

**CITY OF VALLEY FALLS**  
Valley Falls, Kansas

FINANCIAL STATEMENT  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2021

# CITY OF VALLEY FALLS, KANSAS

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Honorable Mayor and City Council  
City of Valley Falls  
Valley Falls, Kansas

**Report on Financial Statements**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Valley Falls, 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 of Adverse Opinion 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 City of Valley Falls, Kansas as of December 31, 2021, or changes in financial position and cash flows thereof for the year then ended.

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

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of City of Valley Falls, Kansas 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 C.

***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 responsibility 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 City of Valley Falls, Kansas, 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.

***Matters giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note C of the financial statement, the financial statement is prepared by City of Valley Falls, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note C 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 Statements***

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 C; 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 City of Valley Falls, Kansas 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 Responsibility for the Audit of the Financial Statement***

Our objectives are to obtain reasonable assurance about where 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 an 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 judgement made by a reasonable user based on the financial statement.

### **In performing an audit in accordance with GAAS, we:**

1. Exercise professional judgement and maintain professional skepticism throughout the audit.
2. 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.
3. 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 City of Valley Falls, Kansas internal control. Accordingly, no such opinion is expressed.
4. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimate made by management, as well as evaluate the overall presentation of the financial statement.
5. Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Valley Falls, Kansas 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 control-related matters that we identified during the audit.

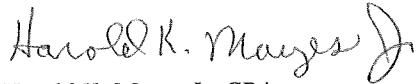
### ***Supplementary Information***

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 expenditure-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1, and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note C.

### ***Prior Year Comparative***

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Valley Falls, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued our report thereon dated August 18, 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 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) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2020 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 basic financial statement or to the 2020 basic financial statements 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 C.

A handwritten signature in cursive script that reads "Harold K. Mayes Jr.".

Harold K. Mayes Jr. CPA  
Agler & Gaeddert, Chartered  
Ottawa, Kansas  
July 19, 2022

# City of Valley Falls, Kansas

## SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS For the Year Ended December 31, 2021

Fund	Unencumbered Cash Balance Beginning of Year	Cash Receipts
<b>Governmental Type Funds</b>		
<b>General Fund</b>	\$ 18,610	\$ 619,602
<b>Special Purpose Funds</b>		
Consolidated Street & Highway	73,365	74,919
Special Equipment Reserve	5,656	4,879
Swimming Pool	6,121	508
<b>Bond and Interest Fund</b>		
Bond and Interest	295,386	149,300
<b>Capital Projects Fund</b>		
Capital Improvements	9,008	87,979
	408,146	937,187
<b>Business Funds</b>		
Water Utility	158,285	215,551
Sewer Utility	294,862	181,471
Solid Waste	46,043	122,391
	499,190	519,413
	\$ 907,336	\$ 1,456,600

The accompanying notes are an integral part of this statement.

Statement 1

<u>Expenditures</u>	<u>Unencumbered Cash Balance End of Year</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Cash Balance End of Year</u>
\$ 620,458	\$ 17,754	\$ 9,776	\$ 27,530
52,089	96,195	1	96,196
9,003	1,532	0	1,532
1,200	5,429	0	5,429
106,867	337,819	0	337,819
<u>20,411</u>	<u>76,576</u>	<u>20,411</u>	<u>96,987</u>
<u>810,028</u>	<u>535,305</u>	<u>30,188</u>	<u>565,493</u>
232,439	141,397	8,632	150,029
206,613	269,720	15,165	284,885
<u>116,641</u>	<u>51,793</u>	<u>0</u>	<u>51,793</u>
<u>555,693</u>	<u>462,910</u>	<u>23,797</u>	<u>486,707</u>
<u>\$ 1,365,721</u>	<u>\$ 998,215</u>	<u>\$ 53,985</u>	<u>\$ 1,052,200</u>
Cash balance consisting of			
Balance on deposit			
Checking, money market accounts & petty cash		\$	397,934
Certificates of deposit			<u>654,266</u>
Total cash		\$	<u>1,052,200</u>

The accompanying notes are an integral part of this statement.

