

**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, 2021

CITY OF LINN VALLEY, KANSAS

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Diehl Banwart Bolton

Certified Public Accountants PA

INDEPENDENT AUDITOR'S REPORT

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

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Linn Valley, Kansas, as of and for the year ended December 31, 2021, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or changes in financial positions and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

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

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

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

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget 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 purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Numbers

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Linn Valley, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated May 12, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/oar/municipal-services>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2021 (Schedule 2 as listed in the table of contents) are presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statement or to the 2020 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Diehl, Banwart, Bolton, CPAs PA

DIEHL, BANWART, BOLTON, CPAs, PA

June 29, 2022

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, 2021

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	\$ 70,263.83		\$ 793,330.82	\$ 711,521.08	\$ 152,073.57		\$ -	\$ 152,073.57	\$ 70,263.83	
Special Purpose Funds:										
Special Park and Recreation	2,150.59	350.00	-	-	2,500.59		-	2,500.59	2,150.59	
Special Highway	94,941.76	26,122.76	6,506.39	6,506.39	114,558.13		-	114,558.13	94,941.76	
Equipment Reserve	35,798.01	-	-	6,102.72	29,695.29		-	29,695.29	35,798.01	
Capital Improvement Reserve	39,075.32	-	-	15,184.62	23,890.70		-	23,890.70	39,075.32	
Sewer Project Fund	-	18,396.59	-	-	18,396.59		-	18,396.59	-	
Water Project Fund	-	2,650,011.40	-	148,513.25	2,501,498.15		100,686.00	2,602,184.15	-	
ARPA Fund	-	66,232.38	-	-	66,232.38		-	66,232.38	-	
Business Fund:										
Utilities	328,791.48		380,055.40	438,639.56	270,207.32		8,718.75	278,926.07	328,791.48	
Trust Funds:										
Mayor's Christmas Tree	204.57		-	-	204.57		-	204.57	204.57	
Christmas Tree	1,650.00		-	-	1,650.00		-	1,650.00	1,650.00	
Total Reporting Entity	\$ 572,875.56		\$ 3,934,499.35	\$ 1,326,467.62	\$ 3,180,907.29		\$ 109,404.75	\$ 3,290,312.04	\$ 572,875.56	
Composition of Cash:										
General Checking Account.....								\$ 81,592.10	\$ 23,283.91	
Special Highway Checking Account.....								114,558.13	94,941.76	
Sewer Checking Account.....								365,610.04	328,791.48	
Money Market Checking Account.....								126,367.62	125,858.41	
Water Project Checking Account.....								2,602,184.15	-	
Total Reporting Entity								\$ 3,290,312.04	\$ 572,875.56	

CITY OF LINN VALLEY

Notes to the Financial Statement
For the Year Ended December 31, 2021

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

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City held a revenue neutral rate hearing on September 13, 2021.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The City's budget was not amended during 2021.

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

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)
- Water Project Fund (K.S.A. 12-1,11)
- ARPA Fund (K.S.A. 12-1,11)
- Mayors Christmas Tree Fund (K.S.A. 79-2925)
- Christmas Tree Fund (K.S.A. 79-2925)

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. The City's contingent liability was \$16,823.36 at December 31, 2021.

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 20th during the year levied with the balance to be paid on or before May 10th 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 31st, 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 and statutes of Kansas. The City was in apparent compliance with these laws and statutes of the State of Kansas, except as follows:

Deposits with Statutorily Authorized Financial Institution Adequately Secured

As stated in Note 3, we believe that securities pledged were not sufficient to cover cash in bank in apparent violation of K.S.A. 9-1402 and K.S.A. 9-1405.

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, 2021.

At December 31, 2021, the City's carrying amount of deposits was \$3,290,312.04 and the bank balance was \$3,304,434.35. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000.00 was covered by federal depository insurance and \$452,061.99 was collateralized with securities totaling \$605,865.40 held by the pledging financial institution's agents in the City's name, and \$2,352,372.36 was left unsecured.

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 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERs according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERs 1, KPERs 2, KPERs 3 and KP&F be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for KPERs and 22.80% for KP&F for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$13,631.88 for KPERs and \$25,639.55 for KP&F for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERs was \$83,613 and \$203,063 for KP&F. The net pension liability totaling \$7,799,450,285 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERs, relative to the total employer and non-employer contributions of the Local subgroup within KPERs. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

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 approved the sewer operations agreement stating that the City will be responsible for operation and maintenance of the sewer system, lift station and lagoons. The POA will pay a dumping fee for use of the lift station and/or lagoon. The City also approved a bill of sale to sell/transfer three sewage trucks and related equipment involved in the hold and haul operation of the POA. The water continues to be owned by the City and operated by the POA.

