

**CITY OF LINN VALLEY  
LINN VALLEY, KANSAS**

Independent Auditor's Report, and  
Regulatory Basis Financial Statement With  
Regulatory-Required Supplementary Information

For the Year Ended December 31, 2016

**CITY OF LINN VALLEY, KANSAS**

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# Diehl Banwart Bolton

Certified Public Accountants PA

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## INDEPENDENT AUDITOR'S REPORT

To the Mayor and the City Council  
of the City of Linn Valley, Kansas

### **Report on the Financial Statement**

We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash balance of the City of Linn Valley, Kansas, as of and for the year ended December 31, 2016, and the related notes to the financial statement.

### **Management's Responsibility 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 a financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with 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, and the applicable audit requirements of the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Linn Valley, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraphs, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Linn Valley, Kansas as of December 31, 2016, or changes in financial position and cash flows thereof for the year then ended.

### **Unmodified Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance for the City of Linn Valley, Kansas as of December 31, 2016, 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.

### **Other Matters**

#### **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 balance (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget, and individual fund schedules of regulatory basis receipts and expenditures – actual and budget, (schedules 1 and 2 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the 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.

***Prior Year Comparable Amounts***

The 2015 ending cash balance presented in the basic financial statement and the 2015 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (the financial statement and Schedule 2 as listed in the table of contents) are also presented for comparative analysis and was not a required part of the 2015 financial statement upon which we rendered an unqualified opinion dated April 21, 2016. The 2015 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 <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2015 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 2015 basic financial statement. The 2015 comparative information was subjected to the auditing procedures applied in the audit of the 2015 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 2015 basic financial statement or to the 2015 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 2015 comparative information is fairly stated in all material respects in relation to the 2015 basic financial statement as a whole, on the basis of accounting described in Note 1.

*Diehl, Banwart, Bolton, CPAs PA*

DIEHL, BANWART, BOLTON, CPAs PA

April 19, 2017  
Fort Scott, Kansas

**CITY OF LINN VALLEY, KANSAS**  
**Summary Statement of Receipts, Expenditures, and Unencumbered Cash Balance**  
**Regulatory Basis**  
**For the Year Ended December 31, 2016**

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance	Prior Year Ending Cash Balance
General Fund	\$ 89,001.53	\$ 463,465.88	\$ 501,528.28	\$ 50,939.13	\$ -	\$ 50,939.13	\$ 91,581.37
Special Purpose Funds:							
Special Park and Recreation	900.59	400.00	300.00	1,000.59	-	1,000.59	900.59
Special Highway	62,103.31	22,187.60	23,277.45	61,013.46	-	61,013.46	62,103.31
Equipment Reserve	9,000.00	-	7,000.00	2,000.00	-	2,000.00	9,000.00
Capital Improvement Reserve	25,000.00	37,142.00	-	62,142.00	-	62,142.00	25,000.00
Sewer Project Fund	(179,465.41)	82,000.00	84,792.82	(182,258.23)	182,957.35	699.12	9,754.75
Business Fund:							
Utilities fund	62,529.68	208,274.94	147,894.84	122,909.78	-	122,909.78	62,529.68
Trust Fund:							
Mayor's Christmas Tree	490.57	-	154.00	336.57	-	336.57	490.57
Total Reporting Entity	<u>\$ 69,560.27</u>	<u>\$ 813,470.42</u>	<u>\$ 764,947.39</u>	<u>\$ 118,083.30</u>	<u>\$ 182,957.35</u>	<u>\$ 301,040.65</u>	<u>\$ 261,360.27</u>

Composition of Cash:

General Checking Account.....	\$ 18,481.73	\$ 29,380.01
Special Highway Checking Account.....	61,013.46	62,103.31
Sewer Checking Account.....	122,909.78	62,529.68
Sewer Project Checking Account.....	699.12	9,754.75
Money Market Checking Account.....	97,936.56	97,592.52
Total Reporting Entity	<u>\$ 301,040.65</u>	<u>\$ 261,360.27</u>

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

# CITY OF LINN VALLEY

Notes to the Financial Statement  
For the Year Ended December 31, 2016

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement of the City of Linn Valley, Kansas (the City), has been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Kansas Municipal Audit and Accounting Guide (KMAAG), as approved by the director of the Kansas Division of Accounts and Reports, establishes the guidelines for the regulatory basis of accounting in the state of Kansas. The more significant of the City's accounting policies follow.

