

**CITY ARLINGTON, KANSAS**

**FINANCIAL STATEMENT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2021**



**LOYD GROUP, LLC**

---

Certified Public Accountants

**CITY OF ARLINGTON, KANSAS**  
**CITY OF THE THIRD CLASS**  
**For the Year Ended December 31, 2021**

Doug Smith, Mayor

**CITY COUNCIL**

	Tricia Fowler	Joe Cannon	
Richard Loder	Kay Sipe	Michael Fanucchi	

**CITY OFFICERS**

Lisa King, Clerk		Stan Juhnke, Attorney
	Steven Westfahl, Treasurer	

**CITY OF ARLINGTON, KANSAS**  
**For the Year Ended December 31, 2021**

**TABLE OF CONTENTS**

	<b><u>Page Numbers</u></b>
Independent Auditor's Report .....	1 – 3
 <b><u>FINANCIAL SECTION</u></b> 	
Statement 1	
Summary Statement of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis.....	4
Notes to Financial Statement.....	5 – 9
 <b><u>REGULATORY REQUIRED SUPPLEMENTARY INFORMATION</u></b> 	
Schedule 1	
Summary of Expenditures – Actual and Budget - Regulatory Basis .....	10
Schedule 2	
Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis	
 <b><u>General Fund</u></b> 	
2-1 General Fund.....	11 - 12
 <b><u>Special Purpose Funds</u></b> 	
2-2 Library Fund .....	13
2-3 Special Highway Fund.....	14
 <b><u>Capital Project Fund</u></b> 	
2-4 Capital Improvement Fund.....	15
2-5 Equipment Reserve Fund .....	16
 <b><u>Business Funds</u></b> 	
2-6 Water Fund .....	17
2-7 Sewer Fund.....	18
2-8 Trash Fund.....	19

---

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Arlington, Kansas

### ***Adverse and Unmodified Opinions***

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Arlington, Kansas (City), a Municipal Financial Reporting Entity, as of and for the year ended December 31, 2021 and the related notes to the financial statement.

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2021, or changes in financial 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 the City as of December 31, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### ***Basis for Adverse and Unmodified Opinions***

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

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

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

#### ***Other Matter***

The prior year's financial statement for the year ended December 31, 2020, was audited by another auditor, who expressed an unmodified opinion on regulatory basis of accounting, on August 31, 2021.

## ***Responsibilities of Management for the Financial Statement***

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statement***

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

In performing an audit in accordance with GAAS, we:

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

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

## ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts, expenditures-actual and budget, and schedule of regulatory basis receipts and disbursements-agency (Schedules 1, 2, and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In

our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Another auditor previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Arlington, Kansas as of and for the year ended December 31, 2020 (not presented herein), and have issued their report thereon dated August 31, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and their accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipalservices>. 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 statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2020, on the basis of accounting described in Note 1.

Loyd Group, LLC

Loyd Group, LLC  
Galva, KS  
June 29, 2022

## CITY OF ARLINGTON, KANSAS

**SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH****Regulatory Basis**

For the Year Ended December 31, 2021

	<b>Beginning Unencumbered Cash Balance</b>	<b>Receipts</b>	<b>Expenditures</b>	<b>Ending Unencumbered Cash Balance</b>	<b>Add Encumbrances and Accounts Payable</b>	<b>Ending Cash Balance</b>
GENERAL FUND:						
General Fund	\$ 96,773	282,528	232,360	\$ 146,941	\$ (2,836)	\$ 144,105
SPECIAL PURPOSE FUNDS:						
Library Fund	(2,712)	12,779	10,067	-	-	-
Special Highway Fund	28,189	14,523	571	42,141	-	42,141
Total Special Purpose Funds	25,477	27,302	10,638	42,141	-	42,141
CAPITAL PROJECTS FUND:						
Capital Improvement Fund	15,000	-	-	15,000	-	15,000
Equipment Reserve Fund	19,000	-	-	19,000	-	19,000
Total Capital Projects Funds	34,000	-	-	34,000	-	34,000
BUSINESS FUNDS:						
Water Fund	2,183	160,610	162,793	-	33,420	33,420
Sewer Fund	107,890	1,167,013	1,212,030	62,873	246	63,119
Trash Fund	47,574	32,607	30,444	49,737	2,339	52,076
Total Business Funds	157,647	1,360,230	1,405,267	112,610	36,005	148,615
TOTAL REPORTING ENTITY	\$ 313,897	\$ 1,670,060	\$ 1,648,265	\$ 335,692	\$ 33,169	\$ 368,861
COMPOSITION OF CASH:						
Petty cash					\$	100
Checking Account - Citizens National Bank						299,696
Certificates of Deposit - Citizens National Bank						69,065
Total Cash					\$	368,861