## CITY OF VALLEY FALLS, KANSAS

### NOTES TO FINANCIAL STATEMENT

December 31, 2021

#### NOTE A. MUNICIPAL REPORTING ENTITY

The City of Valley Falls is a municipal corporation governed by an elected five member commission. This financial statement presents the City of Valley Falls (the municipality).

#### NOTE B. REGULATORY BASIS FUND TYPES

The accounts of the City are organized and operated on the basis of funds. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The City potential could have the following types of funds.

**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 revenues sources (other than Capital Project and tax levies for long-term debt) that are intended for specific purposes.

**Bond and Interest Fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and used to make payments of general long-term debt.

**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 goods or services (i.e. enterprise and internal service funds etc.).

**Trust fund** – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.). The City does not have any funds of this type for this year.

**Agency fund** – funds used to report assets held by the municipal reporting entity in purely a custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.). The City does not have any funds of this type for this year.

#### NOTE C. 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 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 revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than mentioned above.

City of Valley Falls, Kansas has approved a resolution that it is in compliance with K.S.A. 75-1120a (c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.



## CITY OF VALLEY FALLS, KANSAS

### NOTES TO FINANCIAL STATEMENT

December 31, 2021

#### NOTE D. 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 5<sup>th</sup> 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.

Should the City hold 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 statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue 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 Consolidated Street & Highway, Water Fund and Solid Waste budgets were amended this year.

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.

**Adjustment for Qualifying Budget Credits** – Municipalities may use this line item for any budgeted fund. The adjustment would be a positive amount. All budget adjustments must be authorized by Kansas statutes. Examples include: expenditure of federal grant monies, gifts and donations, and receipts authorized by law to be spent as if they were reimbursed expenses.

All legal annual operating budgets are prepared using the regulatory basis of accounting in which revenues 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 the following special purpose funds, capital project funds, business funds and trusts:

Capital Improvement Fund

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

#### NOTE E. 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 City or in an adjoining City 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 bank to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

# CITY OF VALLEY FALLS, KANSAS

## NOTES TO FINANCIAL STATEMENT

December 31, 2021

### NOTE E. DEPOSITS AND INVESTMENTS – Continued

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. The City rates investments (if any) as noted.

*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 has no investments other than money markets and certificates of deposit.

*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%. There were no designated "peak periods" during the year. All bank deposits were legally secured at December 31, 2021.

At December 31, 2021, the carrying amount of the City's bank deposits was \$1,046,771 and the bank balance as \$1,059,405. The bank balance was held by one bank which increases concentration risk. The difference between carrying amount and bank balance is outstanding checks and deposits. Of the bank balance, \$413,397 was covered by federal depository insurance and \$646,007 was collateralized with securities held by the pledging financial institution's agents in the City's name.

*Custodial credit risk – investments*: For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments be adequately secured. The City had no such investments at year end.

### NOTE F. LONG-TERM DEBT

<u>Debt Issued</u>	<u>Interest</u>	<u>Date of</u>	<u>Amount</u>	<u>Maturity</u>	
<b>Revenue Bonds</b>					
Series 2016 - Swimming	1% to	10/26/201	\$ 1,535,000	04/01/203	
	Beginning of Year Balance	Additions	Reductions/ Payments	End of Year Balance	Interest
<b>Revenue Bonds</b>					
Series 2016 - Swimming	\$ 1,365,000	\$ 0	\$ 65,000	\$ 1,300,000	\$ 40,868
Total	\$ 1,365,000	\$ 0	\$ 65,000	\$ 1,300,000	\$ 40,868
Detail of payments by year	2022	2023	2024	2025	2026
Principal:					
Series 2016 - Swimming	\$ 65,000	\$ 65,000	\$ 70,000	\$ 70,000	\$ 70,000
	2027-2031	2032-2036	2037		Total
Principal:					
Series 2016 - Swimming	\$ 395,000	\$ 460,000	\$ 105,000		\$ 1,300,000

