

**CITY OF LINN VALLEY,  
KANSAS**

Independent Auditor's Report, and  
Regulatory Basis Financial Statement With  
Regulatory-Required Supplementary Information  
With Federal Compliance Section  
For the Year Ended December 31, 2023

# CITY OF LINN VALLEY, KANSAS

## TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Independent Auditor's Report .....	1-3
Financial Statement:	
Summary Statement of Regulatory Basis Receipts, Expenditures and Unencumbered Cash Balance.....	4
Notes to Financial Statement.....	5-15
Regulatory-Required Supplementary Information:	
Schedule 1	
Summary of Regulatory Basis Expenditures - Actual and Budget.....	16
Schedule 2	
Schedule of Regulatory Basis Receipts and Expenditures - Actual and Budget	
General Fund.....	17-18
Special Park and Recreation Fund.....	19
Special Highway Fund.....	20
Equipment Reserve Fund .....	21
Capital Improvement Reserve Fund.....	22
Sewer Project Fund .....	23
Water Project Fund .....	24
Wastewater Project Fund .....	25
ARPA Fund .....	26
Utilities Fund .....	27
Mayor's Christmas Tree Fund.....	28
Tree Fund.....	29
FEDERAL COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards.....	30
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance .....	31-32
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with <i>Government Auditing Standards</i> .....	33-34
Schedule of Findings and Questioned Costs.....	35-36

# Diehl Banwart Bolton

Certified Public Accountants P.A.

---

## 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, 2023, 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, 2023, 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, 2023, 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*. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2024, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

### ***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, 2022 (not presented herein), and have issued our report thereon dated October 6, 2023, which contained an unmodified opinion on the basic financial statement. The 2022 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 2022 actual column (2022 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2022 (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 2022 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 2022 basic financial statement. The 2022 comparative information was subjected to the auditing procedures applied in the audit of the 2022 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 2022 basic financial statement or to the 2022 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 2022 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, 2022, on the basis of accounting described in Note 1.

***Diehl, Banwart, Bolton, CPAs PA***

DIEHL, BANWART, BOLTON, CPAs, PA

July 2, 2024  
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, 2023**

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	\$ 91,881.72	\$ 833,555.45	\$ 904,624.99	\$ 20,812.18	\$ -	\$ 20,812.18	\$ 103,705.42
Special Purpose Funds:							
Special Park and Recreation	2,850.59	350.00	-	3,200.59	-	3,200.59	2,850.59
Special Highway	126,269.93	31,000.58	7,755.15	149,515.36	-	149,515.36	126,269.93
Equipment Reserve	29,695.29	25,000.00	-	54,695.29	-	54,695.29	29,695.29
Capital Improvement Reserve	23,890.70	25,000.00	-	48,890.70	-	48,890.70	23,890.70
Sewer Project Fund	40,194.20	53,638.15	-	93,832.35	-	93,832.35	40,194.20
Water Project Fund	(113,725.53)	4,054,799.40	5,092,470.54	(1,151,396.67)	1,973,330.59	821,933.92	1,571,070.22
Wastewater Project Fund	5,446,507.72	230,293.19	1,085,193.60	4,591,607.31	559,670.00	5,151,277.31	6,219,808.72
ARPA Fund	51,257.95	-	45,190.00	6,067.95	-	6,067.95	51,257.95
Business Fund:							
Utilities	484,784.59	351,295.15	302,404.29	533,675.45	-	533,675.45	495,770.60
Trust Funds:							
Mayor's Christmas Tree	1,029.57	-	-	1,029.57	-	1,029.57	1,029.57
Tree	-	-	-	-	-	-	-
Total Reporting Entity	\$ 6,184,636.73	\$ 5,604,931.92	\$ 7,437,638.57	\$ 4,351,930.08	\$ 2,533,000.59	\$ 6,884,930.67	\$ 8,665,543.19
Composition of Cash:							
General Checking Account.....						\$ 44,259.09	\$ 160,380.38
Special Highway Checking Account.....						149,515.36	126,269.93
Sewer Checking Account.....						627,507.80	535,964.80
Money Market Checking Account.....						90,437.19	52,049.14
Water Project Checking Account.....						210,099.94	54,828.35
Wastewater Project Checking Account.....						62,049.71	50,219.18
Kansas Municipal Investment Pool Accounts.....						5,701,061.58	7,685,831.41
Total Reporting Entity						\$ 6,884,930.67	\$ 8,665,543.19

# CITY OF LINN VALLEY

## Notes to the Financial Statement For the Year Ended December 31, 2023

### 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>.

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 20<sup>th</sup>. The City held a revenue neutral rate hearing on September 11, 2023.