**CITY OF ARLINGTON, KANSAS**  
**NOTES TO FINANCIAL STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Municipal Financial Reporting Entity**

The City of Arlington is a municipal corporation governed by an elected mayor and an elected five-member council. The regulatory financial statement presents the City of Arlington (the City), a Municipal Financial Reporting Entity, and its related municipal entity.

**(b) Regulatory Basis Fund Types**

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

**Bond and Interest Fund** – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment 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 in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, 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.).

**Agency Fund** – funds used to report assets held by the municipal reporting entity in a purely custodial capacity (i.e. payroll clearing fund, county treasurer tax collection accounts, etc.).

**(c) Basis of Accounting**

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The *Kansas Municipal Audit and Accounting Guide* (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 has approved a charter ordinance that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### **(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 ten days after publication of notice of hearing.
- 4) Adoption of the final budget on or before August 25th.

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 Taxing Subdivisions (2021) at <https://admin.ks.gov/offices/oar/municipal-services>.

If the municipality is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The municipality did not hold a revenue neutral rate hearing for the year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for 2021.

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which, regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budget expenditure authority lapses at year end.

A legal operating budget is not required for Capital Project Funds, Agency Funds, Trust Funds and certain Special Purpose Funds as noted in the presentation of the appropriate Schedule 2 and 3.

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

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### ***Compliance with Kansas Statutes***

A cash-basis violation occurred in the beginning of the year in the Library Fund of \$2,712 contrary to K.S.A. 10-1113.

A budget violation occurred in the Water Fund of \$82,043 contrary to K.S.A. 79-2935.

## 3. DEPOSITS AND INVESTMENTS

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

### 3. DEPOSITS AND INVESTMENTS (CONT.)

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 does not have investments at December 31, 2021.

*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. All deposits were legally secured at December 31, 2021.

At December 31, 2021, the City's carrying amount of deposits was \$368,861 and the bank balance was \$370,735. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$207,991 was collateralized letters of credit with the City's financial institution.

*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 to be adequately secured.

### 4. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2021, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest and Fees Paid
KS Water Pollution	2.16%	1-31-2017	\$ 820,000	9-31-2037	\$ 199,554	\$ 451,166	\$ 44,506	\$ 606,214	\$ 6,203
KS Public Water Supply	3.04%	6-20-2007	526,729	2-1-2029	253,748	-	28,114	225,634	8,366
Total Contractual Indebtedness					\$ 453,302	\$ 451,166	\$ 72,620	\$ 831,848	\$ 14,569

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

	Year								Total
	2022	2023	2024	2025	2026	2027 to 2031	2032 to 2036	2037	
PRINCIPAL:									
Kansas Water Pollution	\$ 34,262	\$ 35,006	\$ 35,766	\$ 36,543	\$ 37,337	\$ 199,203	\$ 221,794	\$ 6,304	\$ 606,215
Kansas Public Water Supply	29,075	30,070	31,097	32,161	33,260	69,970	-	-	225,633
Total Principal	63,337	65,076	66,863	68,704	70,597	269,173	221,794	6,304	831,848
INTEREST:									
Kansas Water Pollution	16,448	15,704	14,943	14,167	13,373	54,343	31,753	3,419	164,150
Kansas Public Water Supply	6,640	5,749	4,827	3,874	2,888	2,681	-	-	26,659
Total Interest	23,088	21,453	19,770	18,041	16,261	57,024	31,753	187,390	374,780
TOTAL PRINCIPAL AND INTEREST	\$ 86,425	\$ 86,529	\$ 86,633	\$ 86,745	\$ 86,858	\$ 326,197	\$ 253,547	\$ 1,012,934	\$ 2,025,868

The Kansas Water Pollution loan final maturity schedule has not been released and is subject to change.

