

**City of Lyndon, Kansas
Financial Statement
For the Year Ended December 31, 2019**



City of Lyndon, Kansas
Financial Statement
Regulatory Basis
For the Year Ended December 31, 2019

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JOHN R WELCH C.P.A.

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Topeka, Kansas 66610-2307

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INDEPENDENT AUDITOR'S REPORT

February 17, 2020

To the Honorable Mayor and City Council

Lyndon, Kansas

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances, of the City of Lyndon, Kansas, (City) as of and for the year ended December 31, 2019 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my audit 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 *Kansas Municipal Audit and Accounting Guide*. Those standards require I plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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

As described in Note C 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 regulatory 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In my opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2019, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In my opinion, the 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, 2019, 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated February 17, 2020, on my consideration of the City of Lyndon, Kansas's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That reports is an integral part of an audit performed in accordance with Government Auditing Standards and should be considering the City of Lyndon, Kansas's internal control over financial reporting and compliance.

Other Matter

Supplementary Information

My 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, 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 my 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

My audit was conducted for the purpose of forming an opinion on the financial statement of the City of Lyndon, Kansas. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statement as a whole.

A handwritten signature in cursive script, reading "John R. Welch C.P.A.", is written over a horizontal line.

John R. Welch C.P.A.
Topeka, Kansas

City of Lyndon, Kansas

Statement 1

Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2019

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Encumbrances and Accounts Payable	Ending Cash Balance
General	\$ 279,979.69	\$ -	\$ 475,497.94	\$ 359,095.49	\$ 396,382.14	\$ 4,804.42	\$ 401,186.56
Special Purpose Funds:							
Employee Benefits	15,561.41	-	157,732.53	159,984.63	13,309.31	-	13,309.31
City 1% Sales Tax	245,064.12	-	150,222.20	213,771.00	181,515.32	-	181,515.32
City 1/2% Sales Tax	199,145.24	-	75,011.55	8,754.00	265,402.79	-	265,402.79
Special Highway	84,734.23	-	27,738.07	46,900.00	65,572.30	-	65,572.30
Law Enforcement	16,773.28	-	12,986.88	12,211.00	17,549.16	-	17,549.16
Parks & Recreation	5,133.73	-	1,279.41	-	6,413.14	-	6,413.14
Special Machinery	14,485.84	-	6,900.00	-	21,385.84	-	21,385.84
Equipment Reserve	114,290.08	-	28,000.00	41,532.00	100,758.08	-	100,758.08
Capital Improvement							
Sewer Improvement	(757,747.17)	-	3,320,805.44	2,563,058.27	-	-	-
Business Funds							
Water	275,059.79	-	411,037.12	348,798.58	337,298.33	8,947.40	346,245.73
Deposits, Prepaids, Etc.	16,794.20	-	16,418.61	15,553.13	17,659.68	-	17,659.68
Sewer	233,048.80	-	282,236.80	351,918.77	163,366.83	3,088.93	166,455.76
Storm Water	18,031.33	-	6,875.33	4,057.28	20,849.38	-	20,849.38
Trash	16,385.39	-	77,838.06	71,510.10	22,713.35	-	22,713.35
Total City	<u>\$ 776,739.96</u>	<u>\$ -</u>	<u>\$ 5,050,579.94</u>	<u>\$ 4,197,144.25</u>	<u>\$ 1,630,175.65</u>	<u>\$ 16,840.75</u>	<u>\$ 1,647,016.40</u>

Composition of Cash

Checking Accounts	\$ 1,431,876.40
Certificates of Deposit:	215,000.00
Petty Cash and Change Funds	<u>140.00</u>

Total City \$ 1,647,016.40

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

City of Lyndon, Kansas
Notes to Financial Statement
December 31, 2019

NOTE A. MUNICIPAL REPORTING ENTITY

The City of Lyndon is a municipal corporation governed by a mayor-council form of government with a five member council. This financial statement presents the City of Lyndon (the City) primary government only. The related municipal entities if any are not included in this financial statement.

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 potentially 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 Fund - 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 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.).

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 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 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 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 of Lyndon 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 Lyndon, Kansas
Notes to Financial Statement
December 31, 2019

When regulatory basis financial statements are released for general use, generally accepted auditing standard AU-C-800.21, requires the auditor to express an opinion about whether the financial statement has been prepared in accordance with the special purpose framework. The auditor is also required in a separate paragraph to express an opinion about whether the regulatory, special purpose financial statement is presented fairly, in all material respects, in accordance with GAAP.

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 5th of the proposed budget and notice of public hearing on the budget
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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. There were no such budget amendments for 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 funds:

Special Machinery
Equipment Reserve
Capital Projects
Deposits, Prepaids, Etc.

City of Lyndon, Kansas
Notes to Financial Statement
December 31, 2019

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 body.

NOTE E. CASH 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 bank 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 has no investments other than 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 deposits were legally secured at December 31, 2019

At December 31, 2019, the City's carrying amount of deposits was \$1,649,876.40 and the bank balance was \$1,799,384.17. The difference between the carrying amount and the bank balance is outstanding checks and deposits. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000.00 was covered by federal depository insurance and \$1,549,384.17 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 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.