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 budget was not amended during 2023.

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)
- Wastewater 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 \$11,922.15 at December 31, 2023.

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 and statutes of Kansas. The City was in apparent compliance with these laws and statutes of the State of Kansas, except as follows:

Kansas cash basis law – As shown on the financial statement, the Water Project fund shows a negative unencumbered cash balance of \$1,151,396.67 which appears to be a violation of the Kansas cash basis laws. However, this is not a violation of the cash basis law due to USDA Rural Development grant funds being received in the future to cover the expenditures.

## 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.

*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. The City's allocation of investments as of December 31, 2023 was 100% in the Kansas Municipal Investment Pool.

*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, 2023.

At December 31, 2023, the City's carrying amount of deposits was \$1,183,869.09 and the bank balance was \$1,177,964.86. 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 \$677,964.86 was collateralized with securities totaling \$2,472,663.30 held by the pledging financial institution's agents in the City's name.

### 3. **DEPOSITS AND INVESTMENTS** (Continued)

At December 31, 2023 the City had invested \$5,701,061.58 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligation of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of the funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

### 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. 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 8.43% for KPERS and 22.86% for KP&F for the fiscal year ended December 31, 2023. Contributions to the pension plan from the City were \$16,842.99 for KPERS and \$38,649.36 for KP&F for the year ended December 31, 2023.

5. **DEFINED BENEFIT PENSION PLAN** (Continued)

Net Pension Liability

At December 31, 2023, the City's proportionate share of the collective net pension liability reported by KPERS was \$172,658 and \$329,354 for KP&F. The net pension liability totaling \$10,693,000,939 was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. 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](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 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	\$ 53,638.15
Utilities	General	KSA 12-1, 118	20,629.91
General	Equipment Reserve	KSA 12-1, 117	25,000.00
General	Capital Improvement	KSA 12-1, 118	25,000.00

## 8. CAPITAL PROJECTS

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

<b>USDA RD Water Project</b>	
<b>Sources of Funds:</b>	
USDA RD Loan	\$ 10,222,000.00
USDA RD Grant	7,283,000.00
Local Funds	85,468.54
<b>Total</b>	<b>\$ 17,590,468.54</b>
<b>Project Expenditures:</b>	
Bond Issue Cost	\$ 132,199.39
Interest Expense	112,960.00
Contractual Services	82,558.78
Commodities	29,873.96
Capital Outlays	4,942,802.63
<b>Total</b>	<b>\$ 5,300,394.76</b>

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.

<b>USDA RD Wastewater Project</b>	
<b>Sources of Funds:</b>	
USDA RD Loan	\$ 6,416,000.00
USDA RD Grant	627,000.00
Local Funds	13,700.43
<b>Total</b>	<b>\$ 7,056,700.43</b>
<b>Project Expenditures:</b>	
Bond Issue Cost	\$ 53,522.00
Interest Expense	218,999.47
Contractual Services	228.44
Capital Outlays	1,732,759.60
<b>Total</b>	<b>\$ 2,005,509.51</b>

8. **CAPITAL PROJECTS** (Continued)

The City was notified on March 17, 2023, that loan and grant funds have been reserved from the United States Department of Agriculture, Rural Development in the amount of \$6,416,000 and \$627,000, respectively, for a wastewater project. The City has used temporary General Obligation Bonds to fund the project until the Rural Development loan and grant funds are received. The wastewater project is being used to update sewer lines around Linn Valley Lakes. The City will use the sewer utility revenues to make the loan payments.

