# CITY OF NORTH NEWTON, KANSAS

## Financial Statement

## For the Year Ended December 31, 2025

City of North Newton, Kansas

For the Year Ended December 31, 2025

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Knudsen Monroe & Company LLC

512 N. Main St, Newton, Kansas 67114-2229 316 283-5366 • 316 283-8379 Fax

INDEPENDENT AUDITOR'S REPORT

City Council
City of North Newton
North Newton, 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 North Newton (City), as of and for the year ended December 31, 2025, and the related disclosures 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, 2025, 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, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### *Basis for Adverse and Unmodified Opinions*

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

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

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the 2025 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, and summary of regulatory basis receipts and disbursements-agency fund (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 2025 basic financial statement, but 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 2025 basic financial statement. The 2025 information has been subjected to the auditing procedures applied in the audit of the 2025 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 2025 basic financial statement or to the 2025 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 2025 basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated May 29, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2025 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2025 basic financial statement. Such 2024 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 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 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 2024 basic financial statement or to the 2024 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 2024 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, 2024, on the basis of accounting described in Note 1.

Kneeden, Monroe, & Company LLC

Certified Public Accountants
Newton, Kansas
June 4, 2026

City of North Newton, Kansas

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis

For the Year Ended December 31, 2025

| Funds | Beginning Unencumbered Cash Balance | Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Encumbrances and Accounts Payable | Ending Cash Balance |
|---|---|---|---|---|---|---|
| **General Fund** | $ 525,606 | 1,567,518 | 1,392,739 | 700,385 | 26,768 | 727,153 |
| **Special Purpose Funds** | | | | | | |
| Consolidated Street and Highway | 109,786 | 48,506 | 75,488 | 82,804 | 1,350 | 84,154 |
| Equipment Reserve | 381,253 | 39,900 | 60,239 | 360,914 | - | 360,914 |
| Capital Improvement | 668,313 | 10,000 | 234,435 | 443,878 | - | 443,878 |
| Opioid Settlement | - | 13,364 | 344 | 13,020 | - | 13,020 |
| **Bond and Interest Fund** | 4,600 | 518,767 | 522,530 | 837 | - | 837 |
| **Business Funds** | | | | | | |
| Water | 56,317 | 446,353 | 434,610 | 68,060 | 18,907 | 86,967 |
| Sewer | 80,575 | 549,696 | 539,518 | 90,753 | 8,309 | 99,062 |
| Solid Waste | 87,876 | 108,685 | 115,383 | 81,178 | 9,157 | 90,335 |
| Water Reserve | 210,000 | - | - | 210,000 | - | 210,000 |
| Sewer Reserve | 180,279 | - | - | 180,279 | - | 180,279 |
| **Trust Fund** | | | | | | |
| Special Law Enforcement Trust | 3,436 | - | 3,436 | - | - | - |
| **Total Reporting Entity** (Excluding Agency Funds) | $ 2,308,041 | 3,302,789 | 3,378,722 | 2,232,108 | 64,491 | 2,296,599 |

| | |
|---|---|
| **Composition of Cash** | |
| Checking - Union State Bank | $ 28,335 |
| Money Market - Union State Bank | 971,414 |
| Certificates of Deposit | |
| Union State Bank - CDARS | 550,000 |
| Intrust Bank | 250,000 |
| Central National Bank | 250,000 |
| Citizens State Bank | 250,000 |
| Total Cash | 2,299,749 |
| Less Agency Funds per Schedule 3 | 3,150 |
| **Total Reporting Entity** (Excluding Agency Funds) | $ 2,296,599 |

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Municipal Financial Reporting Entity

The City of North Newton is a municipal corporation governed by an elected five-member council. This regulatory financial statement presents the City of North Newton (City). In addition to the primary government, the local housing authority, Wheatland Homes, which operates the City's housing projects, qualifies as a related municipal entity of the City. Its financial activity is not, however, included in the accompanying financial statement.

### Regulatory Basis Fund Types

General 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.

Business Fund – used to account for fees charged to users of the goods and services (i.e., water fund, sewer fund, etc.).

Trust Fund – used to report assets held in trust for the benefit of the City (i.e., pension funds, investment trust funds, private purpose trust funds which benefit the City, scholarship funds, etc.).

Agency Fund – used to report assets held by the City in a purely custodial capacity.

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

### Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Purpose Funds (unless specifically exempted by statute), Bond and Interest Fund, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 public hearing shall be 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 City 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 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 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.

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 the prior year's accounts payable and encumbrances. Encumbrances are commitments by the City 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 Equipment Reserve Funds, Capital Improvement Funds, Business Reserve Funds, Trust Funds and Agency Funds.