### Nature of Organization

The City is a municipal corporation governed by an elected mayor and five-member council.

### Financial Reporting Entity

This financial statement presents the City (primary government) and its related municipal entities. The City has determined that there are no related municipal entities which should be accounted for in its financial statement.

### Basis of Presentation and Basis of Accounting

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, restriction, or limitations.

### Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the city of Linn Valley, Kansas:

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The 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 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.

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

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. As stated in Note 9, the General Fund was amended in 2016.

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.



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 prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, reserve accounts established by bond ordinances, and the following special purpose funds:

- Equipment Reserve Fund (K.S.A. 12-1,117)
- Capital Improvement Reserve Fund (K.S.A. 12-1,118)
- Sewer Project Fund (K.S.A. 12-1,11)

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.

**Reimbursements**

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

**Deposits and Investments**

Deposits and investments include money market checking accounts. Kansas statutes permit investment in checking accounts, savings accounts, certificates of deposit, and, in certain cases, obligations of the U.S. Treasury.

**Compensated Absences**

Full-time employees, other than sworn police officers, earn and accumulate vacation leave from 80 to 160 hours a year beginning on the date of employment. Full-time sworn police officers earn and accumulate vacation leave from 82.50 to 156.75 hours a year beginning on the date of employment. Vacation leave may accumulate from 80 to 156.75 hours based on the number of years of employment with the City.

Full-time employees, other than sworn police officers, earn and accumulate sick leave at the rate of eight hours per month worked to a maximum of 720 hours. Full-time sworn police officers earn and accumulate 8.25 hours per month worked to a maximum of 900 hours. Permanent part-time employees, working at least 20 hours a week, earn four hours of sick pay per month worked to a maximum of 360 hours. Sick leave will be awarded as of the first day of each month of service, beginning with the fourth month of employment. Accumulated sick leave is lost upon termination of employment with the City.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

The City records a liability for compensated absences which meet the following criteria:

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 and is material.

In accordance with the above criteria, the City has accrued a liability for vacation pay which has been earned but not taken by City employees. The liability is shown as a long-term obligation of the City, inasmuch as the liability is not expected to be paid with current resources.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer statewide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State.

Termination and Post Employment Benefits

No termination benefits are provided to City employees when employment with the City ends except for the accrued compensated absences as discussed earlier.

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 local government 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 government 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. There is no cost to the City under this program.

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<sup>th</sup> during the year levied with the balance to be paid on or before May 10<sup>th</sup> 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<sup>st</sup>, such taxes are a lien on the property.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Compliance With Finance-Related Legal and Contractual Provisions

This financial statement and the regulatory-required supplementary information is designed to show compliance with the cash basis and budget laws of Kansas. The City was in apparent compliance with these laws, except as follows:

Kansas cash basis law - As shown on the financial statement, the Sewer Project fund shows a negative unencumbered cash balance of \$182,258.23 which appears to be a violation of the Kansas cash basis law. However, this is not a violation of the cash basis law due to Rural Development grant money of \$513,000.00 being available to draw when the expenses are due.

## 3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not have any "peak periods" designated. All deposits were legally secured at December 31, 2016.

At December 31, 2016, the City's carrying amount of deposits was \$301,040.65 and the bank balance was \$344,518.38. The bank balance was held by two banks resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance. Securities totaling \$121,511.60 were held by the pledging financial institution's agents in the City's name.

## 4. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; employees health and life; and natural disasters. The City manages these risks of loss by carrying various commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 5. DEFINED BENEFIT PENSION PLAN

### General Information about the 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 publically 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](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 9.26% for the fiscal year ended December 31, 2016. Contributions to the pension plan from the City were \$14,473.60 for the year ended December 31, 2016.

### Net Pension Liability

At December 31, 2016, the City's proportionate share of the collective net pension liability reported by KPERS was \$127,181. The net pension liability totaling \$9,218,105,436 was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. 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 nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at [www.kpers.org](http://www.kpers.org) or can be obtained as described above.