9. **SUBSEQUENT EVENTS**

Management has evaluated events and transactions occurring subsequent to December 31, 2023 through July 2, 2024, 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**

General Obligation Temporary Notes, Series 2023, were issued for \$3,980,000 on May 30, 2023 are payable on December 1, 2025. Sources and uses of the 2023 temporary notes were as follows:

<b>Sources:</b>	
<b>Bond Proceeds:</b>	
Par Amount	\$ 3,980,000.00
Premium	18,944.80
<b>Total</b>	<b>\$ 3,998,944.80</b>
<b>Uses of Funds:</b>	
<b>Project Fund Deposits:</b>	
Improvement Fund	\$ 1,244,729.44
<b>Refunding Escrow Deposits:</b>	
Cash Deposit	2,650,706.67
<b>Cost of Issuance:</b>	
Other Cost of Issuance	60,723.69
<b>Underwriter's Discount:</b>	
Other Underwriter's Discount	42,785.00
<b>Total</b>	<b>\$ 3,998,944.80</b>

Details about the City's long-term obligations, changes in long term debt, and current maturities and interest for the next five years and in five-year increments through maturity are recorded on the following two pages:

10. LONG TERM OBLIGATIONS (Continued)

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	\$ 2,167,351.61	\$ -	\$ 41,154.83	\$ 2,126,196.78	\$ 59,602.17
Series 2015B	2.75%	5-21-2015	200,000	5-21-2055	181,213.46	-	3,441.63	177,771.83	4,983.37
Total General Obligation Bonds					2,348,565.07	-	44,596.46	2,303,968.61	64,585.54
<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	-	6,006.67
Series 2022	2.40%	6-29-2022	6,416,000	6-1-2026	6,416,000.00	-	-	6,416,000.00	153,984.00
Series 2023	5.00%	5-30-2023	3,980,000	12-1-2025	-	3,980,000.00	-	3,980,000.00	96,736.11
Total General Obligation Temporary Notes					9,066,000.00	3,980,000.00	2,650,000.00	10,396,000.00	256,726.78
<u>Capital Leases</u>									
Police Vehicles	4.06%	8-19-2019	45,350	2-15-2023	12,022.57	-	12,022.57	-	488.81
2019 Dodge Charger	3.50%	11-23-2020	21,000	11-23-2024	10,428.62	-	10,428.62	-	368.50
2019 Ford Escape	2.00%	2-7-2022	27,314	3-1-2025	20,305.61	-	6,635.21	13,670.40	406.11
City Hall	0.00%	3-10-2022	98,431	12-10-2026	64,694.16	-	22,270.41	42,423.75	-
Total Capital Leases					107,450.96	-	51,356.81	56,094.15	1,263.42
Total Long Term Debt					\$ 11,522,016.03	\$ 3,980,000.00	\$ 2,745,953.27	\$ 12,756,062.76	\$ 322,575.74