# CITY OF VALLEY FALLS, KANSAS

## NOTES TO FINANCIAL STATEMENT

December 31, 2021

### NOTE F. LONG-TERM DEBT – continued

Detail of payments by year	2022	2023	2024	2025	2026
Interest:					
Series 2016 - Swimming	\$ 39,763	\$ 38,528	\$ 37,108	\$ 35,498	\$ 33,748
	2027-2031	2032-2036	2037		Total
Interest:					
Series 2016 - Swimming	\$ 135,083	\$ 63,119	\$ 10,969		\$ 393,816

The debt limit per Kansas Statutes is limited to thirty percent of the assessed tangible valuation given by the County Appraiser to the County Clerk on June 15 each year. At December 31, 2021, the statutory limit for the City was \$1,962,150 providing a debt margin of \$1,962,150 after removing debt exempt from the limitation.

### NOTE G. INTERFUND TRANSFERS

From:	To:	Statutory Authority	Amount
None in 2021		12-1118	\$ 0

### NOTE H. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

**Other Post-Employment Benefits:** As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retiree's health insurance plan because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been qualified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (CORBA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

**Compensated Absences:** The estimated amount of liability for the vested portion of unused sick leave and accumulated vacation leave has not been calculated. Unpaid vacation and sick pay amounts are not accrued in the accompanying financial statements.

### NOTE I. DEFINED BENEFIT PENSION PLAN

**Plan description.** The City of Valley Falls participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publically available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

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

## CITY OF VALLEY FALLS, KANSAS

### NOTES TO FINANCIAL STATEMENT

December 31, 2021

#### NOTE I. DEFINED BENEFIT PENSION PLAN - continued

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.87% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$27,323, for KPERS for the year ended December 31, 2021.

*Net Pension Liability.* At December 31, 2021, the City of Valley Falls' proportionate share of the collective net pension liability reported by KPERS was \$202,577. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. The City of Valley Falls' proportion of the net pension liability was based on the ratio of the City of Valley Falls' 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 these financial statements.

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.

#### NOTE J. OTHER POSTEMPLOYMENT BENEFITS – THRU KPERS

*Death and Disability Other Post-Employment Benefits.* As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2021.

#### NOTE K. 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; and natural disasters for which the City carries commercial insurance. Settlement of claims has not exceeded commercial insurance coverage in any of the last three fiscal years.

#### NOTE L. OTHER INFORMATION

*Reimbursed Expenses:* The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursement as revenue in the same fund. For purposes of budgetary comparisons, the reimbursements are shown as adjustments for qualifying budget credits.

*Ad valorem tax revenues:* The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county. In accordance with Kansas 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 1 of each year. One-half of the property taxes are due December 20<sup>th</sup>, prior to the fiscal year for which they are budgeted and the second half is due the following May 10<sup>th</sup>. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The City Treasurer draws down all available funds from the County Treasurer's office in two-month intervals.

## CITY OF VALLEY FALLS, KANSAS

### NOTES TO FINANCIAL STATEMENT

December 31, 2021

#### NOTE L. OTHER INFORMATION - continued

**Compliance with Kansas Statutes:** References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the State Director of Accounts and Reports and interpretation by the legal representative of the municipality.

Sewer Utility exceed budget by \$342.

Solid Waste Fund exceed budget by \$3,641.

#### NOTE M. COVID 19

##### *COVID-19*

On January 30, 2021, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2021, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the City’s financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the City is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Future potential impacts may include decrease in certain revenues, etc. and disruptions or restrictions on the City’s ability to operate under its current mission and operating model.

The City has significant interest/debt payments due in each year, which if tax, grant, etc. receipts decline due to the impact of the COVID-19 outbreak on taxpayers, grants available, may lead to the City seeking debt forbearance/restructuring and additional sources of debt and or equity financing. The City expects to meet certain covenant provisions in its debt arrangements. This may lead to the City seeking debt forbearance/restructuring and additional sources of debt and/or equity financing.

#### NOTE M. SUBSEQUENT EVENTS

**Subsequent Events:** The City evaluated subsequent events through July 19, 2022, the date the financial statements were available to be issued. City entered into a cancellable purchase order for \$191,561 CDBG street project which will be funded through federal and state grants.