NOTE F. LONG-TERM DEBT

On October 21, 2019, the City issued \$535,000.00 in general obligation refunding and improvement bonds-Series 2019, with a variable interest rate of 1.5% to 3.5% to advance refund the Series 2006A general obligation bonds with maturity dates of 2020-2046, in the amount of \$368,000.00 and the Series 2006B general obligation bonds with maturity dates of 2020-2046 in the amount of \$138,000.00. The Series 2019 bonds mature on June 1, 2046. The advance refunding met the requirements of an in-substance debt defeasance and the term bonds were removed from the City's financial statement on October 21, 2019.

City of Lyndon, Kansas

Notes to Financial Statement December 31, 2019

Note F. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2019, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>2019 Additions</u>	<u>2019 Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General obligation bonds:								
Water Improvement								
Series A 2006 issued 6/5/2006	4.38%	\$ 431,200.00	6/5/2046	\$ 368,000.00	\$ -	\$ 368,000.00	\$ -	\$ 22,071.42
Series B 2006 issued 6/5/2006	4.38%	162,000.00	6/5/2046	138,000.00	-	138,000.00	-	8,270.58
Temporary Note Series 2017	1.60%	500,000.00	7/1/2019	500,000.00	-	500,000.00	-	77,994.67
Series 2019 issued 10/21/2019	1.5-3.5%	535,000.00	6/1/1946	-	535,000.00	-	535,000.00	-
				<u>1,006,000.00</u>	<u>535,000.00</u>	<u>1,006,000.00</u>	<u>535,000.00</u>	<u>108,336.67</u>
Waste Water Treatment								
Issued 10/25/2016 C20 2011 01	1.72%	9,832,000.00	7/1/2019	5,573,318.05	2,649,252.36	600,200.00	7,622,370.41	98,696.08
Waste Water Treatment								
Issued 9/29/2004 C20 1430-011	2.92%	1,466,000.00	3/1/2026	683,466.28	-	82,775.05	600,691.23	19,357.33
				<u>6,256,784.33</u>	<u>2,649,252.36</u>	<u>682,975.05</u>	<u>8,223,061.64</u>	<u>118,053.41</u>
Leases:								
Street Sign issued 5/6/2014	4.00%	20,000.00	5/7/2019	1,834.29	-	1,834.29	-	166.13
				<u>1,834.29</u>	<u>-</u>	<u>1,834.29</u>	<u>-</u>	<u>166.13</u>
Total contractual Indebtedness				<u>\$ 7,264,618.62</u>	<u>\$ 3,184,252.36</u>	<u>\$ 1,690,809.34</u>	<u>\$ 8,758,061.64</u>	<u>\$ 226,556.21</u>

City of Lyndon, Kansas

Notes to Financial Statement December 31, 2019

Current maturities of long-term debt and interest for the next five years and through maturity are as follows:

	Year							
Principal:	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025-2029</u>	<u>Thereafter</u>	<u>Total</u>
General obligation bonds:								
Series 2019 issued 10/21/2019	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 85,000.00	\$ 375,000.00	\$ 535,000.00
Series 2025 to be issued	-	-	-	-	-	677,489.17	6,995,510.87	7,673,000.03
	<u>15,000.00</u>	<u>15,000.00</u>	<u>15,000.00</u>	<u>15,000.00</u>	<u>15,000.00</u>	<u>762,489.17</u>	<u>7,370,510.87</u>	<u>8,208,000.03</u>
KDHE Loans:								
Waste Water Treatment 10/25/16	(1,609,129.59)	200.00	200.00	200.00	9,230,900.00	-	-	7,622,370.41
Waste Water Treatment 9/29/04	<u>82,775.04</u>	<u>85,209.72</u>	<u>87,716.01</u>	<u>90,296.01</u>	<u>92,951.91</u>	<u>244,517.58</u>	<u>-</u>	<u>683,466.27</u>
	<u>(1,526,354.55)</u>	<u>85,409.72</u>	<u>87,916.01</u>	<u>120,496.01</u>	<u>9,353,851.91</u>	<u>1,769,495.91</u>	<u>14,741,021.74</u>	<u>24,631,836.75</u>
Total Principal	<u>(1,511,354.55)</u>	<u>100,409.72</u>	<u>102,916.01</u>	<u>135,496.01</u>	<u>9,368,851.91</u>	<u>2,531,985.08</u>	<u>22,111,532.60</u>	<u>32,839,836.78</u>
Interest:								
General obligation bonds:								
Series 2019 issued 10/21/2019	10,087.50	9,855.00	9,607.50	9,345.00	9,067.50	40,800.00	65,381.25	154,143.75
Series 2025 to be issued	-	-	-	-	-	694,409.78	9,603,292.65	10,297,702.43
	<u>10,087.50</u>	<u>9,855.00</u>	<u>9,607.50</u>	<u>9,345.00</u>	<u>9,067.50</u>	<u>735,209.78</u>	<u>9,668,673.90</u>	<u>10,451,846.18</u>
KDHE Loans:								
Waste Water Treatment 10/25/16	158,784.39	158,780.95	158,777.51	158,774.07	79,385.75	-	-	714,502.67
Waste Water Treatment 9/29/04	<u>19,357.34</u>	<u>16,922.66</u>	<u>14,416.37</u>	<u>11,836.37</u>	<u>9,180.47</u>	<u>10,813.35</u>	<u>-</u>	<u>82,526.56</u>
	<u>178,141.73</u>	<u>175,703.61</u>	<u>173,193.88</u>	<u>179,955.44</u>	<u>97,633.72</u>	<u>1,440,432.92</u>	<u>19,271,966.55</u>	<u>21,517,027.85</u>
Total Interest	<u>188,230.23</u>	<u>185,559.61</u>	<u>182,802.38</u>	<u>189,301.44</u>	<u>106,702.22</u>	<u>2,175,643.70</u>	<u>28,940,641.45</u>	<u>31,968,875.03</u>
Total Principal and Interest	<u>\$ (1,323,124.32)</u>	<u>\$ 285,969.33</u>	<u>\$ 285,718.39</u>	<u>\$ 324,797.45</u>	<u>\$ 9,475,554.13</u>	<u>\$ 4,707,628.78</u>	<u>\$ 51,052,174.05</u>	<u>\$ 64,808,711.81</u>