### 5. DEFINED BENEFIT PENSION PLAN

**Plan Description.** The City participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERs issues a publicly 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.

## 5. DEFINED BENEFIT PENSION PLAN (CONT.)

**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 6.00% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate 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 \$5,543 for the year ended December 31, 2021.

**Net Pension Liability.** At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was \$40,463. 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's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

## 6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

### (a) Other Post Employment Benefits - Health Care 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 retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the 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.

### (b) Death and Disability Other Post Employment Benefits

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.

### (c) Other Employee Benefits

Vacation – Vacation leave shall be earned and accrued beginning with the date of employment. No vacation leave shall be taken until a new employee has completed six months of continuous service. Employees may use vacation leave in units of not less than one hour. Upon retirement, discharge, dismissal, or other circumstances of separation of an employee from his employment with the City, the City shall pay to such employee the value of any earned but unused vacation leave.

Each permanent full-time employee will accrue vacation leave as follows:

<u>Years of Service</u>	<u>Weeks of Vacation</u>
One Year	One week
Two to Five Years	Two weeks
Over Five Years	Three Weeks

## 6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (CONT.)

Sick leave – All full-time employees who work at least 40 hours or more per week, shall be entitled to sick leave with pay for absences resulting from personal illness, injuries, accidents or other physical incapacities, occurring either on or off the job. Sick leave, if not taken, shall accrue to no more than 120 hours at the end of each year. All excess sick days not used by the end of the year will be forfeited. Upon termination, no employee will be compensated for unused sick leave.

Amount of sick leave – Eligible employees shall earn three hours of sick leave for each full month of service.

## 7. CLAIMS AND JUDGMENTS

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the City.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injury to employees, and natural disasters. The City has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2020 to 2021 and there were no settlements that exceeded insurance coverage in the past three years.

During the ordinary course of its operations, the City is a party to various claims, legal actions and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material impact on the City.

## 8. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General Fund	Library Fund	K.S.A. 12-1,117	\$ 10,684
Sewer Fund	Water Fund	K.S.A. 12-825d	83,275
Total			<u>\$ 93,959</u>

## 9. COVID-19 NOTE

On January 30, 2020, 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 2020, 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 a decrease in certain revenues, reduced customer traffic and the temporary closure of operating hours of our offices.

As a result of COVID-19, the State of Kansas has received Coronavirus State and Local Fiscal Recovery Funds (SLFRF) under the American Rescue Plan Act (ARPA). The SLFRF was received from the U.S. Department of Treasury. The City received SLFRF in the amount of \$536,580 during 2021. The SLFRF are to be used to strengthen and improve infrastructure and continue to support the recovery related to the public health emergency. Additional information and updates on ARPA SLFRF, which includes audit requirements, can be found at <https://home.treasury.gov/>.

## 10. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

**CITY OF ARLINGTON, KANSAS**  
**REGULATORY REQUIRED**  
**SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

## CITY OF ARLINGTON, KANSAS

**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET****Regulatory Basis****(Budgeted Funds Only)****For the Year Ended December 31, 2021**

	<b><u>Certified Budget</u></b>	<b><u>Adjustment for Qualifying Budget Credits</u></b>	<b><u>Total Budget for Comparison</u></b>	<b><u>Expenditures Chargeable to Current Year</u></b>	<b><u>Variance - Over (Under)</u></b>
GENERAL FUND:					
General Fund	\$ 252,878	\$ -	\$ 252,878	\$ 232,360	\$ (20,518)
SPECIAL PURPOSE FUNDS:					
Library Fund	11,527	-	11,527	10,067	(1,460)
Special Highway Fund	27,971	-	27,971	571	(27,400)
BUSINESS FUNDS:					
Water Fund	80,750	-	80,750	162,793	82,043
Sewer Fund	149,194	1,089,905	1,239,099	1,212,030	(27,069)
Trash Fund	36,000	-	36,000	30,444	(5,556)