Senate Bill 13 repealed the tax lid law and introduced the use of a revenue neutral rate with an additional budget hearing required if the proposed tax levy exceeds the revenue neutral rate. These policy changes apply to the 2022 budget cycle. Additional information can be found in the Memo to State of Kansas Subdivisions (2021) at <https://admin.ks.gov/offices/oar/municipal-services>.

**REGULATORY BASIS  
SUPPLEMENTARY INFORMATION**

**City of Valley Falls, Kansas**

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2020

Fund	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
<b>Governmental Type funds</b>					
<b>General Fund</b>	\$ 652,500	\$ 0	\$ 652,500	\$ 620,458	\$ (32,042)
<b>Special Purpose Funds</b>					
Consolidated Street & Highway	130,000	0	130,000	52,089	(77,911)
Special Equipment Reserve	11,319	0	11,319	9,003	(2,316)
<b>Bond &amp; Interest</b>	106,868	0	106,868	106,867	(1)
<b>Business Funds</b>					
Water Utility	288,550	0	288,550	232,439	(56,111)
Sewer Utility	166,000	40,271	206,271	206,613	342
Solid Waste	113,000	0	113,000	116,641	3,641

See Independent Auditor's Report.

**City of Valley Falls, Kansas**

Schedule 2a

GENERAL FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<b>2021</b>		
	<b>2020</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance Over (Under)</b>
<b>Cash receipts</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>(Under)</b>
<b>Taxes</b>				
Ad valorem property tax	\$ 200,073	\$ 234,091	\$ 239,428	\$ (5,337)
Back tax collections	33,428	10,278	2,000	8,278
Motor vehicle tax	15,286	33,373	33,102	271
Recreational Vehicle tax	209	362	493	(131)
Sales tax	141,919	86,175	195,000	(108,825)
<b>State Revenues</b>	22,236	111,083	0	111,083
<b>In lieu of taxes</b>	0	0	1,800	(1,800)
	<u>413,151</u>	<u>475,362</u>	<u>471,823</u>	<u>3,539</u>
<b>Licenses, fees and permits</b>				
License and permits	4,231	987	800	187
Swimming pool	17,266	33,892	38,000	(4,108)
Franchise fees	49,349	52,653	53,525	(872)
Police/Court	4,720	13,300	18,000	(4,700)
	<u>75,566</u>	<u>100,832</u>	<u>110,325</u>	<u>(9,493)</u>
<b>Use of money and property</b>				
Interest on investments	3,867	431	5,000	(4,569)
<b>Other</b>				
Rural Housing Incentive Districts	35,698	17,829	0	17,829
Reimbursed expenses	50,516	0	0	0
Miscellaneous	25,298	25,148	0	25,148
	<u>111,512</u>	<u>42,977</u>	<u>0</u>	<u>42,977</u>
<b>Transfers</b>				
Transfer from Solid Waste	20,000	0	0	0
<b>Total cash receipts</b>	<u>624,096</u>	<u>619,602</u>	\$ <u>587,148</u>	\$ <u>32,454</u>
<b>Expenditures</b>				
<b>Administrative</b>	165,710	202,037	\$ 142,500	\$ 59,537
<b>Police/Court</b>	244,171	205,616	235,000	(29,384)
<b>Streets</b>	166,924	133,013	180,000	(46,987)
<b>Parks and Pool</b>	59,127	79,792	95,000	(15,208)
<b>Solid Waste</b>	8,723	0	0	0
<b>Total expenditures</b>	<u>644,655</u>	<u>620,458</u>	\$ <u>652,500</u>	\$ <u>(32,042)</u>
Receipts over (under) expenditures	(20,559)	(856)		
Unencumbered cash, beginning of year	39,169	18,610		
Unencumbered cash, end of year	\$ <u>18,610</u>	\$ <u>17,754</u>		

See Independent Auditor's Report.