City of Lyndon, Kansas
Notes to Financial Statement
December 31, 2019

NOTE G. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Statutory Authority	Amount
General	Equipment Reserve	K.S.A. 12-1,117	20,000.00
Water	Equipment Reserve	K.S.A. 12-825d(a)	8,000.00
Special Highway	Special Machinery	K.S.A. 68-141g	6,800.00

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 an equal 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 (COBRA), 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: Full time employees may accrue vacation at varying intervals, according to length of service, up to a maximum of 240 hours. Vacation is paid upon resignation, retirement or when taken and recognized as an expense at that time.

Sick leave accrues at the rate of 8 hours per month for full-time employees, up to a maximum of 480 hours. A percentage of the accrued sick leave may be paid to employees in good standing upon resignation or retirement, according to their years of service. The City's policy is to record sick leave expense when paid.

NOTE I. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description - The City of Lyndon participates in the Kansas Public Employees Retirement System (KPERS) which is 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 publicly available financial report that includes financial statements and requires supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

City of Lyndon, Kansas
Notes to Financial Statement
December 31, 2019

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

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (excluding the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.89% for the fiscal year ended December 31, 2019. Contributions to the pension plan from the City was \$30,177.20 for the year ended December 31, 2019.

Net Pension Liability

At December 31, 2019, the City of Lyndon's proportionate share of the collective net pension liability reported to KPERS was \$227,660.00. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The City of Lyndon's proportion of the net pension liability was based on the ratio of the City of Lyndon's contributions to the KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis 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 allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE J. 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.

City of Lyndon, Kansas
Notes to Financial Statement
December 31, 2019

NOTE K. CAPITAL PROJECTS

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

	<u>Project Authorization</u>	<u>Expenditures To Date</u>
Waste Water Collection	\$10,990,000.00	\$9,719,614.66

Waste Water Collection and Lagoon Construction - Funds are being used to construct a new treatment facility that is designed as a non-discharging lagoon facility with wetland type evaporative ponds for effluent disposal. The facility requires 34 acres of total surface water. The project also involves rehabilitation to the collection system which includes 50 point repairs by open trench construction methods, rehabilitation of 22,500 feet of sewer main by Cast-in-Place Pipe installation, replacement of 500 service tap connections, and rehabilitation of approximately 65 brick manholes. The project will also improve and extend the existing force main.

Project Funding - U.S. Department of Agriculture and Kansas Department of Health and Environment approved the following project funding on December 16, 2016:

Agency Loan	\$ 7,763,000.00
Agency Grant	1,417,000.00
CDBG	500,000.00
KDHE Principal Forgiveness	<u>1,400,000.00</u>
Total Project Funding	<u>\$10,990,000.00</u>

NOTE L. COMPLIANCE, STEWARDSHIP AND ACCOUNTABILITY

The City is not aware of any statute violations for the year ended December 31, 2019.

NOTE M. SUBSEQUENT EVENTS

In preparing this financial statement, the City has evaluated events and transactions for potential recognition or disclosure through February 17, 2020 the date the financial statement was available for issue.