6. **UTILITIES**

On July 30, 2010, during special session, the City voted in favor of entering into the sale and operating agreement with Linn Valley Lakes Property Owner's Association (POA) for ownership of the water and sewer utilities. The City owns and maintains the sewer system and bills citizens for service provided. On February 8, 2016, the City turned over the trucks and equipment and ownership of hold and haul sewer. The City now owns and maintains the lagoons and lift stations. POA pays a fee for dumping into the lift stations/lagoons. The water continues to be owned by the City and operated by the POA.

7. **CAPITAL PROJECTS**

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

USDA RD Sewer Project

Sources of Funds:	
USDA RD Loan	\$ 2,592,000
USDA RD Grant	<u>1,738,000</u>
Authorized Project Expenditures	<u>\$ 4,330,000</u>
Actual Expenditures Project to Date	
Bond Issue Costs	\$ 26,184
Interest Expense	86,760
Commodities	6,716
Capital Outlays	<u>3,908,782</u>
Total Expenditures Project to Date	<u>\$ 4,028,442</u>

The City was notified on September 12, 2012, that loan and grant funds have been reserved from the United States Department of Agriculture Rural Development in the amount of \$2,592,000 and \$1,738,000 respectively, for a sewer project. The City has used No Fund Warrants and Temporary Bonds to fund the project until the GO Bond and Rural Development grant funds were received. The funds are in the City's name and are being used to put in a sewer system around the Linn Valley Lakes. The City is billing and collecting for the sewer service and will use the sewer utility revenues to make payments made on the loan.

8. **INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Capital Improvement Reserve	KSA 12-825.1	\$ 37,142

9. **BUDGET AMENDMENT**

The annual budget for the General Fund was amended during the year as follows:

<u>General Fund</u>	<u>Original Budget</u>	<u>Amended Budget</u>
Unencumbered Cash, January 1	\$ 65,951	\$ 91,603
Cash Receipts		
Ad Valorem Tax	273,810	260,000
Real Estate Redemption	-	9,800
Delinquent Tax	-	500
Motor Vehicle Tax	34,630	38,816
Cell Tower Rent	6,000	6,000
Franchise Tax	17,000	18,500
Fines and Penalties	75,000	90,000
Building Permits	12,000	15,000
Miscellaneous	6,000	6,840
Interest on Idle Funds	800	6,000
Total Receipts	<u>425,240</u>	<u>451,456</u>
Resources Available	<u>\$ 491,191</u>	<u>\$ 543,059</u>
Expenditures		
Attorney	\$ 23,000	\$ 43,000
Buildings	33,000	32,000
Court	18,250	17,000
Fire Department	28,420	30,000
Office	42,500	42,000
P&Z / Codes	25,500	21,000
Payroll	246,000	235,000
Police Department	40,000	40,000
Transfer to Capital Improvement	10,000	17,500
Transfer to Special Equipment	10,000	17,500
Total Expenditures	<u>476,670</u>	<u>495,000</u>
Unencumbered Cash, December 31	<u>\$ 14,521</u>	<u>\$ 48,059</u>

**10. LONG TERM OBLIGATIONS (Continued)**

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balances Beginning of Year	Additions / New Debt	Reductions / Principal Paid	Balances End of Year	Interest Paid
<b>General Obligation Bonds</b>									
Series 2015A	2.75%	5-21-2015	2,392,000	5-21-2055	\$ 2,392,000	\$ -	\$ -	\$ 2,392,000	\$ 65,780
Series 2015B	2.75%	5-21-2015	200,000	5-21-2055	200,000	-	-	200,000	5,500
<b>Total General Obligation Bonds</b>					<b>2,592,000</b>	<b>-</b>	<b>-</b>	<b>2,592,000</b>	<b>71,280</b>
<b>Capital Leases</b>									
City Hall Building & Land	4.75%	8-6-2004	109,370	3-1-2024	60,519	-	5,544	54,975	2,881
2014 Ford Explorer	3.90%	4-25-2014	29,952	4-25-2019	24,411	-	5,756	18,655	953
Digital Ally Equipment	5.00%	3-26-2015	9,156	2-1-2017	6,106	-	4,634	1,472	205
Fire Truck & Equipment	5.00%	9-18-2015	28,000	2-1-2021	28,000	-	4,301	23,699	911
<b>Total Capital Leases</b>					<b>119,036</b>	<b>-</b>	<b>20,235</b>	<b>98,801</b>	<b>4,950</b>
<b>Compensated Absences</b>									
Vacation Pay	N/A	N/A	N/A	N/A	4,707	1,571	-	6,278	N/A
<b>Total Long Term Debt</b>					<b>\$ 2,715,743</b>	<b>\$ 1,571</b>	<b>\$ 20,235</b>	<b>\$ 2,697,079</b>	<b>\$ 76,230</b>

