers	\$ 1,581,199
Other operating receipts	240,553
Cash payments to employees for services	(280,437)
Cash payments to suppliers for goods and services	(440,204)
Net cash provided by operating activities	1,101,111
Cash flows from capital and related financing activities	
Purchase of capital assets	(774,940)
Principal payment on bonds payable	(390,000)
Interest and fiscal fees paid on debt	(42,127)
Net cash used in capital and related financing activities	(1,207,067)
Cash flows from investing activities	
Interest on investments	2,285
Net sale of certificate of deposits	(233)
Net cash provided by investing activities	2,052
Net decrease in cash and cash equivalents	(103,904)
Cash and cash equivalents - beginning of year	1,370,106
Cash and cash equivalents - end of year	\$ 1,266,202
Reconciliation of change in net assets to cash provided by operating activities	
Operating income	\$ 396,129
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	632,100
Increase in receivables	(4,917)
Decrease in payables and accrued expenses	(156,179)
Increase in deferred revenue	233,978
Net cash provided by operating activities	\$ 1,101,111

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**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***

Honorable Mayor and Members of the City Council
City of Ashland, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental funds and the proprietary fund of the City of Ashland, Nebraska (the "City"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 15, 2023.

Report on 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 the 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 control 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's 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 charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item 2022-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free, from 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 determination of financial statement amounts. 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*.

City of Ashland, Nebraska's Response to Finding

City of Ashland, Nebraska's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The City of Ashland, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Bergan KDV, LLC

Minneapolis, Minnesota
March 15, 2023

**City of Ashland, Nebraska
Schedule of Findings and Responses
For The Year Ended September 30, 2022**

2022-001 SIGNIFICANT DEFICIENCY

Segregation of Duties:

Condition:

The City utilizes its office and accounting personnel to segregate duties where feasible, but due to the size of the accounting and office staff the City does not have appropriate segregation of duties in all areas. There are instances where individuals responsible for performing or overseeing accounting functions also have access to cash and cash items.

Criteria:

Proper internal accounting controls require segregation of duties so that no one individual has access to both the accounting records and cash items or handles a transaction from inception to completion.

Effect or Potential Effect:

Intentional or unintentional errors could be made and not be detected within a timely period by the City's management in the normal course of performing their assigned functions.

Recommendation:

A remedy for this situation would be for the City to hire additional accounting staff to allow for proper internal accounting control and segregation of duties.

Response:

At this time, the City's management believes that the benefit of eliminating this deficiency does not outweigh the costs of hiring additional accounting staff to allow for proper segregation of duties.