REGULATORY - REQUIRED
SUPPLEMENTARY INFORMATION

Summary of Expenditures – Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

Fund	Beginning Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$670,796.00	\$ -	\$ 670,796.00	\$ 359,095.49	\$ (311,700.51)
Special Purpose Funds:					
Employee Benefits	191,500.00	-	191,500.00	159,984.63	(31,515.37)
City 1% Sales Tax	130,000.00	-	130,000.00	213,771.00	83,771.00
City 1/2% Sales Tax	50,000.00	-	50,000.00	8,754.00	(41,246.00)
Special Highway	91,500.00	-	91,500.00	46,900.00	(44,600.00)
Law Enforcement	21,150.00	-	21,150.00	12,211.00	(8,939.00)
Parks & Recreation	3,421.00	-	3,421.00	-	(3,421.00)
Special Machinery	21,793.00	-	21,793.00	-	(21,793.00)
Equipment Reserve	134,290.00	-	134,290.00	41,532.00	(92,758.00)
Capital Improvement					
Street Improvement			Non Budgeted Fund	2,563,058.27	
Business Funds					
Water	608,606.00	-	608,606.00	348,798.58	(259,807.42)
Deposits, Prepaids, Etc.			Non Budgeted Fund	15,553.13	
Sewer	455,895.00	-	455,895.00	351,918.77	(103,976.23)
Storm Water	18,764.00	-	18,764.00	4,057.28	(14,706.72)
Trash	<u>89,463.00</u>	<u>-</u>	<u>89,463.00</u>	<u>71,510.10</u>	<u>(17,952.90)</u>
Total City	<u>\$ 2,487,178.00</u>	<u>\$ -</u>	<u>\$ 2,487,178.00</u>	<u>\$ 4,197,144.25</u>	

General
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	\$ 270,205.08	\$ 268,804.00	\$ 1,401.08
Delinquent Tax	1,317.01	10,648.00	(9,330.99)
Vehicle Taxes	40,474.23	42,699.00	(2,224.77)
Recreational Vehicle Tax	878.25	777.00	101.25
Local Alcoholic Tax	1,279.43	1,260.00	19.43
Compensating Use Tax	10,723.46	22,000.00	(11,276.54)
Local Sales Tax	51,914.12	34,000.00	17,914.12
Franchise Tax	55,637.34	60,000.00	(4,362.66)
Licenses	952.00	850.00	102.00
Permits	2,025.00	850.00	1,175.00
Municipal Court	20,066.53	13,000.00	7,066.53
Fines and Fees	1,341.97	1,000.00	341.97
Reimbursed Expenses	1,640.60	35,000.00	(33,359.40)
Swimming Pool	9,312.75	7,900.00	1,412.75
Community Center	3,705.00	3,700.00	5.00
Miscellaneous	1,026.86	7,500.00	(6,473.14)
Interest	2,998.31	1,200.00	1,798.31
Receipts Total	<u>475,497.94</u>	<u>511,188.00</u>	<u>(35,690.06)</u>
Expenditures			
Administrative			
Salaries & Wages	50,989.07	57,400.00	(6,410.93)
Contractual	48,779.98	70,660.00	(21,880.02)
Commodities	6,306.58	10,000.00	(3,693.42)
Audit Fee	3,500.00	3,500.00	-
Capital Outlay	2,156.44	9,000.00	(6,843.56)
Total Administrative	<u>111,732.07</u>	<u>150,560.00</u>	<u>(38,827.93)</u>

See the independent auditor's report on required supplementary information

General
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Police			
Salaries & Wages	74,978.91	88,000.00	(13,021.09)
Contractual	2,110.97	5,000.00	(2,889.03)
Commodities	6,346.00	9,300.00	(2,954.00)
Total Police	83,435.88	102,300.00	(18,864.12)
Street and Alley			
Salaries & Wages	27,992.51	30,200.00	(2,207.49)
Contractual	360.83	1,000.00	(639.17)
Commodities	18,062.39	20,000.00	(1,937.61)
Capital Outlay	1,852.12	4,500.00	(2,647.88)
Total Street and Alley	48,267.85	55,700.00	(7,432.15)
Parks and Recreation			
Salaries & Wages	7,042.94	11,900.00	(4,857.06)
Contractual	6,128.47	5,800.00	328.47
Commodities	1,819.98	3,000.00	(1,180.02)
Capital Outlay	-	5,000.00	(5,000.00)
Total Parks and Recreation	14,991.39	25,700.00	(10,708.61)
Swimming Pool			
Salaries & Wages	16,959.48	15,500.00	1,459.48
Contractual	3,402.40	4,000.00	(597.60)
Commodities	4,652.69	6,800.00	(2,147.31)
Capital Outlay	-	5,000.00	(5,000.00)
Total Swimming Pool	25,014.57	31,300.00	(6,285.43)
Municipal Court			
Salaries & Wages	6,851.51	7,400.00	(548.49)
Contractual	4,621.85	6,000.00	(1,378.15)
State Fees	3,122.50	-	3,122.50
Commodities	-	500.00	(500.00)
Total Municipal Court	14,595.86	13,900.00	695.86