7. **INTERFUND TRANSFERS**

Operating transfers were as follows:

<u>From Fund</u>	<u>To Fund</u>	<u>Statutory Authority</u>	<u>Amount</u>
Utilities	Sewer Project	KSA 12-825d	\$ 18,396.59

8. **CAPITAL PROJECTS**

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

<u>USDA RD Water Project</u>	
Sources of Funds:	
USDA RD Loan	\$ 10,222,000.00
USDA RD Grant	7,283,000.00
Local Funds	67,879.00
Total	<u>\$ 17,572,879.00</u>
Project Expenditures:	
Bond Issue Cost	\$ 47,636.00
Contractual Services	76,597.75
Commodities	192.00
Capital Outlays	100,686.00
Total	<u>\$ 225,111.75</u>

The City was notified on September 23, 2021, that loan and grant funds have been reserved from the United States Department of Agriculture, Rural Development in the amount of \$10,222,000 and \$7,283,000, respectively, for a water project. The City has used temporary General Obligation Bonds to fund the project until the Rural Development loan and grant funds are received. The water project is being used to update water lines around Linn Valley Lakes. The City will take over the billing and collections for the water service once the project is well underway, and use the water utility revenues to make the loan payments.

9. **SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to December 31, 2021 through June 29, 2022, 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.

10. LONG TERM OBLIGATIONS

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
<u>General Obligation Bonds</u>									
Series 2015A	2.75%	5-21-2015	2,392,000	5-21-2055	\$ 2,246,386.35	\$ -	\$ 38,981.38	\$ 2,207,404.97	\$ 61,775.62
Series 2015B	2.75%	5-21-2015	200,000	5-21-2055	187,822.85	-	3,259.87	184,562.98	5,165.13
Total General Obligation Bonds					2,434,209.20	-	42,241.25	2,391,967.95	66,940.75
<u>General Obligation Temporary Notes</u>									
Series 2021	0.40%	12-14-2021	2,650,000	12-1-2023	-	2,650,000.00	-	2,650,000.00	-
<u>Capital Leases</u>									
Fire Truck & Equipment	5.00%	9-18-2015	28,000	2-1-2021	5,048.96	-	5,048.96	-	39.33
2016 Ford Explorer	4.50%	12-29-2017	21,750	1-5-2021	5,654.92	-	5,654.92	-	152.46
Axon Enterprise - Tasers	0.00%	10-2-2017	5,280	10-2-2021	1,320.00	-	1,320.00	-	-
Police Vehicles	4.06%	8-19-2019	45,350	2-15-2023	34,679.65	-	11,103.29	23,576.36	1,407.09
2019 Dodge Charger	3.50%	11-23-2020	21,000	11-23-2024	21,000.00	-	5,401.13	15,598.87	701.59
2018 Ford Edge	3.50%	3-25-2021	23,000	3-15-2025	-	23,000.00	23,000.00	-	681.54
Total Capital Leases					67,703.53	23,000.00	51,528.30	39,175.23	2,982.01
<u>Compensated Absences</u>									
Vacation Pay	N/A	N/A	N/A	N/A	19,425.24	-	2,601.88	16,823.36	N/A
Total Long Term Debt					\$ 2,521,337.97	\$ 2,673,000.00	\$ 96,371.43	\$ 5,097,966.54	\$ 69,922.76

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:

	2022	2023	2024	2025	2026	2027	2032	2037	2042	2047	2052	Totals
PRINCIPAL												
GO Bonds												
Series 2015A	\$40,053.36	\$ 41,154.83	\$ 42,126.40	\$43,445.06	\$44,639.80	\$242,142.80	\$277,216.15	\$317,651.25	\$363,816.38	\$416,691.74	\$378,467.20	\$2,207,404.97
Series 2015B	3,349.52	3,441.63	3,522.88	3,633.15	3,733.07	20,249.52	23,182.59	26,564.04	30,424.66	34,846.43	31,615.49	184,562.98
Total GO Bonds	43,402.88	44,596.46	45,649.28	47,078.21	48,372.87	262,392.32	300,398.74	344,215.29	394,241.04	451,538.17	410,082.69	2,391,967.95
GO Temporary Note												
Series 2021	-	2,650,000.00	-	-	-	-	-	-	-	-	-	2,650,000.00
Capital Leases												
Police Vehicles	11,553.79	12,022.57	-	-	-	-	-	-	-	-	-	23,576.36
2019 Dodge Charger	5,170.25	5,353.93	5,074.69	-	-	-	-	-	-	-	-	15,598.87
Total Capital Leases	16,724.04	17,376.50	5,074.69	-	-	-	-	-	-	-	-	39,175.23
Compensated Absences												
Vacation Pay	16,823.36	-	-	-	-	-	-	-	-	-	-	16,823.36
Total Principal	76,950.28	2,711,972.96	50,723.97	47,078.21	48,372.87	262,392.32	300,398.74	344,215.29	394,241.04	451,538.17	410,082.69	5,097,966.54
INTEREST												
GO Bonds												
Series 2015A	\$60,703.64	\$ 59,602.17	\$ 58,470.41	\$57,311.94	\$56,117.20	\$261,642.20	\$226,568.85	\$186,133.75	\$139,968.62	\$ 87,093.26	\$ 26,479.52	1,220,091.56
Series 2015B	5,075.48	4,983.37	4,888.73	4,791.85	4,691.93	21,875.48	18,942.41	15,560.96	11,700.34	7,278.57	2,210.60	101,999.72
Total GO Bonds	65,779.12	64,585.54	63,359.14	62,103.79	60,809.13	283,517.68	245,511.26	201,694.71	151,668.96	94,371.83	28,690.12	1,322,091.28
GO Temporary Note												
Series 2021	10,217.22	10,600.00	-	-	-	-	-	-	-	-	-	20,817.22
Capital Leases												
Police Vehicles	956.59	487.81	-	-	-	-	-	-	-	-	-	1,444.40
2019 Dodge Charger	463.01	279.34	90.20	-	-	-	-	-	-	-	-	832.55
Total Interest	77,415.94	75,952.69	63,449.34	62,103.79	60,809.13	283,517.68	245,511.26	201,694.71	151,668.96	94,371.83	28,690.12	1,345,185.45
Total Principal & Interest	154,366.22	2,787,925.65	114,173.31	109,182.00	109,182.00	545,910.00	545,910.00	545,910.00	545,910.00	545,910.00	438,772.81	6,443,151.99

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

Schedule 1

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

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 686,862.00	\$ 64,147.86	\$ 751,009.86	\$ 711,521.08	\$ (39,488.78)
Special Purpose Funds:					
Special Park and Recreation	2,601.00	-	2,601.00	-	(2,601.00)
Special Highway	67,291.00	-	67,291.00	6,506.39	(60,784.61)
Business Fund:					
Utilities fund	454,182.00	-	454,182.00	438,639.56	(15,542.44)
	<u>\$ 1,210,936.00</u>				

CITY OF LINN VALLEY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Taxes				
Ad Valorem property tax	\$ 416,931.20	\$ 433,522.50	\$ 435,909.00	\$ (2,386.50)
Delinquent tax	17,083.98	11,796.62	9,000.00	2,796.62
Motor vehicle tax	65,865.82	73,525.22	63,767.00	9,758.22
Weed Cleanup	50.00	-	-	-
Franchise taxes	26,851.10	27,833.53	24,000.00	3,833.53
Intergovernmental				
Miami County Interlocal Agreement	-	15,000.00	-	15,000.00
Fines, Forfeitures and Penalties	45,648.93	103,825.66	32,000.00	71,825.66
Licenses and Permits				
Building permits	34,541.50	39,822.25	25,000.00	14,822.25
Contractor licenses	5,975.00	5,335.00	4,200.00	1,135.00
Use of Money and Property				
Interest	808.97	641.24	850.00	(208.76)
Other				
Reimbursements from LVL's POA	3,374.68	409.20	-	409.20
Cell Tower rent	6,315.20	6,441.47	6,360.00	81.47
Insurance Dividends	5,870.18	6,353.44	-	6,353.44
Insurance Proceeds	8,350.14	27,514.00	-	27,514.00
Police Fundraiser-Fireworks	-	13,224.66	-	13,224.66
Lease Proceeds	-	23,000.00	-	23,000.00
Miscellaneous	4,882.57	5,086.03	7,000.00	(1,913.97)
Total Receipts	<u>642,549.27</u>	<u>793,330.82</u>	<u>\$ 608,086.00</u>	<u>\$ 185,244.82</u>
Expenditures				
General				
Personal services	145,868.88	146,993.13	\$ 175,600.00	\$ (28,606.87)
Contractual services	118,093.15	114,215.64	107,370.00	6,845.64
Commodities	20,899.53	22,635.50	22,000.00	635.50
Public Safety - Police				
Personal services	183,079.34	166,547.98	165,000.00	1,547.98
Contractual services	4,944.85	6,457.21	39,000.00	(32,542.79)
Commodities	23,114.45	11,006.76	3,000.00	8,006.76
Capital Outlay	-	19,110.23	-	19,110.23
Public Safety - Fire				
Personal services	18,749.00	17,068.50	17,000.00	68.50
Commodities	22,732.36	11,478.06	17,000.00	(5,521.94)
Discretionary				
Contractual services	102.50	634.77	-	634.77
Municipal Court				
Contractual services	5,805.00	17,793.50	10,343.00	7,450.50
Commodities	1,027.01	1,764.19	-	1,764.19