10. LONG TERM OBLIGATIONS (Continued)

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

	2017	2018	2019	2020	2021	2022 2026	2027 2031	2032 2036	2037 2041	2042 2046	2047 2051	2052 2056	Totals
<b>PRINCIPAL</b>													
<u>GO Bonds</u>													
Series 2015A	\$ 34,977	\$ 35,939	\$ 36,927	\$ 37,771	\$ 38,981	\$ 211,419	\$ 242,143	\$ 277,216	\$ 317,651	\$ 363,816	\$ 416,692	\$ 378,467	\$ 2,391,999
Series 2015B	2,925	3,005	3,088	3,159	3,260	17,680	20,250	23,183	26,564	30,425	34,846	31,615	200,000
Total GO Bonds	<u>37,902</u>	<u>38,944</u>	<u>40,015</u>	<u>40,929</u>	<u>42,241</u>	<u>229,099</u>	<u>262,392</u>	<u>300,399</u>	<u>344,215</u>	<u>394,241</u>	<u>451,538</u>	<u>410,083</u>	<u>2,591,999</u>
<u>Capital Leases</u>													
City Hall Building & Land	5,808	6,084	6,373	6,677	6,995	23,039	-	-	-	-	-	-	54,975
2014 Ford Explorer	5,981	6,215	6,458	-	-	-	-	-	-	-	-	-	18,655
Digital Ally Equipment	1,472	-	-	-	-	-	-	-	-	-	-	-	1,472
Fire truck & Equipment	4,441	4,586	4,735	4,889	5,049	-	-	-	-	-	-	-	23,699
Total Capital Leases	<u>17,702</u>	<u>16,884</u>	<u>17,567</u>	<u>11,566</u>	<u>12,044</u>	<u>23,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,801</u>
<u>Compensated Absences</u>													
Vacation Pay	6,278	-	-	-	-	-	-	-	-	-	-	-	6,278
Total Principal	<u>\$ 61,882</u>	<u>\$ 55,828</u>	<u>\$ 57,582</u>	<u>\$ 52,495</u>	<u>\$ 54,285</u>	<u>\$ 252,138</u>	<u>\$ 262,392</u>	<u>\$ 300,399</u>	<u>\$ 344,215</u>	<u>\$ 394,241</u>	<u>\$ 451,538</u>	<u>\$ 410,083</u>	<u>\$ 2,697,078</u>
<b>INTEREST</b>													
<u>GO Bonds</u>													
Series 2015A	\$ 65,780	\$ 64,818	\$ 63,830	\$ 62,986	\$ 61,776	\$ 292,366	\$ 261,642	\$ 226,569	\$ 186,134	\$ 139,969	\$ 87,093	\$ 26,480	\$ 1,539,442
Series 2015B	5,500	5,420	5,337	5,266	5,165	24,445	21,875	18,942	15,561	11,700	7,279	2,211	128,701
Total GO Bonds	<u>71,280</u>	<u>70,238</u>	<u>69,167</u>	<u>68,253</u>	<u>66,941</u>	<u>316,810</u>	<u>283,518</u>	<u>245,511</u>	<u>201,695</u>	<u>151,669</u>	<u>94,372</u>	<u>28,690</u>	<u>1,668,143</u>
<u>Capital Leases</u>													
City Hall Building & Land	2,617	2,340	2,051	1,748	1,430	2,228	-	-	-	-	-	-	12,414
2014 Ford Explorer	728	494	252	-	-	-	-	-	-	-	-	-	1,474
Digital Ally Equipment	15	-	-	-	-	-	-	-	-	-	-	-	15
Fire truck & Equipment	771	627	478	323	164	-	-	-	-	-	-	-	2,363
Total Capital Leases	<u>4,131</u>	<u>3,462</u>	<u>2,780</u>	<u>2,071</u>	<u>1,594</u>	<u>2,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,266</u>
Total Interest	<u>\$ 75,411</u>	<u>\$ 73,699</u>	<u>\$ 71,947</u>	<u>\$ 70,324</u>	<u>\$ 68,535</u>	<u>\$ 319,038</u>	<u>\$ 283,518</u>	<u>\$ 245,511</u>	<u>\$ 201,695</u>	<u>\$ 151,669</u>	<u>\$ 94,372</u>	<u>\$ 28,690</u>	<u>\$ 1,684,408</u>
Total Principal & Interest	<u>\$ 137,293</u>	<u>\$ 129,528</u>	<u>\$ 129,529</u>	<u>\$ 122,819</u>	<u>\$ 122,820</u>	<u>\$ 571,176</u>	<u>\$ 545,910</u>	<u>\$ 545,910</u>	<u>\$ 545,910</u>	<u>\$ 545,910</u>	<u>\$ 545,910</u>	<u>\$ 438,773</u>	<u>\$ 4,381,487</u>



