CITY OF EASTON, KANSAS

FINANCIAL STATEMENT

December 31, 2023

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

CITY OF EASTON, KANSAS
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April 24, 2026

VARNEY
& ASSOCIATES, CPAs, LLC

Mayor and Council Members
City of Easton, Kansas

Independent Auditor's Report

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 Easton, Kansas (the City), as of and for the year ended December 31, 2023 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2023, or changes in financial 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, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG) 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 KMAAG. 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 audits. 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 the 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 KMAAG, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with KMAAG as described in Note 1; this includes determining 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 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.

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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 and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the KMAAG. 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.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

CITY OF EASTON, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2023

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds							
General Fund	$ 336,756	$ -	$ 125,886	$ 146,710	$ 315,932	$ 2,115	$ 318,047
Special Purpose Funds							
Special Parks and Recreation	665	-	7,543	541	7,667	-	7,667
Special Highway	-	-	5,610	5,610	-	-	-
Youth Initiative Fund	12,062	-	21	400	11,683	-	11,683
Business Funds							
Water Utility	19,089	-	53,943	64,605	8,427	-	8,427
Sewer Utility	26,778	-	44,121	39,892	31,007	-	31,007
	$ 395,350	$ -	$ 237,124	$ 257,758	$ 374,716	$ 2,115	$ 376,831

Composition of Cash	
Checking Accounts	$ 162,813
Savings	6,733
Certificates of Deposit	207,285
Total Cash Municipal Reporting Entity	$ 376,831

STATEMENT 1

The accompanying notes are an integral part of this financial statement.
See Independent Auditor's Report.

Note 1: Summary of Significant Accounting Policies

The City of Easton, Kansas (the City) is a governmental municipality governed by an elected five-member council. The accounting policies of the City conform to the cash-basis and budget laws of Kansas (regulatory basis). The following is a summary of the more significant policies:

Municipal Financial Reporting Entity

The municipal financial reporting entity is comprised of the primary government. There are no component units included in the municipal financial reporting entity.

Regulatory Basis Fund Types

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the financial statement in this report, the various funds are grouped into generic fund types and broad fund categories as follows:

General Fund - The general fund is the chief operating fund of the City. It is used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Special purpose funds are used to account for the proceeds of specific tax levies and other specific revenue sources intended for specified purposes.

Business Funds - Business funds are used to account for funds financed in whole or in part by fees charged to users of the goods or services.

Basis of Accounting

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 statues provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

If the City is holding a revenue neutral rate hearing, the budget timeline for the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st, but may not be adopted prior to the revenue neutral rate hearing. The County did hold a revenue neutral rate hearing for this year.

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 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 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 capital project funds, trust funds, and the following special purpose funds: equipment reserve fund, capital improvement fund and reimbursed payroll fund.

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.

Subsequent Events

Management has evaluated the effects of the financial statement of subsequent events through April 24, 2026, which is the date the financial statement was available to be issued.

Note 2: Deposits and Investments

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

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

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 coverage is 50%. The City does not utilize "peak periods". All deposits were legally secured at December 31, 2023.

As of December 31, 2023, the City's carrying amount of the deposits was $376,831 and the bank balance was $373,168. The bank balance was held by one bank, in checking, money market and certificates of deposit. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Note 3: Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1st of each year. The county treasurer is the tax collection agent for all taxing entities within the county. Property owners have the option of paying one-half of the full amount of the taxes levied on or before December 20th of the ensuing year. State statutes prohibit the county treasurer from distributing taxes levied and collected in the year prior to January 1st of the ensuing year.

Note 4: Interfund Transfers

There were no interfund transfers in 2023.

Note 5: Long-Term Debt

All general obligation bonds are secured by the full faith and credit of the City. See Notes 8 and 9 for details of long-term debt.

Note 6: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no decreases in insurance coverage from the prior year.

Note 7: Compliance with Finance-Related Legal and Contractual Provisions

We noted no violations of Kansas Statutes for the period under examination.

Note 8: Changes in Long-Term Debt

ISSUE	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds										
Series 2016 A	2.50%	1/7/16	$ 508,000	1/7/2056	$ 459,858	$ -	$ 8,740	$ (8,740)	$ 451,118	$ 11,496
Series 2016 B	2.50%	1/7/16	136,000	1/7/2056	123,111	-	2,340	(2,340)	120,771	3,078
Total Bonds					$ 582,969	$ -	$ 11,080	$ (11,080)	$ 571,889	$ 14,574
Loans										
KDHE Water Loan	2.58%	9/1/2009	$ 376,231	3/1/2029	$ 103,454	$ -	$ 14,814	$ (14,814)	$ 88,640	$ 2,574
TOTAL LONG-TERM DEBT					$ 686,423	$ -	$ 25,894	$ (25,894)	$ 660,529	$ 17,148