10. LONG TERM OBLIGATIONS (Continued)

	2024	2025	2026	2027	2028	2029	2033	2034	2039	2044	2049	2054	Totals
<b>PRINCIPAL</b>													
<b>GO Bonds</b>													
Series 2015A	\$ 42,126.40	\$ 43,445.06	\$ 44,639.80	\$ 45,867.40	\$ 46,981.82	\$255,654.94	\$292,808.45	\$292,808.45	\$335,362.29	\$384,047.45	\$439,949.58	\$195,313.59	\$ 2,126,196.78
Series 2015B	3,522.88	3,633.15	3,733.07	3,835.72	3,928.92	21,379.50	24,486.52	24,486.52	28,045.15	32,116.51	36,791.40	16,299.01	177,771.83
Total GO Bonds	45,649.28	47,078.21	48,372.87	49,703.12	50,910.74	277,034.44	317,294.97	317,294.97	363,407.44	416,163.96	476,740.98	211,612.60	2,303,968.61
<b>GO Temporary Note</b>													
Series 2022	-	-	6,416,000.00	-	-	-	-	-	-	-	-	-	6,416,000.00
Series 2023	-	3,980,000.00	-	-	-	-	-	-	-	-	-	-	3,980,000.00
Total GO Temporary Notes	-	3,980,000.00	6,416,000.00	-	-	-	-	-	-	-	-	-	10,396,000.00
<b>Capital Leases</b>													
2019 Ford Escape	6,767.16	6,903.24	-	-	-	-	-	-	-	-	-	-	13,670.40
City Hall	21,564.72	20,859.03	-	-	-	-	-	-	-	-	-	-	42,423.75
Total Capital Leases	28,331.88	27,762.27	-	-	-	-	-	-	-	-	-	-	56,094.15
<b>Compensated Absences</b>													
Vacation Pay	11,922.15	-	-	-	-	-	-	-	-	-	-	-	11,922.15
Total Principal	\$ 85,903.31	\$4,054,840.48	\$ 6,464,372.87	\$ 49,703.12	\$ 50,910.74	\$277,034.44	\$317,294.97	\$317,294.97	\$363,407.44	\$416,163.96	\$476,740.98	\$211,612.60	\$12,767,984.91
<b>INTEREST</b>													
<b>GO Bonds</b>													
Series 2015A	\$ 58,470.41	\$ 57,311.94	\$ 56,117.20	\$ 54,889.60	\$ 53,775.18	\$248,130.06	\$210,976.55	\$210,976.55	\$168,422.71	\$119,737.55	\$ 63,835.42	\$ 8,119.13	\$ 1,099,785.75
Series 2015B	4,888.73	4,791.85	4,691.93	4,589.28	4,496.08	20,745.50	17,638.48	17,638.48	14,079.85	10,008.49	5,333.60	677.08	91,940.87
Total GO Bonds	63,359.14	62,103.79	60,809.13	59,478.88	58,271.26	268,875.56	228,615.03	228,615.03	182,502.56	129,746.04	69,169.02	8,796.21	1,191,726.62
<b>GO Temporary Note</b>													
Series 2022	153,984.00	153,984.00	76,992.00	-	-	-	-	-	-	-	-	-	384,960.00
Series 2023	199,000.00	99,500.00	-	-	-	-	-	-	-	-	-	-	298,500.00
Total GO Temporary Notes	352,984.00	253,484.00	76,992.00	-	-	-	-	-	-	-	-	-	683,460.00
<b>Capital Leases</b>													
2019 Ford Escape	274.16	138.08	-	-	-	-	-	-	-	-	-	-	412.24
Total Capital Leases	274.16	138.08	-	-	-	-	-	-	-	-	-	-	412.24
Total Interest	\$ 416,617.30	\$ 315,725.87	\$ 137,801.13	\$ 59,478.88	\$ 58,271.26	\$268,875.56	\$228,615.03	\$228,615.03	\$182,502.56	\$129,746.04	\$ 69,169.02	\$ 8,796.21	\$ 1,875,598.86
Total Principal & Interest	\$ 502,520.61	\$4,370,566.35	\$ 6,602,174.00	\$ 109,182.00	\$ 109,182.00	\$545,910.00	\$545,910.00	\$545,910.00	\$545,910.00	\$545,910.00	\$545,910.00	\$220,408.81	\$14,643,583.77

**REGULATORY-REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF LINN VALLEY, KANSAS**  
**Summary of Expenditures - Actual and Budget**  
**Regulatory Basis**  
**For the Year Ended December 31, 2023**

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 985,986.00	\$ -	\$ 985,986.00	\$ 904,624.99	\$ (81,361.01)
Special Purpose Funds:					
Special Park and Recreation	2,851.00	-	2,851.00	-	(2,851.00)
Special Highway	145,208.00	-	145,208.00	7,755.15	(137,452.85)
Business Fund:					
Utilities fund	596,169.00	-	596,169.00	302,404.29	(293,764.71)
	<u>\$ 1,730,214.00</u>				