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

Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis of accounting.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Compliance with Kansas Statutes

Management is not aware of any statutory violation incurred in the year ended December 31, 2025.

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

3. DEPOSITS AND INVESTMENTS (continued)

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. Effective January 1, 2026, K.S.A. 9-1402 authorizes financial institutions to secure deposits of public moneys of governmental units through the Kansas Collateral Pool (public moneys pooled method as defined by 2025 Senate Substitute for House Bill 2152). 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.

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, 2025.

At December 31, 2025, the City's carrying amount of deposits was $2,299,749 and the bank balance was $2,331,583. The bank balance was held by four banks. Of the bank balances, $1,610,169 was covered by federal depository insurance, and the remaining $721,414 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Certificate of Deposit Account Registry Service (CDARS)

The City invests in the Certificate of Deposit Account Registry Service (CDARS), which is a private, for-profit service that breaks up large deposits and places them across a network of banks and savings associations around the United States. This allows the City to deal with a single bank that participates in CDARS but avoids having funds above the FDIC deposit insurance limits in any one bank.

4. LONG-TERM DEBT

Changes in long-term liabilities for the City for the year ended December 31, 2025, 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 Paid |
|---|---|---|---|---|---|---|---|---|---|
| **General Obligation Bonds** | | | | | | | | | |
| Series 2015 (refunding) | 3.00-4.25% | 06/04/15 | $3,015,000 | 12/01/35 | $1,405,000 | - | 150,000 | 1,255,000 | 50,850 |
| Series 2019 | 2.75-3.00% | 04/25/19 | 1,615,000 | 12/01/34 | 1,145,000 | - | 105,000 | 1,040,000 | 29,980 |
| Series 2021 | 2.00% | 05/26/21 | 2,470,000 | 12/01/35 | 1,835,000 | - | 150,000 | 1,685,000 | 36,700 |
| | | | | | 4,385,000 | - | 405,000 | 3,980,000 | 117,530 |
| **Finance Leases** | | | | | | | | | |
| Axon Enterprise - Tasers | 0.00% | 11/01/23 | 18,510 | 10/01/27 | 11,431 | - | 4,027 | 7,404 | - |
| Axon Enterprise - Body Cameras | 0.00% | 05/09/24 | 16,366 | 01/01/28 | 15,366 | - | 7,683 | 7,683 | - |
| | | | | | 26,797 | - | 11,710 | 15,087 | - |
| **Total contractual indebtedness** | | | | | $4,411,797 | - | 416,710 | 3,995,087 | 117,530 |

4. LONG-TERM DEBT (continued)

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

| | Year ending December 31 | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 - 2035 | Total |
| **Principal** | | | | | | | |
| General Obligation Bonds | $ 410,000 | 365,000 | 380,000 | 390,000 | 400,000 | 2,035,000 | 3,980,000 |
| Finance leases | 7,543 | 7,544 | - | - | - | - | 15,087 |
| Total principal | 417,543 | 372,544 | 380,000 | 390,000 | 400,000 | 2,035,000 | 3,995,087 |
| **Interest** | | | | | | | |
| General Obligation Bonds | 107,405 | 97,495 | 88,830 | 79,415 | 69,340 | 174,713 | 617,198 |
| **Total Principal and Interest** | $ 524,948 | 470,039 | 468,830 | 469,415 | 469,340 | 2,209,713 | 4,612,285 |

5. INTERFUND TRANSFERS

Operating transfers were as follows:

| From | To | Regulatory Authority | Total |
|---|---|---|---|
| General | Equipment Reserve | K.S.A. 12-1,117 | $ 20,000 |
| General | Capital Improvement | K.S.A. 12-1,118 | 10,000 |
| General | Opioid Settlement | K.S.A. 12-16,111 | 10,190 |
| Water | General | K.S.A. 12-825d | 10,000 |
| Water | Equipment Reserve | K.S.A. 12-825d | 5,000 |
| Water | Bond and Interest | K.S.A. 12-825d | 208,000 |
| Sewer | General | K.S.A. 12-825d | 10,000 |
| Sewer | Equipment Reserve | K.S.A. 12-825d | 5,000 |
| Sewer | Bond and Interest | K.S.A. 12-825d | 148,800 |
| Solid Waste | General | K.S.A. 12-825d | 5,000 |

6. OPERATING LEASE

The City entered into an operating lease agreement for a copier for a total of 63 months. Payments totaling $2,255, including overage charges and set up fees, were made in the year ended December 31, 2025. Under the current lease agreement, the future scheduled minimum payments are as follows:

| | |
|---|---|
| 2026 | $ 1,987 |
| 2027 | 1,987 |
| 2028 | 828 |

## 7. 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. Each retiree pays the full amount of the applicable premium.