Note 9: Maturity of Long-Term Debt

PRINCIPAL	**2024**	**2025**	**2026**	**2027**	**2028**	**2029-2033**	**2034-2038**	**2039-2043**	**2044-2048**	**2049-2053**	**2054-2058**	**Total**
Series A	$ 8,959	$ 9,183	$ 9,413	$ 9,648	$ 9,889	$ 53,279	$ 60,281	$ 68,202	$ 77,163	$ 87,304	$ 57,797	$ 451,118
Series B	2,398	2,458	2,520	2,583	2,647	14,263	16,138	18,260	20,657	23,373	15,474	120,771
KDHE Water Loan	15,201	15,596	16,001	16,416	16,842	8,584	-	-	-	-	-	88,640
Total Principal	$ 26,558	$ 27,237	$ 27,934	$ 28,647	$ 29,378	$ 76,126	$ 76,419	$ 86,462	$ 97,820	$ 110,677	$ 73,271	$ 660,529
INTEREST												
Series A	$ 11,278	$ 11,054	$ 10,824	$ 10,589	$ 10,348	$ 47,906	$ 40,904	$ 32,983	$ 24,021	$ 13,880	$ 2,914	$ 216,701
Series B	3,019	2,959	2,898	2,835	2,770	12,824	10,951	8,829	6,431	3,716	780	58,012
KDHE Water Loan	2,190	1,795	1,389	973	548	111	-	-	-	-	-	7,006
Total Interest	$ 16,487	$ 15,808	$ 15,111	$ 14,397	$ 13,666	$ 60,841	$ 51,855	$ 41,812	$ 30,452	$ 17,596	$ 3,694	$ 281,719
TOTAL PRINCIPAL AND INTEREST	$ 43,045	$ 43,045	$ 43,045	$ 43,044	$ 43,044	$ 136,967	$ 128,274	$ 128,274	$ 128,272	$ 128,273	$ 76,965	$ 942,248

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

CITY OF EASTON, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

Fund	Certified Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Funds			
General	$ 259,529	$ 146,710	$ (112,819)
Special Purpose Funds			
Special Parks and Recreation	2,440	541	(1,899)
Special Highway	18,000	5,610	(12,390)
Business Funds			
Water Utility	64,605	64,605	-
Sewer Utility	39,892	39,892	-
TOTAL	$ 384,466	$ 257,358	$ (127,108)

CITY OF EASTON, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Ad valorem tax	$ 22,399	$ 20,450	$ 1,949
Delinquent tax	92	-	92
Motor vehicle tax	1,074	4,142	(3,068)
Watercraft tax	3	-	3
Commercial vehicle tax	-	735	(735)
Local alcoholic liquor	7,543	1,100	6,443
City sales tax	70,464	46,000	24,464
Licenses and permits	-	300	(300)
Franchise tax	7,154	5,900	1,254
Special city county fuel tax	728	720	8
Interest	1,260	2,200	(940)
Concessions and activities	-	50	(50)
Miscellaneous	15,169	-	15,169
Total Cash Receipts	$ 125,886	$ 81,597	$ 44,289
EXPENDITURES			
Personnel services	$ 29,033	$ 32,460	$ (3,427)
Commodities	21,918	19,308	2,610
Contractual	95,759	100,761	(5,002)
Capital outlay	-	73,000	(73,000)
Transfers out	-	34,000	(34,000)
Total Expenditures	$ 146,710	$ 259,529	$ (112,819)
RECEIPTS OVER (UNDER) EXPENDITURES	$ (20,824)		
UNENCUMBERED CASH - JANUARY 1	336,756		
UNENCUMBERED CASH - DECEMBER 31	$ 315,932		

CITY OF EASTON, KANSAS
SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Alcohol tax	$ 7,543	$ 2,330	$ 5,213
EXPENDITURES			
Contractual	$ 541	$ 1,240	$ (699)
Commodities	-	1,200	(1,200)
Total Expenditures	$ 541	$ 2,440	$ (1,899)
RECEIPTS OVER (UNDER) EXPENDITURES	$ 7,002		
UNENCUMBERED CASH - JANUARY 1	665		
UNENCUMBERED CASH - DECEMBER 31	$ 7,667		

CITY OF EASTON, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
State fuel tax	$ 5,610	$ 7,750	$ (2,140)
EXPENDITURES			
Contractual	$ 5,610	$ 18,000	$ (12,390)
RECEIPTS OVER (UNDER) EXPENDITURES	$ -		
UNENCUMBERED CASH - JANUARY 1	-		
UNENCUMBERED CASH - DECEMBER 31	$ -		

CITY OF EASTON, KANSAS
WATER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Charges for services	$ 53,166	$ 35,000	$ 18,166
Interest income	27	10	17
Transfers in	750	30,000	(29,250)
Total Cash Receipts	$ 53,943	$ 65,010	$ (11,067)
EXPENDITURES			
Personnel services	$ 9,834	$ 9,810	$ 24
Commodities	11,332	4,860	6,472
Contractual	17,785	24,280	(6,495)
Debt service	25,654	25,655	(1)
Total Expenditures	$ 64,605	$ 64,605	$ -
RECEIPTS OVER (UNDER) EXPENDITURES	$ (10,662)		
UNENCUMBERED CASH - JANUARY 1	19,089		
UNENCUMBERED CASH - DECEMBER 31	$ 8,427		

CITY OF EASTON, KANSAS
SEWER UTILITY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

	Actual	Budget	Variance Over (Under)
CASH RECEIPTS			
Charges for services	$ 44,043	$ 34,000	$ 10,043
Interest income	78	-	78
Total Cash Receipts	$ 44,121	$ 34,000	$ 10,121
EXPENDITURES			
Personnel services	$ 3,514	$ 3,860	$ (346)
Commodities	1,571	2,160	(589)
Contractual	17,417	16,480	937
Debt service	17,390	17,392	(2)
Total Expenditures	$ 39,892	$ 39,892	$ -
RECEIPTS OVER (UNDER) EXPENDITURES	$ 4,229		
UNENCUMBERED CASH - JANUARY 1	26,778		
UNENCUMBERED CASH - DECEMBER 31	$ 31,007		

CITY OF EASTON, KANSAS
YOUTH INITIATIVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
Regulatory Basis
For the Year Ended December 31, 2023

CASH RECEIPTS		
Interest income	$	21
EXPENDITURES		
Project expenditures		400
RECEIPTS OVER (UNDER) EXPENDITURES	$	(379)
UNENCUMBERED CASH - JANUARY 1		12,062
UNENCUMBERED CASH - DECEMBER 31	$	11,683