**CITY OF LINN VALLEY, KANSAS**  
**GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Taxes				
Ad Valorem property tax	\$ 486,509.23	\$ 553,213.97	\$ 571,796.00	\$ (18,582.03)
Delinquent tax	20,252.67	17,061.90	25,234.00	(8,172.10)
Motor vehicle tax	71,947.87	65,650.27	68,210.00	(2,559.73)
Franchise taxes	28,459.09	16,738.38	28,000.00	(11,261.62)
Intergovernmental				
Miami County Interlocal Agreement	15,000.00	15,000.00	15,000.00	-
Fines, Forfeitures and Penalties	75,746.66	53,368.11	40,000.00	13,368.11
Licenses and Permits				
Building permits	44,439.87	55,112.50	64,000.00	(8,887.50)
Contractor licenses	4,200.00	5,700.00	5,500.00	200.00
Other	-	2,405.00	-	2,405.00
Use of Money and Property				
Interest	825.76	3,810.55	700.00	3,110.55
Other				
Special Utility Assessment	-	935.02	-	935.02
Cell Tower rent	6,570.26	6,701.64	6,570.00	131.64
Insurance Dividends	7,342.84	9,585.87	7,000.00	2,585.87
Sale of Property and Merchandise	-	4,080.00	-	4,080.00
Police Fundraiser-Fireworks	19,720.65	-	-	-
Lease Proceeds	27,314.00	-	-	-
Miscellaneous	1,318.13	3,562.33	4,200.00	(637.67)
Transfer from Other Funds:				
Utilities	-	20,629.91	-	20,629.91
Total Receipts	<u>809,647.03</u>	<u>833,555.45</u>	<u>\$ 836,210.00</u>	<u>\$ (2,654.55)</u>
Expenditures				
General				
Personal services	225,501.24	180,105.89	\$ 137,500.00	\$ 42,605.89
Contractual services	123,622.95	99,777.28	89,000.00	10,777.28
Commodities	20,401.68	8,858.45	25,000.00	(16,141.55)
Capital Outlay	38,752.64	9,998.48	156,486.00	(146,487.52)
Public Safety - Police				
Personal services	189,052.39	262,528.96	237,000.00	25,528.96
Contractual services	285.00	10,338.78	7,000.00	3,338.78
Commodities	46,124.60	21,705.85	11,000.00	10,705.85
Capital Outlay	-	16,176.75	21,000.00	(4,823.25)
Public Safety - Fire				
Personal services	15,233.50	14,395.11	19,000.00	(4,604.89)
Contractual services	-	16,621.57	-	16,621.57
Commodities	24,415.36	10,629.17	22,000.00	(11,370.83)

**CITY OF LINN VALLEY, KANSAS  
GENERAL FUND**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Expenditures				
Discretionary				
Contractual services	\$ 224.86	\$ 388.18	\$ -	\$ 388.18
Municipal Court				
Personal services	-	12,951.66	64,500.00	(51,548.34)
Contractual services	13,478.50	10,833.88	4,000.00	6,833.88
Commodities	1,618.34	573.95	16,000.00	(15,426.05)
Planning and Zoning				
Personal services	33,429.75	-	-	-
Codes Enforcement				
Personal services	44,010.09	93,172.35	124,000.00	(30,827.65)
Contractual services	936.69	2,638.88	10,000.00	(7,361.12)
Commodities	10,740.14	3,765.23	2,500.00	1,265.23
Capital Outlay	27,314.00	30,065.00	-	30,065.00
Debt Service on Capital Lease				
Principal	53,264.38	48,039.20	38,000.00	10,039.20
Interest	1,432.77	1,060.37	-	1,060.37
Transfers to Other Funds:				
Equipment Reserve	-	25,000.00	1,000.00	24,000.00
Capital Improvement Reserve	-	25,000.00	1,000.00	24,000.00
Total Expenditures	<u>869,838.88</u>	<u>904,624.99</u>	<u>\$ 985,986.00</u>	<u>\$ (81,361.01)</u>
Receipts Over(Under) Expenditures	(60,191.85)	(71,069.54)		
Unencumbered Cash, Beginning	<u>152,073.57</u>	<u>91,881.72</u>		
Unencumbered Cash, Ending	<u>\$ 91,881.72</u>	<u>\$ 20,812.18</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, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts				
Intergovernmental				
County park appropriation	<u>\$ 350.00</u>	<u>\$ 350.00</u>	<u>\$ 350.00</u>	<u>\$ -</u>
Total Receipts	<u>350.00</u>	<u>350.00</u>	<u>\$ 350.00</u>	<u>\$ -</u>
Expenditures				
Recreation				
Contractual services	<u>-</u>	<u>-</u>	<u>\$ 2,851.00</u>	<u>\$ (2,851.00)</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>\$ 2,851.00</u>	<u>\$ (2,851.00)</u>
Receipts Over(Under) Expenditures	350.00	350.00		
Unencumbered Cash, Beginning	<u>2,500.59</u>	<u>2,850.59</u>		
Unencumbered Cash, Ending	<u>\$ 2,850.59</u>	<u>\$ 3,200.59</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, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Intergovernmental				
State gasoline tax	\$ 25,511.51	\$ 28,049.42	\$ 24,130.00	\$ 3,919.42
Use of Money and Property				
Interest	1,364.28	2,591.16	600.00	1,991.16
Other				
Miscellaneous	243.00	360.00	450.00	(90.00)
Total Receipts	27,118.79	31,000.58	\$ 25,180.00	\$ 5,820.58
Expenditures				
Streets and Highways				
Contractual Services	705.34	7,308.67	\$ 111,000.00	\$ (103,691.33)
Commodities	3,594.99	446.48	34,208.00	(33,761.52)
Capital Outlays	11,106.66	-	-	-
Total Expenditures	15,406.99	7,755.15	\$ 145,208.00	\$ (137,452.85)
Receipts Over(Under) Expenditures	11,711.80	23,245.43		
Unencumbered Cash, Beginning	114,558.13	126,269.93		
Unencumbered Cash, Ending	\$ 126,269.93	\$ 149,515.36		