**11. SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to December 31, 2016 through April 19, 2017, the date of the financial statement. During this period, there were no subsequent events requiring recognition in the financial statement or disclosure in the notes to the financial statement, except that the United States Department of Agriculture, Rural Development grant funds totaling \$513,000 are expected to be received during 2017, and the related sewer project is expected to be close to completion by the end of 2017.

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF LINN VALLEY, KANSAS**  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2016

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 495,000.00	\$ 7,207.09	\$ 502,207.09	\$ 501,528.28	\$ (678.81)
Special Purpose Funds:					
Special Park and Recreation	500.00	-	500.00	300.00	(200.00)
Special Highway	75,000.00	-	75,000.00	23,277.45	(51,722.55)
Business Fund:					
Utilities fund	160,200.00	-	160,200.00	147,894.84	(12,305.16)
Trust Fund:					
Mayor's Christmas Tree	574.00	-	574.00	154.00	(420.00)
	<u>\$ 731,274.00</u>				

## CITY OF LINN VALLEY, KANSAS

## GENERAL FUND

## Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

Receipts	Prior Year Actual	Actual	Budget	Variance Over (Under)
<b>Taxes</b>				
Ad Valorem property tax	\$ 249,066.69	\$ 260,403.87	\$ 260,000.00	\$ 403.87
Delinquent tax	10,485.46	9,232.60	10,300.00	(1,067.40)
Motor vehicle tax	34,337.07	39,613.06	38,816.00	797.06
Weed Cleanup	1,100.00	-	-	-
Franchise taxes	21,438.37	22,314.56	18,500.00	3,814.56
<b>Intergovernmental</b>				
Kansas Dept. of Transportation aid	3,991.75	4,574.11	-	4,574.11
Kansas drug control payments	-	562.50	-	562.50
Fines, Forfeitures and Penalties	117,857.97	87,867.37	90,000.00	(2,132.63)
<b>Licenses and Permits</b>				
Building permits	14,412.68	17,032.62	15,000.00	2,032.62
Contractor licenses	1,325.00	1,312.50	-	1,312.50
<b>Use of Money and Property</b>				
Interest	733.58	429.08	6,000.00	(5,570.92)
<b>Other</b>				
Reimbursements from LVL's POA	47,247.72	7,207.09	-	7,207.09
Cell Tower rent	6,500.00	6,000.00	6,000.00	-
Sale of Backhoe	20,000.00	-	-	-
Insurance Dividends	5,701.78	5,379.42	-	5,379.42
Miscellaneous	3,186.73	1,537.10	6,840.00	(5,302.90)
<b>Total Receipts</b>	<b>537,384.80</b>	<b>463,465.88</b>	<b>\$ 451,456.00</b>	<b>\$ 12,009.88</b>
<b>Expenditures</b>				
<b>General</b>				
Personal services	90,240.45	94,495.88	\$ 90,000.00	\$ 4,495.88
Contractual services	73,130.39	99,928.68	85,000.00	14,928.68
Commodities	65,032.02	14,224.78	32,000.00	(17,775.22)
<b>Public Safety - Police</b>				
Personal services	112,038.73	112,564.93	115,000.00	(2,435.07)
Contractual services	2,497.08	4,597.46	5,000.00	(402.54)
Commodities	30,228.56	28,543.78	35,000.00	(6,456.22)
<b>Public Safety - Fire</b>				
Personal services	18,564.11	18,682.21	20,000.00	(1,317.79)
Contractual services	17,178.35	408.16	7,500.00	(7,091.84)
Commodities	-	14,626.19	7,500.00	7,126.19
Capital Outlay	11,231.73	8,784.79	15,000.00	(6,215.21)
<b>Discretionary</b>				
Contractual services	234.75	200.00	-	200.00
<b>Municipal Court</b>				
Contractual services	13,026.00	12,399.00	15,000.00	(2,601.00)
Commodities	2,768.01	1,574.95	2,000.00	(425.05)