**City of Valley Falls, Kansas**

Schedule 2b

SPECIAL PURPOSE FUNDS  
CONSOLIDATED STREET & HIGHWAY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<b>2021</b>		
	<b>2020 Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance Over (Under)</b>
<b>Cash receipts</b>				
<b>Taxes</b>				
Gas & Sales tax	\$ 75,314	\$ 74,919	\$ 32,300	\$ 42,619
Total Cash Receipts	75,314	74,919	\$ 32,300	\$ 42,619
<b>Expenditures</b>				
<b>Contractual services</b>	98,402	52,089	\$ 130,000	\$ (77,911)
Total expenditures	98,402	52,089	\$ 130,000	\$ (77,911)
Receipts over (under) expenditures	(23,088)	22,830		
Unencumbered cash, beginning of year	96,453	73,365		
Unencumbered cash, end of year	\$ 73,365	\$ 96,195		

See Independent Auditor's Report.

**City of Valley Falls, Kansas**

Schedule 2c

SPECIAL PURPOSE FUNDS  
SPECIAL EQUIPMENT RESERVE FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<u>2021</u>		<u>Variance</u>
	<u>2020</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>
	<u>Actual</u>			<u>(Under)</u>
<b>Cash receipts</b>				
<b>Special Equipment Revenue</b>	\$ 0	\$ 4,879	\$ 0	\$ 4,879
<b>Expenditures</b>				
<b>Capital outlay</b>	5,663	9,003	11,319	(2,316)
Receipts over (under) expenditures	(5,663)	(4,124)		
Unencumbered cash, beginning of year	11,319	5,656		
Unencumbered cash, end of year	\$ 5,656	\$ 1,532		

See Independent Auditor's Report.

**City of Valley Funds, Kansas**Schedule 2d

SPECIAL PURPOSE FUNDS  
SWIMMING POOL  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
<b>Cash receipts</b>		
Charges for services	\$ 6,121	\$ 508
<b>Expenditures</b>		
Pool	0	1,200
<b>Total Expenditures</b>	0	1,200
Receipts over (under) expenditures	6,121	(692)
Unencumbered cash, beginning of year	0	6,121
Unencumbered cash, end of year	\$ <u>6,121</u>	\$ <u>5,429</u>

See Independent Auditor's Report.

**City of Valley Falls, Kansas**

Schedule 2e

BOND AND INTEREST FUND  
BOND AND INTEREST FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<b>2021</b>		
	<b>2020</b>			<b>Variance</b>
	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Over</b>
				<b>(Under)</b>
<b>Cash receipts</b>				
<b>State sales tax</b>	\$ 147,294	\$ 149,300	\$ 135,000	\$ 14,300
Total cash receipts	<u>147,294</u>	<u>149,300</u>	<u>\$ 135,000</u>	<u>\$ 14,300</u>
<b>Expenditures</b>				
<b>Legal fees</b>	1,000	1,000	\$ 1,000	\$ 0
<b>Bond payment</b>	<u>106,842</u>	<u>105,867</u>	<u>105,868</u>	<u>(1)</u>
Total expenditures	<u>107,842</u>	<u>106,867</u>	<u>\$ 106,868</u>	<u>\$ (1)</u>
Receipts over (under) expenditures	39,452	42,433		
Unencumbered cash, beginning of year	<u>255,934</u>	<u>295,386</u>		
Unencumbered cash, end of year	\$ <u>295,386</u>	\$ <u>337,819</u>		

See Independent Auditor's Report.

**City of Valley Falls, Kansas**

Schedule 2f

CAPITAL FUND PROJECTS  
CAPITAL IMPROVEMENT FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL  
REGULATORY BASIS

For the Year Ended December 31, 2021

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

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>
<b>Cash receipts</b>		
<b>Federal receipts</b>	\$ 0	\$ 87,979
<b>Interest</b>	<u>4,329</u>	<u>0</u>
Total cash receipts	<u>4,329</u>	<u>87,979</u>
<b>Expenditures</b>		
<b>Capital Outlay</b>	<u>9</u>	<u>20,411</u>
Total expenditures	<u>9</u>	<u>20,411</u>
Receipts over (under) expenditures	4,320	67,568
Unencumbered cash, beginning of year	<u>4,688</u>	<u>9,008</u>
Unencumbered cash, end of year	\$ <u><u>9,008</u></u>	\$ <u><u>76,576</u></u>

See Independent Auditor's Report.