## CITY OF ARLINGTON, KANSAS

GENERAL FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2021

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

		<u>2021</u>		
	<u>2020 Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance - Over (Under)</u>
Receipts				
Taxes -				
Ad valorem property tax	\$ 108,978	\$ 117,895	\$ 103,005	\$ 14,890
Local sales tax	75,794	60,364	40,000	20,364
Total Taxes	184,772	178,259	143,005	35,254
Licenses and Permits -				
Licenses and permits	611	144	350	(206)
Court fines	-	418	-	418
Utility franchise fees	15,855	20,773	18,000	2,773
Total Licenses and Permits	16,466	21,335	18,350	2,985
Other -				
Miscellaneous	12,564	7,859	2,500	5,359
Community center	-	5,556	10,000	(4,444)
Interest on Idle Funds	534	752	300	452
Loan reimbursement from State of KS	-	68,767	-	68,767
Total Other	13,098	82,934	12,800	70,134
Total Receipts	214,336	282,528	\$ 174,155	\$ 108,373
Expenditures				
Administrative -				
Personal Services	60,107	42,987	\$ 59,812	\$ (16,825)
Contractual services	23,795	69,980	35,271	34,709
Commodities	34,013	18,632	19,711	(1,079)
Capital outlay	63,431	23,301	26,725	(3,424)
Miscellaneous	17,179	4,923	15,270	(10,347)
Total Administrative	198,525	159,823	156,789	3,034
Recreation and Parks	-	2,310	2,285	25
Sidewalks streets	-	32,523	71,510	(38,987)

**CITY OF ARLINGTON, KANSAS**

**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 Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Variance - Over (Under)</b>
Community Center	\$ -	\$ 27,020	\$ 18,634	\$ 8,386
Community events	-	-	3,660	(3,660)
Transfer to Library Fund	-	10,684	-	10,684
Total Expenditures	198,525	232,360	\$ 252,878	\$ (20,518)
Receipts Over (Under) Expenditures	15,811	50,168		
Unencumbered Cash, Beginning	80,962	96,773		
Unencumbered Cash, Ending	\$ 96,773	\$ 146,941		

## CITY OF ARLINGTON, KANSAS

SPECIAL PURPOSE FUNDLIBRARY FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2021

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

		<u>2021</u>		
	<u>2020</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Receipts				
Ad valorem property tax	\$ 11,803	\$ 2,095	\$ 11,527	\$ (9,432)
Transfer from General Fund	-	10,684	-	10,684
Total Receipts	<u>11,803</u>	<u>12,779</u>	<u>\$ 11,527</u>	<u>\$ 1,252</u>
Expenditures				
Appropriation to Library	<u>12,492</u>	<u>10,067</u>	<u>\$ 11,527</u>	<u>\$ (1,460)</u>
Receipts Over (Under) Expenditures	(689)	2,712		
Unencumbered Cash, Beginning	<u>(2,023)</u>	<u>(2,712)</u>		
Unencumbered Cash, Ending	<u>\$ (2,712)</u>	<u>\$ -</u>		

## CITY OF ARLINGTON, KANSAS

SPECIAL PURPOSE FUNDSPECIAL HIGHWAY FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2021

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

	<u>2020 Actual</u>	<u>2021</u>		<u>Variance - Over (Under)</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
County tax	\$ 1,851	\$ 1,549	\$ -	\$ 1,549
State of Kansas gas tax	<u>11,708</u>	<u>12,974</u>	<u>11,660</u>	<u>1,314</u>
Total Receipts	<u>13,559</u>	<u>14,523</u>	<u>\$ 11,660</u>	<u>\$ 2,863</u>
Expenditures				
Capital outlay	1,792	422	\$ 27,971	\$ (27,549)
Miscellaneous	<u>-</u>	<u>149</u>	<u>-</u>	<u>149</u>
Total Expenditures	<u>1,792</u>	<u>571</u>	<u>\$ 27,971</u>	<u>\$ (27,400)</u>
Receipts Over (Under) Expenditures	11,767	13,952		
Unencumbered Cash, Beginning	<u>16,422</u>	<u>28,189</u>		
Unencumbered Cash, Ending	<u>\$ 28,189</u>	<u>\$ 42,141</u>		

**SPECIAL PURPOSE FUND****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)**

	<b><u>2020</u></b> <b><u>Actual</u></b>	<b><u>2021</u></b> <b><u>Actual</u></b>
Cash Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>15,000</u>	<u>15,000</u>
Unencumbered Cash, Ending	<u>\$ 15,000</u>	<u>\$ 15,000</u>

## CITY OF ARLINGTON, KANSAS

CAPITAL PROJECT FUNDEQUIPMENT RESERVE FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUALRegulatory Basis