**CITY OF LINN VALLEY, KANSAS**  
**GENERAL FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2016  
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Expenditures				
Planning and Zoning				
Personal services	\$ 9,464.02	\$ 7,695.07	\$ 10,000.00	\$ (2,304.93)
Contractual services	15,892.15	20,855.14	15,000.00	5,855.14
Commodities	1,231.74	830.10	6,000.00	(5,169.90)
Debt Service on Capital Lease				
Principal	51,741.21	19,112.49	-	19,112.49
Interest	8,014.98	4,862.67	-	4,862.67
Operating Transfers to Other Funds				
Special Equipment Reserve Fund	9,000.00	-	17,500.00	(17,500.00)
Capital Improvement Reserve Fund	25,000.00	37,142.00	17,500.00	19,642.00
Subtotal Certified Budget			495,000.00	
Adjustment for Qualifying Budget Credit				
Reimbursed expenses	-	-	7,207.09	(7,207.09)
Total Expenditures	<u>556,514.28</u>	<u>501,528.28</u>	<u>\$ 502,207.09</u>	<u>\$ (678.81)</u>
Receipts Over(Under) Expenditures	(19,129.48)	(38,062.40)		
Unencumbered Cash, Beginning	<u>108,131.01</u>	<u>89,001.53</u>		
Unencumbered Cash, Ending	<u>\$ 89,001.53</u>	<u>\$ 50,939.13</u>		

**CITY OF LINN VALLEY, KANSAS**  
**SPECIAL PARK AND RECREATION FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2016  
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Intergovernmental				
County park appropriation	\$ 400.00	\$ 400.00	\$ 400.00	\$ -
Total Receipts	<u>400.00</u>	<u>400.00</u>	<u>\$ 400.00</u>	<u>\$ -</u>
Expenditures				
Recreation				
Contractual services	200.00	300.00	\$ 500.00	\$ (200.00)
Total Expenditures	<u>200.00</u>	<u>300.00</u>	<u>\$ 500.00</u>	<u>\$ (200.00)</u>
Receipts Over(Under) Expenditures	200.00	100.00		
Unencumbered Cash, Beginning	<u>700.59</u>	<u>900.59</u>		
Unencumbered Cash, Ending	<u>\$ 900.59</u>	<u>\$ 1,000.59</u>		

**CITY OF LINN VALLEY, KANSAS**  
**SPECIAL HIGHWAY FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2016  
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Intergovernmental				
State gasoline tax	\$ 20,989.08	\$ 21,296.68	\$ 20,650.00	\$ 646.68
Use of Money and Property				
Interest	214.98	235.92	125.00	110.92
Other				
Miscellaneous	585.00	655.00	150.00	505.00
Total Receipts	<u>21,789.06</u>	<u>22,187.60</u>	<u>\$ 20,925.00</u>	<u>\$ 1,262.60</u>
Expenditures				
Streets and Highways				
Contractual services	239.98	252.95	\$ -	\$ 252.95
Commodities	3,243.86	1,741.48	5,000.00	(3,258.52)
Capital Outlay	11,597.94	21,283.02	70,000.00	(48,716.98)
Total Expenditures	<u>15,081.78</u>	<u>23,277.45</u>	<u>\$ 75,000.00</u>	<u>\$ (51,722.55)</u>
Receipts Over(Under) Expenditures	6,707.28	(1,089.85)		
Unencumbered Cash, Beginning	<u>55,396.03</u>	<u>62,103.31</u>		
Unencumbered Cash, Ending	<u>\$ 62,103.31</u>	<u>\$ 61,013.46</u>		