**CITY OF LINN VALLEY, KANSAS**  
**EQUIPMENT RESERVE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual
Receipts		
Operating Transfer from General Fund	\$ -	\$ 25,000.00
Total Receipts	-	25,000.00
Expenditures		
Capital Outlays	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	25,000.00
Unencumbered Cash, Beginning	29,695.29	29,695.29
Unencumbered Cash, Ending	\$ 29,695.29	\$ 54,695.29



**CITY OF LINN VALLEY, KANSAS**  
**CAPITAL IMPROVEMENT RESERVE FUND**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual
Receipts		
Operating Transfer from General Fund	\$ -	\$ 25,000.00
Total Receipts	-	25,000.00
Expenditures		
Capital Outlays	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	25,000.00
Unencumbered Cash, Beginning	23,890.70	23,890.70
Unencumbered Cash, Ending	\$ 23,890.70	\$ 48,890.70

**CITY OF LINN VALLEY, KANSAS**  
**SEWER PROJECT FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	<u>Prior Year Actual</u>	<u>Actual</u>
Receipts		
Operating Transfer from Utilities Fund	<u>\$ 21,797.61</u>	<u>\$ 53,638.15</u>
Total Receipts	<u>21,797.61</u>	<u>53,638.15</u>
Expenditures		
Sewer Project	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over(Under) Expenditures	21,797.61	53,638.15
Unencumbered Cash, Beginning	<u>18,396.59</u>	<u>40,194.20</u>
Unencumbered Cash, Ending	<u>\$ 40,194.20</u>	<u>\$ 93,832.35</u>

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

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual
Receipts		
Debt Proceeds		
Temporary Notes	\$ -	\$ 3,980,000.00
Use of Money and Property		
Interest	17,389.54	50,860.71
Other		
Miscellaneous	200.00	23,938.69
Total Receipts	17,589.54	4,054,799.40
Expenditures		
Water Project		
Contractual Services	2,745.00	235.00
Commodities	29,682.21	735.00
Capital Outlays	2,590,168.79	2,254,193.87
Debt Service		
Principal	-	2,650,000.00
Interest	10,217.22	102,742.78
Bond Fees	-	84,563.89
Total Expenditures	2,632,813.22	5,092,470.54
Receipts Over(Under) Expenditures	(2,615,223.68)	(1,037,671.14)
Unencumbered Cash, Beginning	2,501,498.15	(113,725.53)
Unencumbered Cash, Ending	\$ (113,725.53)	\$ (1,151,396.67)

**CITY OF LINN VALLEY, KANSAS**  
**WASTEWATER PROJECT FUND (Lagoon Project)**

Schedule of Receipts and Expenditures - Actual

Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual
Receipts		
Debt Proceeds		
Temporary Notes	\$ 6,353,123.20	\$ -
Use of Money and Property		
Interest	12,087.43	230,293.19
Other		
Miscellaneous	1,613.00	-
Total Receipts	6,366,823.63	230,293.19
Expenditures		
Wastewater Project		
Contractual Services	193.44	10.00
Commodities	-	25.00
Capital Outlays	801,585.00	931,174.60
Debt Service		
Interest	65,015.47	153,984.00
Temporary Note Fees	53,522.00	-
Total Expenditures	920,315.91	1,085,193.60
Receipts Over(Under) Expenditures	5,446,507.72	(854,900.41)
Unencumbered Cash, Beginning	-	5,446,507.72
Unencumbered Cash, Ending	\$ 5,446,507.72	\$ 4,591,607.31