For the Year Ended December 31, 2021

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

	<u>2020 Actual</u>	<u>2021 Actual</u>
Receipts	\$ -	\$ -
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>19,000</u>	<u>19,000</u>
Unencumbered Cash, Ending	<u>\$ 19,000</u>	<u>\$ 19,000</u>

## CITY OF ARLINGTON, KANSAS

BUSINESS FUNDWATER FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2021

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

	2021			
	2020	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Water Charges	\$ 66,998	\$ 77,319	\$ 80,750	\$ (3,431)
Interest income	-	16	-	16
Transfer from Sewer Fund	-	83,275	-	83,275
	<u>66,998</u>	<u>160,610</u>	<u>\$ 80,750</u>	<u>\$ 79,860</u>
Expenditures				
Personal services	20,693	46,225	\$ 24,000	\$ 22,225
Contractual services	-	3,710	-	3,710
Commodities	6,658	7,611	7,500	111
Capital outlay	-	64,008	10,500	53,508
Debt payment	35,520	36,480	36,480	-
Other	767	4,759	2,270	2,489
	<u>63,638</u>	<u>162,793</u>	<u>\$ 80,750</u>	<u>\$ 82,043</u>
Receipts Over (Under) Expenditures	3,360	(2,183)		
Unencumbered Cash, Beginning	<u>(1,177)</u>	<u>2,183</u>		
Unencumbered Cash, Ending	<u>\$ 2,183</u>	<u>\$ -</u>		

## CITY OF ARLINGTON, KANSAS

BUSINESS FUNDSEWER FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory 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>
Cash Receipts				
Sewer Charges	\$ 80,654	\$ 76,974	\$ 78,000	\$ (1,026)
Miscellaneous	-	85	-	85
Interest income	-	49	-	49
Settlement proceeds	-	1,089,905	-	1,089,905
	<u>80,654</u>	<u>1,167,013</u>	<u>\$ 78,000</u>	<u>\$ 1,089,013</u>
Total Cash Receipts				
Expenditures				
Personal services	13,655	-	\$ 20,000	\$ (20,000)
Contractual services	3,113	3,397	3,500	(103)
Commodities	24,840	4,224	56,485	(52,261)
Capital outlay	-	11,551	3,500	8,051
Miscellaneous	12,843	425	15,000	(14,575)
Sewer lagoon project	-	723,135	-	723,135
Debt payment	25,103	386,023	50,709	335,314
Transfer to Water Fund	-	83,275	-	83,275
	<u>79,554</u>	<u>1,212,030</u>	<u>149,194</u>	<u>1,062,836</u>
Total Expenditures				
Budget credit for debt proceeds	-	-	1,089,905	(1,089,905)
	<u>79,554</u>	<u>1,212,030</u>	<u>\$ 1,239,099</u>	<u>\$ (27,069)</u>
Total Expenditures Subject to Budget				
Receipts Over (Under) Expenditures	1,100	(45,017)		
Unencumbered Cash, Beginning	<u>106,790</u>	<u>107,890</u>		
Unencumbered Cash, Ending	<u>\$ 107,890</u>	<u>\$ 62,873</u>		

## CITY OF ARLINGTON, KANSAS

BUSINESS FUNDTRASH FUNDSCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGETRegulatory Basis

For the Year Ended December 31, 2021

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

		<u>2021</u>		
	<u>2020</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance -</u>
	<u>Actual</u>			<u>Over</u>
				<u>(Under)</u>
Cash Receipts				
Charges for Service	\$ 29,803	\$ 32,607	\$ 36,000	\$ (3,393)
Interest on Idle Funds	545	-	-	-
	<u>30,348</u>	<u>32,607</u>	<u>\$ 36,000</u>	<u>\$ (3,393)</u>
Total Cash Receipts				
Expenditures				
Contractual Services	<u>31,714</u>	<u>30,444</u>	<u>\$ 36,000</u>	<u>\$ (5,556)</u>
Receipts Over (Under) Expenditures	(1,366)	2,163		
Unencumbered Cash, Beginning	<u>48,940</u>	<u>47,574</u>		
Unencumbered Cash, Ending	<u>\$ 47,574</u>	<u>\$ 49,737</u>		