**CITY OF LINN VALLEY, KANSAS**  
**EQUIPMENT RESERVE FUND**  
 Schedule of Receipts and Expenditures - Actual  
 Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual
Receipts		
Operating Transfer from General Fund	\$ 9,000.00	\$ -
Total Receipts	<u>9,000.00</u>	<u>-</u>
Expenditures		
Capital Outlays	<u>-</u>	<u>7,000.00</u>
Total Expenditures	<u>-</u>	<u>7,000.00</u>
Receipts Over(Under) Expenditures	9,000.00	(7,000.00)
Unencumbered Cash, Beginning	<u>-</u>	<u>9,000.00</u>
Unencumbered Cash, Ending	<u>\$ 9,000.00</u>	<u>\$ 2,000.00</u>



**CITY OF LINN VALLEY, KANSAS**  
**CAPITAL IMPROVEMENT RESERVE FUND**  
 Schedule of Receipts and Expenditures - Actual  
 Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual
Receipts		
Operating Transfer from General Fund	\$ 25,000.00	\$ 37,142.00
Total Receipts	25,000.00	37,142.00
Expenditures		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	25,000.00	37,142.00
Unencumbered Cash, Beginning	-	25,000.00
Unencumbered Cash, Ending	\$ 25,000.00	\$ 62,142.00

**CITY OF LINN VALLEY, KANSAS**  
**SEWER PROJECT FUND**  
Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual
Receipts		
Debt Proceeds		
GO Bonds	\$ 2,592,000.00	\$ -
Intergovernmental		
USDA Grant	1,142,000.00	83,000.00
Total Receipts	3,734,000.00	83,000.00
Expenditures		
Sewer Project	146,275.22	85,792.82
Debt Service on No Fund Warrants		
Principal	2,592,000.00	-
Interest	78,719.56	-
Total Expenditures	2,816,994.78	85,792.82
Receipts Over(Under) Expenditures	917,005.22	(2,792.82)
Unencumbered Cash, Beginning	(1,096,470.63)	(179,465.41)
Unencumbered Cash, Ending	\$ (179,465.41)	\$ (182,258.23)

CITY OF LINN VALLEY, KANSAS  
UTILITIES FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2016

(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Other				
Sewer charges	\$ 62,261.73	\$ 130,813.06	\$ 131,880.00	\$ (1,066.94)
Infrastructure grant	-	39,151.00	-	39,151.00
Pump installation	-	20,440.00	-	20,440.00
Lagoon use	-	13,100.00	15,000.00	(1,900.00)
Miscellaneous	-	4,770.88	-	4,770.88
Total Receipts	<u>62,261.73</u>	<u>208,274.94</u>	<u>\$ 146,880.00</u>	<u>\$ 61,394.94</u>
Expenditures				
General				
Personnel services	451.55	2,710.04	\$ -	\$ 2,710.04
Contractual	-	1,696.12	1,500.00	196.12
Commodities	722.27	43,708.68	32,700.00	11,008.68
Capital outlays	-	28,500.00	15,000.00	13,500.00
Debt Service				
Interest	-	71,280.00	111,000.00	(39,720.00)
Total Expenditures	<u>1,173.82</u>	<u>147,894.84</u>	<u>\$ 160,200.00</u>	<u>\$ (12,305.16)</u>
Receipts Over(Under) Expenditures	61,087.91	60,380.10		
Unencumbered Cash, Beginning	<u>1,441.77</u>	<u>62,529.68</u>		
Unencumbered Cash, Ending	<u>\$ 62,529.68</u>	<u>\$ 122,909.78</u>		

**CITY OF LINN VALLEY, KANSAS**  
**MAYORS CHRISTMAS TREE FUND**  
Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2016  
(With Comparative Actual Amounts for the Year Ended December 31, 2015)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Other				
Donations	\$ 52.02	\$ -	\$ 100.00	\$ (100.00)
Total Receipts	<u>52.02</u>	<u>-</u>	<u>\$ 100.00</u>	<u>\$ (100.00)</u>
Expenditures				
General				
Contractual Services	141.00	154.00	\$ 574.00	\$ (420.00)
Total Expenditures	<u>141.00</u>	<u>154.00</u>	<u>\$ 574.00</u>	<u>\$ (420.00)</u>
Receipts Over(Under) Expenditures	(88.98)	(154.00)		
Unencumbered Cash, Beginning	<u>579.55</u>	<u>490.57</u>		
Unencumbered Cash, Ending	<u>\$ 490.57</u>	<u>\$ 336.57</u>		