See the independent auditor's report on required supplementary information

General
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Community Center			
Contractual	5,772.71	8,500.00	(2,727.29)
Commodities	520.49	1,000.00	(479.51)
Capital Outlay	-	5,000.00	(5,000.00)
Total Community Center	6,293.20	14,500.00	(8,206.80)
Street Lighting	34,764.67	45,000.00	(10,235.33)
EAB Reserve	-	9,700.00	(9,700.00)
Capital Improvement Ball Field	-	35,000.00	(35,000.00)
Transfer to Tower Capital Project	-	60,000.00	(60,000.00)
Transfer to Equipment Reserve	20,000.00	20,000.00	-
Nondesignated/Cash Forward	-	107,136.00	(107,136.00)
Expenditures Total	<u>359,095.49</u>	<u>670,796.00</u>	<u>(311,700.51)</u>
Receipts Over (Under) Expenditures	116,402.45	<u>\$ (159,608.00)</u>	<u>\$ 276,010.45</u>
Unencumbered Cash, Beginning	<u>279,979.69</u>		
Unencumbered Cash, Ending	<u>\$ 396,382.14</u>		

Employee Benefits
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	\$ 85,607.28	\$ 90,842.00	\$ (5,234.72)
Delinquent Tax	382.82	4,729.00	(4,346.18)
Motor Vehicle Tax	13,729.95	10,886.00	2,843.95
Recreational Vehicle Tax	231.83	198.00	33.83
Billed to City Utilities	57,700.00	87,468.00	(29,768.00)
Interest	<u>80.65</u>	<u>23.00</u>	<u>57.65</u>
Receipts Total	<u>157,732.53</u>	<u>194,146.00</u>	<u>(36,413.47)</u>
Expenditures			
Social Security/ Medicare	17,757.41	26,000.00	(8,242.59)
KPERS	34,330.15	33,500.00	830.15
State Unemployment Tax	-	1,000.00	(1,000.00)
Workman's Comp Insurance	8,870.00	11,000.00	(2,130.00)
Health Insurance	<u>99,027.07</u>	<u>120,000.00</u>	<u>(20,972.93)</u>
Expenditures Total	<u>159,984.63</u>	<u>191,500.00</u>	<u>(31,515.37)</u>
Receipts Over (Under) Expenditures	(2,252.10)	<u>\$ 2,646.00</u>	<u>\$ (4,898.10)</u>
Unencumbered Cash, Beginning	<u>15,561.41</u>		
Unencumbered Cash, Ending	<u>\$ 13,309.31</u>		

City 1% Sales Tax
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts			
Local Sales Tax	\$ 150,222.20	\$ 124,000.00	\$ 26,222.20
Receipts Total	<u>150,222.20</u>	<u>124,000.00</u>	<u>26,222.20</u>
Expenditures			
Capital Projects	<u>213,771.00</u>	<u>130,000.00</u>	<u>83,771.00</u>
Expenditures Total	<u>213,771.00</u>	<u>130,000.00</u>	<u>83,771.00</u>
Receipts Over (Under) Expenditures	(63,548.80)	<u>\$ (6,000.00)</u>	<u>\$ (57,548.80)</u>
Unencumbered Cash, Beginning	<u>245,064.12</u>		
Unencumbered Cash, Ending	<u>\$ 181,515.32</u>		

City 1/2% Sales Tax
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts			
Local Sales Tax	\$ 75,011.55	\$ 61,200.00	\$ 13,811.55
Receipts Total	<u>75,011.55</u>	<u>61,200.00</u>	<u>13,811.55</u>
Expenditures			
Transfer to Capital Projects	<u>8,754.00</u>	<u>50,000.00</u>	<u>(41,246.00)</u>
Expenditures Total	<u>8,754.00</u>	<u>50,000.00</u>	<u>(41,246.00)</u>
Receipts Over (Under) Expenditures	66,257.55	<u>\$ 11,200.00</u>	<u>\$ 55,057.55</u>
Unencumbered Cash, Beginning	<u>199,145.24</u>		
Unencumbered Cash, Ending	<u>\$ 265,402.79</u>		

Special Highway
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
State of Kansas Gas Tax	\$ 27,738.07	\$ 27,440.00	\$ 298.07
Receipts Total	<u>27,738.07</u>	<u>27,440.00</u>	<u>298.07</u>
Expenditures			
Contractual Services	40,000.00	60,000.00	(20,000.00)
Sidewalk	-	2,700.00	(2,700.00)
Transfer to Special Machinery	6,900.00	6,800.00	100.00
Nondesignated/Cash Forward	<u>-</u>	<u>22,000.00</u>	<u>(22,000.00)</u>
Expenditures Total	<u>46,900.00</u>	<u>91,500.00</u>	<u>(44,600.00)</u>
Receipts Over (Under) Expenditures	(19,161.93)	<u>\$ (64,060.00)</u>	<u>\$ 44,898.07</u>
Unencumbered Cash, Beginning	<u>84,734.23</u>		
Unencumbered Cash, Ending	<u>\$ 65,572.30</u>		