**City of Valley Falls, Kansas**

Schedule 2g

BUSINESS FUNDS  
WATER UTILITY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<b>2021</b>		<b>Variance</b>
	<b>2020</b>	<b>Actual</b>	<b>Budget</b>	<b>Over</b>
	<b>Actual</b>			<b>(Under)</b>
<b>Cash receipts</b>				
Charges for services	\$ 219,045	\$ 215,551	\$ 231,700	\$ (16,149)
Grants	73,439	0	0	0
Total cash receipts	292,484	215,551	\$ 231,700	\$ (16,149)
<b>Expenditures</b>				
Salaries and benefits	68,367	54,764	\$ 82,000	\$ (27,236)
Operating expenses	94,892	59,060	90,000	(30,940)
Utilities	19,868	23,227	25,000	(1,773)
Vehicle expense	1,072	693	0	693
Capital outlay	6,163	35,261	0	35,261
Insurance			20,000	(20,000)
Water Tower Maintenance	47,254	7,837	43,000	(35,163)
Improvements	76,553	51,597	28,550	23,047
Total expenditures subject to budget	314,169	232,439	\$ 288,550	\$ (56,111)
Receipts over (under) expenditures	(21,685)	(16,888)		
Unencumbered cash, beginning of year	179,970	158,285		
Unencumbered cash, end of year	\$ 158,285	\$ 141,397		

See Independent Auditor's Report.

**City of Valley Falls, Kansas**

Schedule 2h

BUSINESS FUNDS  
SEWER SERVICE UTILITY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<b>2021</b>		
	<b>2020 Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance Over (Under)</b>
<b>Cash receipts</b>				
Charges for services	\$ 138,922	\$ 141,200	\$ 140,000	\$ 1,200
State Aid	0	40,271	0	40,271
Total cash receipts	<u>138,922</u>	<u>181,471</u>	<u>\$ 140,000</u>	<u>\$ 41,471</u>
<b>Expenditures</b>				
Salaries and benefits	59,787	46,210	\$ 78,000	\$ (31,790)
Operating expenses	29,978	141,804	70,000	71,804
Utilities	2,056	2,305	3,000	(695)
Insurance	13,237	16,294	15,000	1,294
Transfers	<u>20,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total expenditures	125,058	206,613	166,000	40,613
Adjustment for qualifying budget credits	<u>0</u>	<u>0</u>	<u>40,271</u>	<u>(40,271)</u>
Total expenditures and qualifying budget credits	<u>125,058</u>	<u>206,613</u>	<u>\$ 206,271</u>	<u>\$ 342</u>
Receipts over (under) expenditures	13,864	(25,142)		
Unencumbered cash, beginning of year	<u>280,998</u>	<u>294,862</u>		
Unencumbered cash, end of year	\$ <u>294,862</u>	\$ <u>269,720</u>		

See Independent Auditor's Report.

**City of Valley Funds, Kansas**

Schedule 2i

BUSINESS FUNDS  
SOLID WASTE FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
For the Year Ended December 31, 2021  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		<b>2021</b>		<b>Variance</b>
	<b>2020</b>	<b>Actual</b>	<b>Budget</b>	<b>Over</b>
	<b>Actual</b>			<b>(Under)</b>
<b>Cash receipts</b>				
Charges for services	\$ 111,736	\$ 122,391	\$ 105,000	\$ 17,391
<b>Expenditures</b>				
Contractual services	113,003	116,641	\$ 113,000	\$ 3,641
<b>Total Expenditures</b>	113,003	116,641	\$ 113,000	\$ 3,641
Receipts over (under) expenditures	(1,267)	5,750		
Unencumbered cash, beginning of year	47,310	46,043		
Unencumbered cash, end of year	\$ 46,043	\$ 51,793		

See Independent Auditor's Report.