CITY OF LINN VALLEY, KANSAS  
ARPA FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual
Receipts		
Intergovernmental		
ARPA	\$ 66,232.38	\$ -
Total Receipts	66,232.38	-
Expenditures		
Capital Outlays	81,206.81	45,190.00
Total Expenditures	81,206.81	45,190.00
Receipts Over(Under) Expenditures	(14,974.43)	(45,190.00)
Unencumbered Cash, Beginning	66,232.38	51,257.95
Unencumbered Cash, Ending	\$ 51,257.95	\$ 6,067.95

**CITY OF LINN VALLEY, KANSAS**  
**UTILITIES FUND**

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Use of Money and Property				
Interest	\$ 437.62	\$ 2,202.26	\$ 600.00	\$ 1,602.26
Other				
Sewer charges	212,240.49	221,938.34	241,700.00	(19,761.66)
Infrastructure grant	54,137.00	-	-	-
Pump installation	52,430.61	6,600.00	-	6,600.00
Lagoon use	96,756.74	119,493.72	100,000.00	19,493.72
Permits	-	-	5,000.00	(5,000.00)
Reimbursed expenses	129,455.94	1,060.83	10,000.00	(8,939.17)
Miscellaneous	127.84	-	500.00	(500.00)
Total Receipts	545,586.24	351,295.15	\$ 357,800.00	\$ (6,504.85)
Expenditures				
General				
Personnel services	-	-	\$ 60,000.00	\$ (60,000.00)
Contractual	8,113.15	10,101.49	75,000.00	(64,898.51)
Commodities	16,770.71	16,183.09	33,400.00	(17,216.91)
Capital outlays	164,139.46	89,148.99	290,587.00	(201,438.01)
Water Project				
Contractual	6,781.25	-	-	-
Debt Service				
Principal	43,402.88	44,596.46	44,597.00	(0.54)
Interest	65,779.12	64,585.54	64,585.00	0.54
Debt Service on Capital Lease				
Principal	4,205.03	3,317.61	-	3,317.61
Interest	19.76	203.05	-	203.05
Operating Transfers to Other Funds				
General	-	20,629.91	-	20,629.91
Sewer Project	21,797.61	53,638.15	28,000.00	25,638.15
Total Expenditures	331,008.97	302,404.29	\$ 596,169.00	\$ (293,764.71)
Receipts Over(Under) Expenditures	214,577.27	48,890.86		
Unencumbered Cash, Beginning	270,207.32	484,784.59		
Unencumbered Cash, Ending	\$ 484,784.59	\$ 533,675.45		

**CITY OF LINN VALLEY, KANSAS**  
**MAYORS CHRISTMAS TREE FUND**

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

	Prior Year Actual	Actual
Receipts		
Other		
Donations	\$ 825.00	\$ -
Total Receipts	825.00	-
Expenditures		
General		
Contractual Services	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	825.00	-
Unencumbered Cash, Beginning	204.57	1,029.57
Unencumbered Cash, Ending	\$ 1,029.57	\$ 1,029.57

CITY OF LINN VALLEY, KANSAS  
TREE FUND

Schedule of Receipts and Expenditures - Actual  
Regulatory Basis

For the Year Ended December 31, 2023

(With Comparative Actual Amounts for the Year Ended December 31, 2022)

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



**CITY OF LINN VALLEY, KANSAS**  
**FEDERAL COMPLIANCE SECTION**  
For the Year Ended December 31, 2023

CITY OF LINN VALLEY, KANSAS  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	AMOUNT RECEIVED	AMOUNT EXPENDED
<u>U.S. Department of Agriculture - Rural Development</u>			
Direct Programs			
Water and Waste Disposal Systems for Rural Communities	10.760		
Water Project		\$ -	\$ 2,257,189.43
Wastewater Project		-	1,323,547.60
		-	<u>3,580,737.03</u>
 <u>U.S. DEPARTMENT OF TREASURY</u>			
Passed through the State of Kansas Governor's Office			
Coronavirus Relief Fund	21.019	-	45,190.00
		\$ -	<u>\$ 3,625,927.03</u>

Notes to the Schedule of Expenditures of Federal Awards:

- (1) In 2021, temporary bonds totaling \$2,650,000 were issued and used to to finance the water project until the USDA RD loan and grant funds are received. In 2022, temporary bonds totaling \$6,416,000 were issued and used to finance the wastewater project until the USDA RD loan and grant funds are received. In 2023, temporary bonds totaling \$3,980,000 were issued and used to pay off the 2021 temporary bonds and continue to finance the water project until the USDA RD loan and grant funds are received. Since the temporary bonds were used to pay expenses associated with the project that ultimately will be funded with USDA RD loan and grant funds, the expenses paid with the temporary bonds are considered federal expenditures.
- (2) Expenditures are recorded on the modified accrual basis of accounting, which records expenses when the goods or services are received, plus accounts payable. Expenditures for these programs may differ from the City's regulatory basis financial statement inasmuch as the City records expenditures when an encumbrance or contract is signed in accordance with the regulatory basis of accounting, whereas expenditures on the financial reports are recorded when the goods or services are received.

Water Project costs regulatory basis of accounting	\$ 5,092,470.54
Plus prior year encumbrances	1,684,795.75
Less current year encumbrances	(1,971,080.59)
Less prior year accounts payable	(52,600.00)
Plus current year accounts payable	154,338.73
Less principal payments	(2,650,000.00)
Current Year Water Project Costs	<u>\$ 2,257,924.43</u>

Wastewater Project costs regulatory basis of accounting	\$ 1,085,193.60
Plus prior year encumbrances	773,301.00
Less current year encumbrances	(559,670.00)
Less prior year accounts payable	(6,600.00)
Plus current year accounts payable	31,348.00
Current Year Water Project Costs	<u>\$ 1,323,572.60</u>

- (3) The City did not elect to use the 10% de minimis indirect cost rate.
- (4) There were no subrecipients of federal awards.

# ***Diehl Banwart Bolton***

***Certified Public Accountants PA***

---

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Linn Valley, Kansas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Linn Valley, Kansas' major federal programs for the year ended December 31, 2023. The City of Linn Valley, Kansas' major federal programs are identified in the Summary of Auditor's Results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

### **Auditors' Responsibilities**

Our responsibility is to express an opinion on compliance for each of City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Linn Valley, Kansas' compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the City of Linn Valley, Kansas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

## **Report on Internal Control Over Compliance**

Management of the City of Linn Valley, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

***Diehl, Banwart, Bolton, CPAs PA***

DIEHL, BANWART, BOLTON, CPAs PA

July 2, 2024  
Fort Scott, Kansas

# Diehl Banwart Bolton

*Certified Public Accountants P.A.*

---

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statement of the City of Linn Valley, Kansas, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the City of Linn Valley, Kansas' basic financial statement, and have issued our report thereon dated July 2, 2024.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City of Linn Valley, Kansas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of The City of Linn Valley, Kansas' internal control.

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

***Diehl, Banwart, Bolton, CPAs PA***

DIEHL, BANWART, BOLTON, CPAs PA

July 2, 2024  
Fort Scott, Kansas

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

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2023

**SECTION 1 - SUMMARY OF AUDITORS' RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued:

The auditors' report was adverse for departures from accounting principles generally accepted in the United States of America due to the preparation of the financial statements in accordance with the Kansas regulatory basis of accounting. An unqualified opinion on the regulatory basis of accounting financial statement of the government was issued.

Internal control over financial reporting:

- |   |               |     |              |               |
|---|---------------|-----|--------------|---------------|
| • Material weakness identified?                         | <u>      </u> | Yes | <u>  X  </u> | No            |
| • Significant deficiency identified?                    | <u>      </u> | Yes | <u>  X  </u> | None reported |
| • Noncompliance material to financial statements noted? | <u>      </u> | Yes | <u>  X  </u> | No            |

**FEDERAL AWARDS**

Internal control over major programs:

- |                                      |               |     |              |               |
|--------------------------------------|---------------|-----|--------------|---------------|
| • Material weakness identified?      | <u>      </u> | Yes | <u>  X  </u> | No            |
| • Significant deficiency identified? | <u>      </u> | Yes | <u>  X  </u> | None reported |

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

       Yes   X   No

Identification of major programs:

CFDA Numbers  
10.760

Name of Federal Program  
Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

       Yes   X   No

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

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2023

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No material findings or questioned costs are required to be disclosed under Government Auditing Standards.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No material findings or questioned costs are required to be disclosed under the Uniform Guidance.