CITY OF LINN VALLEY, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Expenditures				
Planning and Zoning				
Personal services	\$ 45,791.20	\$ 53,384.11	\$ 55,000.00	\$ (1,615.89)
Contractual services	2,146.82	-	-	-
Commodities	8,818.69	-	-	-
Codes Enforcement				
Personal services	26,154.50	38,273.75	40,000.00	(1,726.25)
Contractual services	-	2,933.29	-	2,933.29
Commodities	-	2,321.64	-	2,321.64
Capital Outlay	10,000.00	30,495.23	11,000.00	19,495.23
Debt Service on Capital Lease				
Principal	22,386.63	46,127.17	22,950.12	23,177.05
Interest	2,462.42	2,280.42	1,598.88	681.54
Operating Transfers to Other Funds				
Special Equipment Reserve Fund	20,000.00	-	-	-
Capital Improvement Fund	5,000.00	-	-	-
Capital Project Fund	-	-	-	-
Subtotal Certified Budget			686,862.00	
Adjustment for Qualifying Budget Credit				
Reimbursed expenses	-	-	64,147.86	(64,147.86)
Total Expenditures	<u>687,176.33</u>	<u>711,521.08</u>	<u>\$ 751,009.86</u>	<u>\$ (39,488.78)</u>
 Receipts Over(Under) Expenditures	 (44,627.06)	 81,809.74		
 Unencumbered Cash, Beginning	 <u>114,890.89</u>	 <u>70,263.83</u>		
 Unencumbered Cash, Ending	 <u>\$ 70,263.83</u>	 <u>\$ 152,073.57</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, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Intergovernmental				
County park appropriation	\$ 350.00	\$ 350.00	\$ 400.00	\$ (50.00)
Total Receipts	<u>350.00</u>	<u>350.00</u>	<u>\$ 400.00</u>	<u>\$ (50.00)</u>
Expenditures				
Recreation				
Contractual services	-	-	\$ 2,601.00	\$ (2,601.00)
Total Expenditures	<u>-</u>	<u>-</u>	<u>\$ 2,601.00</u>	<u>\$ (2,601.00)</u>
Receipts Over(Under) Expenditures	350.00	350.00		
Unencumbered Cash, Beginning	<u>1,800.59</u>	<u>2,150.59</u>		
Unencumbered Cash, Ending	<u>\$ 2,150.59</u>	<u>\$ 2,500.59</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, 2021

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

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Intergovernmental				
State gasoline tax	\$ 22,513.74	\$ 25,306.22	\$ 19,140.00	\$ 6,166.22
Kansas Dept. of Transportation aid	400.92	-	-	-
Use of Money and Property				
Interest	281.33	531.54	280.00	251.54
Other				
Miscellaneous	326.00	285.00	100.00	185.00
Total Receipts	23,521.99	26,122.76	\$ 19,520.00	\$ 6,602.76
Expenditures				
Streets and Highways				
Contractual services	1,895.10	2,403.33	\$ 5,000.00	\$ (2,596.67)
Commodities	1,705.27	4,103.06	5,000.00	(896.94)
Capital Outlay	-	-	57,291.00	(57,291.00)
Total Expenditures	3,600.37	6,506.39	\$ 67,291.00	\$ (60,784.61)
Receipts Over(Under) Expenditures	19,921.62	19,616.37		
Unencumbered Cash, Beginning	75,020.14	94,941.76		
Unencumbered Cash, Ending	\$ 94,941.76	\$ 114,558.13		

CITY OF LINN VALLEY, KANSAS
EQUIPMENT RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual
Receipts		
Operating Transfer from General Fund	\$ 20,000.00	\$ -
Total Receipts	<u>20,000.00</u>	<u>-</u>
Expenditures		
Capital Outlays	2,621.88	-
Debt Service on Capital Lease		
Principal	-	5,401.13
Interest	-	701.59
Total Expenditures	<u>2,621.88</u>	<u>6,102.72</u>
Receipts Over(Under) Expenditures	17,378.12	(6,102.72)
Unencumbered Cash, Beginning	<u>18,419.89</u>	<u>35,798.01</u>
Unencumbered Cash, Ending	<u>\$ 35,798.01</u>	<u>\$ 29,695.29</u>