Law Enforcement
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Ad Valorem Tax	\$ 11,157.31	\$ 11,537.00	\$ (379.69)
Delinquent Tax	55.22	400.00	(344.78)
Motor Vehicle Tax	1,744.90	1,760.00	(15.10)
Recreational Vehicle Tax	<u>29.45</u>	<u>32.00</u>	<u>(2.55)</u>
Receipts Total	<u>12,986.88</u>	<u>13,729.00</u>	<u>(742.12)</u>
Expenditures			
Commodities	-	-	-
Capital Outlay	<u>12,211.00</u>	<u>21,150.00</u>	<u>(8,939.00)</u>
Expenditures Total	<u>12,211.00</u>	<u>21,150.00</u>	<u>(8,939.00)</u>
Receipts Over (Under) Expenditures	775.88	<u>\$ (7,421.00)</u>	<u>\$ 8,196.88</u>
Unencumbered Cash, Beginning	<u>16,773.28</u>		
Unencumbered Cash, Ending	<u>\$ 17,549.16</u>		

Parks & Recreation
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Local Alcohol Liquor Tax	\$ 1,279.41	\$ 1,260.00	\$ 19.41
Receipts Total	<u>1,279.41</u>	<u>1,260.00</u>	<u>19.41</u>
Expenditures			
General Fund			
Park Maintenance	-	1,260.00	(1,260.00)
Nondesignated/Cash Forward	<u>-</u>	<u>2,161.00</u>	<u>(2,161.00)</u>
Expenditures Total	<u>-</u>	<u>3,421.00</u>	<u>(3,421.00)</u>
Receipts Over (Under) Expenditures	1,279.41	<u>\$ (2,161.00)</u>	<u>\$ 3,440.41</u>
Unencumbered Cash, Beginning	<u>5,133.73</u>		
Unencumbered Cash, Ending	<u>\$ 6,413.14</u>		

Special Machinery
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Transfer from Special Highway	\$ 6,900.00	\$ 6,800.00	\$ 100.00
Receipts Total	<u>6,900.00</u>	<u>6,800.00</u>	<u>100.00</u>
Expenditures			
Street Equipment	-	18,000.00	(18,000.00)
Nondesignated/Cash Forward	<u>-</u>	<u>3,793.00</u>	<u>(3,793.00)</u>
Expenditures Total	<u>-</u>	<u>21,793.00</u>	<u>(21,793.00)</u>
Receipts Over (Under) Expenditures	6,900.00	<u>\$ (14,993.00)</u>	<u>\$ 21,893.00</u>
Unencumbered Cash, Beginning	<u>14,485.84</u>		
Unencumbered Cash, Ending	<u>\$ 21,385.84</u>		

Equipment Reserve
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Transfer From General Fund	\$ 20,000.00	\$ 20,000.00	\$ -
Transfer From Water Fund	<u>8,000.00</u>	<u>8,000.00</u>	<u>-</u>
Receipts Total	<u>28,000.00</u>	<u>28,000.00</u>	<u>-</u>
Expenditures			
Equipment Purchases For General Use	41,532.00	110,290.00	(68,758.00)
Equipment Purchases For Water Utility Use	<u>-</u>	<u>24,000.00</u>	<u>(24,000.00)</u>
Expenditures Total	<u>41,532.00</u>	<u>134,290.00</u>	<u>(92,758.00)</u>
Receipts Over (Under) Expenditures	(13,532.00)	<u>\$ (106,290.00)</u>	<u>\$ 92,758.00</u>
Unencumbered Cash, Beginning	<u>114,290.08</u>		
Unencumbered Cash, Ending	<u>\$ 100,758.08</u>		

Sewer Improvement
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	2019 Actual	Total to Date
Cash Receipts		
KDHE Loan	\$ 2,049,252.36	\$ 7,620,765.87
KDHE Grant	600,000.00	600,000.00
CDBG	176,400.04	443,487.54
USDA Grant	495,091.38	495,091.38
USDA Bond Purchase	-	-
Temporary Note	-	560,000.00
Interest	61.66	269.87
	<u>3,320,805.44</u>	<u>9,719,614.66</u>
Cash Receipts Total		
	<u>3,320,805.44</u>	<u>9,719,614.66</u>
Expenditures and Transfers Subject to Budget		
Administrative	125.00	54,860.42
Engineering and Design	195,052.67	1,421,788.08
Construction	1,789,885.93	7,119,184.91
Land, Easement, & Appraisal Costs	-	544,428.58
Bond Issuance Costs	-	1,358.00
Loan Repaymet	560,000.00	560,000.00
Loan Interest	17,994.67	17,994.67
	<u>2,563,058.27</u>	<u>9,719,614.66</u>
Expenditures and Transfers Subject to Budget Total		
	<u>2,563,058.27</u>	<u>9,719,614.66</u>
Receipts Over (Under) Expenditures	757,747.17	\$ <u><u>-</u></u>
Unencumbered Cash, Beginning	<u>(757,747.17)</u>	
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	