CITY OF LINN VALLEY, KANSAS
CAPITAL IMPROVEMENT RESERVE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual
Receipts		
Operating Transfer from General Fund	\$ 5,000.00	\$ -
Total Receipts	5,000.00	-
Expenditures		
Capital Outlays	-	15,184.62
Total Expenditures	-	15,184.62
Receipts Over(Under) Expenditures	5,000.00	(15,184.62)
Unencumbered Cash, Beginning	34,075.32	39,075.32
Unencumbered Cash, Ending	\$ 39,075.32	\$ 23,890.70

CITY OF LINN VALLEY, KANSAS
SEWER PROJECT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual
Receipts		
Operating Transfer from Sewer Utility Fund	\$ -	\$ 18,396.59
Total Receipts	-	18,396.59
Expenditures		
Sewer Project	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	18,396.59
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 18,396.59

CITY OF LINN VALLEY, KANSAS
WATER PROJECT FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual
Receipts		
Debt Proceeds		
Temporary Notes	\$ -	\$ 2,650,000.00
Use of Money and Property		
Interest	-	11.40
Total Receipts	-	2,650,011.40
Expenditures		
Water Project		
Commodities	-	191.75
Capital Outlays	-	100,686.00
Debt Service		
Temporary Note Fees	-	47,635.50
Total Expenditures	-	148,513.25
Receipts Over(Under) Expenditures	-	2,501,498.15
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 2,501,498.15

CITY OF LINN VALLEY, KANSAS
ARPA FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual
Receipts		
Intergovernmental		
ARPA	\$ -	\$ 66,232.38
Total Receipts	-	66,232.38
Expenditures		
Capital Outlays	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	66,232.38
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	\$ -	\$ 66,232.38

CITY OF LINN VALLEY, KANSAS
UTILITIES FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Taxes				
Special Utility Assessment	\$ 3,141.41	\$ 1,463.00	\$ -	\$ 1,463.00
Use of Money and Property				
Interest	309.60	396.05	-	396.05
Other				
Sewer charges	147,746.21	191,918.30	186,000.00	5,918.30
Infrastructure grant	49,624.00	51,731.00	47,000.00	4,731.00
Pump installation	30,636.00	52,980.00	41,000.00	11,980.00
Lagoon use	22,840.40	80,907.73	23,000.00	57,907.73
Miscellaneous	873.21	659.32	-	659.32
Total Receipts	<u>255,170.83</u>	<u>380,055.40</u>	<u>\$ 297,000.00</u>	<u>\$ 83,055.40</u>
Expenditures				
General				
Personnel services	3,916.67	26,409.34	\$ 50,000.00	\$ (23,590.66)
Contractual	53,259.33	71,794.57	75,000.00	(3,205.43)
Commodities	12,556.75	15,428.97	15,000.00	428.97
Capital outlays	43,124.67	120,830.37	135,000.00	(14,169.63)
Water Project				
Contractual	-	76,597.72	70,000.00	6,597.72
Debt Service				
Principal	40,929.21	42,241.25	109,182.00	(66,940.75)
Interest	68,066.31	66,940.75	-	66,940.75
Operating Transfers to Other Funds				
Sewer Project	-	18,396.59	-	18,396.59
Total Expenditures	<u>221,852.94</u>	<u>438,639.56</u>	<u>\$ 454,182.00</u>	<u>\$ (15,542.44)</u>
Receipts Over(Under) Expenditures	33,317.89	(58,584.16)		
Unencumbered Cash, Beginning	<u>295,473.59</u>	<u>328,791.48</u>		
Unencumbered Cash, Ending	<u>\$ 328,791.48</u>	<u>\$ 270,207.32</u>		

CITY OF LINN VALLEY, KANSAS
MAYORS CHRISTMAS FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Amounts for the Year Ended December 31, 2020)

	Prior Year Actual	Actual
Receipts		
Other		
Donations	\$ -	\$ -
Total Receipts	-	-
Expenditures		
General		
Contractual Services	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	204.57	204.57
Unencumbered Cash, Ending	\$ 204.57	\$ 204.57

CITY OF LINN VALLEY, KANSAS
TREE FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2021

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

	Prior Year Actual	Actual
Receipts		
Other		
Donations	\$ -	\$ -
Total Receipts	-	-
Expenditures		
General		
Contractual Services	225.00	-
Total Expenditures	225.00	-
Receipts Over(Under) Expenditures	(225.00)	-
Unencumbered Cash, Beginning	1,875.00	1,650.00
Unencumbered Cash, Ending	<u>\$ 1,650.00</u>	<u>\$ 1,650.00</u>