Water

**Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019**

	Actual	Budget	Variance Over (Under)
Receipts			
Water Sales	\$ 392,670.78	\$ 379,000.00	\$ 13,670.78
Late Charges	10,585.50	10,300.00	285.50
Kansas Water Plan Fee	647.84	660.00	(12.16)
Interest	1,974.63	700.00	1,274.63
Miscellaneous	<u>5,158.37</u>	<u>1,500.00</u>	<u>3,658.37</u>
Receipts Total	<u>411,037.12</u>	<u>392,160.00</u>	<u>18,877.12</u>
Expenditures			
Salaries	85,109.52	102,000.00	(16,890.48)
Employee Benefits	30,000.00	50,434.00	(20,434.00)
Contractual Services	176,100.20	180,000.00	(3,899.80)
Commodities	21,622.11	11,000.00	10,622.11
Bond Payments	27,966.75	31,600.00	(3,633.25)
Audit Fee	-	1,750.00	(1,750.00)
Water Tower Refurbish	-	150,000.00	(150,000.00)
Transfer Out	8,000.00	8,000.00	-
Nondesignated/Cash Forward	<u>-</u>	<u>73,822.00</u>	<u>(73,822.00)</u>
Expenditures Total	<u>348,798.58</u>	<u>608,606.00</u>	<u>(259,807.42)</u>
Receipts Over (Under) Expenditures	62,238.54	<u>\$ (216,446.00)</u>	<u>\$ 278,684.54</u>
Unencumbered Cash, Beginning	<u>275,059.79</u>		
Unencumbered Cash, Ending	<u>\$ 337,298.33</u>		

Deposits, Prepaids, Etc.
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2019

	<u>Actual</u>
Receipts	
Water Deposit Received	\$ 11,276.04
Prepaids Net Increase	819.76
Sales Tax Collected Water Accounts	4,124.81
Sales Tax Collected Vending	<u>198.00</u>
Receipts Total	<u>16,418.61</u>
Expenditures	
Water Deposits Refunded or Applied	12,300.00
Net Prepaids Decrease	-
Sales Tax Remitted	<u>3,253.13</u>
Expenditures Total	<u>15,553.13</u>
Receipts Over (Under) Expenditures	865.48
Unencumbered Cash, Beginning	<u>16,794.20</u>
Unencumbered Cash, Ending	<u><u>\$ 17,659.68</u></u>

Sewer
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Sewer Service	\$ 279,213.73	\$ 273,000.00	\$ 6,213.73
Late Charges	2,255.25	2,200.00	55.25
Sewer Tap	60.00	100.00	(40.00)
Other Fees	707.82	270.00	437.82
Receipts Total	<u>282,236.80</u>	<u>275,570.00</u>	<u>6,666.80</u>
Expenditures			
Salaries	55,354.49	65,000.00	(9,645.51)
Employee Benefits	25,000.00	32,139.00	(7,139.00)
Contract Services	39,266.37	50,000.00	(10,733.63)
Commodities	5,624.30	7,400.00	(1,775.70)
Sewer Plant Maintenance	3,060.67	4,500.00	(1,439.33)
Audit Fee	-	875.00	(875.00)
System Improvements	1,878.98	-	1,878.98
Bond Payment	201,028.46	102,132.00	98,896.46
Capital Outlay	20,705.50	20,000.00	705.50
Nondesignated/Cash Forward	-	173,849.00	(173,849.00)
Expenditures Total	<u>351,918.77</u>	<u>455,895.00</u>	<u>(103,976.23)</u>
Receipts Over (Under) Expenditures	(69,681.97)	<u>\$ (180,325.00)</u>	<u>\$ 110,643.03</u>
Unencumbered Cash, Beginning	<u>233,048.80</u>		
Unencumbered Cash, Ending	<u>\$ 163,366.83</u>		

Storm Water
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Receipts			
Storm Water Fees	\$ 6,875.33	\$ 6,800.00	\$ 75.33
Receipts Total	<u>6,875.33</u>	<u>6,800.00</u>	<u>75.33</u>
Expenditures			
Commodities	4,057.28	10,000.00	(5,942.72)
Nondesignated/Cash Forward	<u>-</u>	<u>8,764.00</u>	<u>(8,764.00)</u>
Expenditures Total	<u>4,057.28</u>	<u>18,764.00</u>	<u>(14,706.72)</u>
Receipts Over (Under) Expenditures	2,818.05	<u>\$ (11,964.00)</u>	<u>\$ 14,782.05</u>
Unencumbered Cash, Beginning	<u>18,031.33</u>		
Unencumbered Cash, Ending	<u>\$ 20,849.38</u>		

Trash
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2019

	Actual	Budget	Variance Over (Under)
Receipts			
Trash Service Fees	\$ 73,352.31	\$ 73,000.00	\$ 352.31
Penalties	2,258.25	2,200.00	58.25
Poly Carts	<u>2,227.50</u>	<u>2,100.00</u>	<u>127.50</u>
Receipts Total	<u>77,838.06</u>	<u>77,300.00</u>	<u>538.06</u>
Expenditures			
Salaries	8,260.41	9,900.00	(1,639.59)
Employee Benefits	2,700.00	4,895.00	(2,195.00)
Contractual Services	60,232.31	69,200.00	(8,967.69)
Commodities	317.38	450.00	(132.62)
Audit Fee	-	875.00	(875.00)
Nondesignated/Cash Forward	<u>-</u>	<u>4,143.00</u>	<u>(4,143.00)</u>
Expenditures Total	<u>71,510.10</u>	<u>89,463.00</u>	<u>(17,952.90)</u>
Receipts Over (Under) Expenditures	6,327.96	<u>\$ (12,163.00)</u>	<u>\$ 18,490.96</u>
Unencumbered Cash, Beginning	<u>16,385.39</u>		
Unencumbered Cash, Ending	<u>\$ 22,713.35</u>		

**Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statement Performed in Accordance with
Government Auditing Standards**

INDEPENDENT AUDITOR'S REPORT

February 17, 2020

To the City Council

City of Lyndon, Kansas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Lyndon, Kansas, as of and for the year ended December 31, 2019 and the related notes to the financial statement, and have issued my report thereon dated February 17, 2020. My report on the financial statement disclosed that, as described in Note C to the financial statement, the City has prepared this financial statement in conformity with the accounting practices prescribed by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the city's financial 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 City of Lyndon, Kansas's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the city'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 city's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script, reading "John R. Welch C.P.A.", is written over a horizontal line.

John R. Welch C.P.A.
Topeka, Kansas

**Report on Compliance for Each Major Federal Program; Report
on Internal Control over Compliance; and Report on Schedule of
Expenditures of Federal Awards Required by the Uniform
Guidance**

INDEPENDENT AUDITOR'S REPORT

February 17, 2020

To the City Council
City of Lyndon, Kansas

Report on Compliance for Each Major Federal Program

I have audited the City of Lyndon, Kansas's 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 Lyndon, Kansas's major federal programs for the year ended December 31, 2019. The City of Lyndon, Kansas's major federal program is 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.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Lyndon, Kansas's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that I 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 of Lyndon, Kansas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Lyndon, Kansas's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Lyndon, 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, 2019.

Report on Internal Control over Compliance

Management of the City of Lyndon, 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 my audit of compliance, I considered the City of Lyndon, Kansas'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, I do not express an opinion on the effectiveness of the City of Lyndon, Kansas's internal control over compliance.

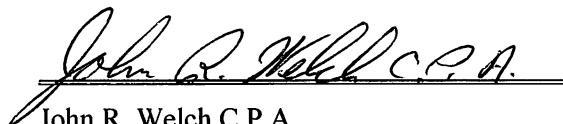
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

My consideration of 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

I have audited the financial statement of the City of Lyndon, Kansas as of and for the year ended December 31, 2019, and have issued my report thereon dated February 17, 2020, which contained an unmodified opinion on that financial statement. My audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statement as a whole.


John R. Welch C.P.A.
Topeka, Kansas

City of Lyndon, Kansas

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA #</u>	<u>Expenditures</u>
Department of Agriculture		
Rural Utilities Service		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 2,067,247.03
Department of Housing and Urban Development		
Kansas Department of Commerce		
CDBG No. 17-PF-008		
Community Development Block Grants	14.228	<u>176,400.04</u>
Total Expenditures of Federal Awards		<u><u>\$ 2,243,647.07</u></u>

City of Lyndon, Kansas

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

NOTE A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of Lyndon, Kansas (City) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note C to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

NOTE B. BASIS OF ACCOUNTING

Expenditures reported on the Schedule is prepared using the regulatory basis of accounting. Such expenditures are recognized using the same principles as the cost principles contained in the Uniform Guidance and OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

NOTE C. INDIRECT COST RATE

The City has not elected to use the ten percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D. FEDERAL AWARDS

The City of Lyndon, Kansas is in the process of converting its sewage treatment plant over to a lagoon system.

Lagoon Construction Project Description - Funds will be used to construct a new treatment facility that would be designed as a non-discharging lagoon facility with wetland type evaporative ponds for effluent disposal. The facility would require 34 acres of total surface water. The project also involves rehabilitation to the collection system which will include 50 point repairs by open trench construction methods, rehabilitation of 22,500 feet of sewer main by Cast-in-Place Pipe installation, replacement of 500 service tap connections, and rehabilitation of approximately 65 brick manholes. The project will also improve and extend the existing force main.

Project Funding - U.S. Department of Agriculture, Kansas Department of Health and Environment, and Kansas Department of Commerce approved the following project funding on December 16, 2016:

	Total Project	Project to Date
USDA 10.760 Loan	\$7,673,000.00	\$7,620,765.87
*Interest on Idle Funds	.00	269.87
USDA 10.760 Grant	1,417,000.00	495,091.38
HUD 14.228 CDBG KDC	500,000.00	443,487.54
KDHE Principal Forgiveness	<u>1,400,000.00</u>	<u>600,000.00</u>
Project Federal Awards	<u>\$10,990,000.00</u>	<u>\$9,159,614.66</u>

The City will issue General Obligation Bonds to retire the project loan of \$7,620,765.87.

City of Lyndon, Kansas

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

I Summary of Auditors' Results

Financial statement

Type of audit report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance which is material to the financial statements noted?	No

Federal awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold to distinguish between Type A and Type B programs	\$750,000.00
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Auditee qualifies as a low-risk auditee?	No
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II Financial Statement Findings

III Findings and Questioned Costs for Federal Awards