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.

### Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2025.

### Compensated Absences

Full-time employees upon hire receive 5 days paid vacation. Employees with 1 to 4 years of service accrue .8333 of a working day of paid vacation per month. Employees with five to nine years of service accrue 1 working day of vacation per month. Employees with ten to fourteen years of service accrue 1.25 working days of vacation per month. Employees with fifteen to nineteen years of service accrue 1.5 working days of vacation per month. Employees with twenty or more years of service accrue 1.67 working days of vacation per month. Unused vacation pay is paid to employees upon termination. Unused vacation time has not been recorded as a liability in the accompanying financial statement.

Full-time employees earn 12 days of paid sick leave for each year of service, which can be accumulated to a maximum of 60 days. Unused sick leave at December 31 may be converted to vacation time on a basis of two days sick leave for one day vacation. Unused sick leave is not paid to employees upon termination. Unused sick leave has not been recorded as a liability in the accompanying financial statement.

## 8. 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 Annual Comprehensive Financial Report which can be found on the KPERS website at www.kspers.gov or by writing to KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

### Contributions

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

8. DEFINED BENEFIT PENSION PLAN (continued)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.71% for the fiscal year ended December 31, 2025. Contributions to the pension plan from the City were $60,690 for the year ended December 31, 2025.

Net Pension Liability

At December 31, 2025, the City's proportionate share of the collective net pension liability reported by KPERS was $463,622. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. 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.kspers.gov or can be obtained as described above.

9. DEFERRED COMPENSATION PLAN

Employees of the City may participate in deferred compensation plans administered by Lincoln Financial Group and Aspire Financial Services adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

Employees also have the option to invest in KPERS 457, an IRC Section 457 plan, which is voluntary and consists of pre-tax payroll deductions (and/or after tax – Roth – contributions), as provided by K.S.A. 74-49b01. The Plan is available to all employees who qualify under the terms, and permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

The City does not contribute any resources to the Plans. The actual assets of the Plans are held in trust by an independent trustees, for the exclusive benefit of the Plan's participants and their beneficiaries.

10. INDUSTRIAL REVENUE BONDS

The City has entered into an agreement to induce businesses to locate or expand operations in North Newton, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's) which require the business to make lease payments to trust accounts sufficient to pay the debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related business.

## 11. 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. The City participates in the

Midwest Public Risk (MPR) pool, which is a public entity risk pool operating as a common risk management and insurance program for participating members. The City also participates in the Kansas Municipal Insurance Trust (KMIT), for its workers' compensation coverage.

The City pays an annual premium to MPR for property and liability insurance coverage and to KMIT for workers' compensation coverage. The agreements to participate in these public entity risk pools provide that they will be self-sustaining through member premiums and that MPR and KMIT will reinsure through commercial companies for claims in excess of specified amounts for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated. The Pools are authorized by K.S.A. 12-2616, et seq.

The City continues to carry commercial insurance for all other risks of loss. There were no significant reductions in coverage during the past fiscal year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of 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 financial impact on the City.

## 12. DATE OF MANAGEMENT REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2025, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through June 4, 2026, which is the date at which the financial statement was available to be issued.

CITY OF NORTH NEWTON

REGULATORY – REQUIRED

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2025

SCHEDULE 1

City of North Newton, Kansas

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025

| Funds | Certified Budget | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance Over (Under) |
|---|---|---|---|---|---|
| **GENERAL FUND** | $ 1,769,650 | - | 1,769,650 | 1,392,739 | (376,911) |
| **SPECIAL PURPOSE FUND** | | | | | |
| Consolidated Street and Highway | 161,110 | - | 161,110 | 75,488 | (85,622) |
| **BOND AND INTEREST FUND** | 522,530 | - | 522,530 | 522,530 | - |
| **BUSINESS FUNDS** | | | | | |
| Water | 581,900 | - | 581,900 | 434,610 | (147,290) |
| Sewer | 804,425 | - | 804,425 | 539,518 | (264,907) |
| Solid waste | 136,075 | - | 136,075 | 115,383 | (20,692) |

City of North Newton, Kansas

**General Fund**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **RECEIPTS** | | | | |
| Ad valorem property tax | $ 606,556 | 598,925 | 651,616 | (52,691) |
| Delinquent tax | 3,513 | 5,924 | - | 5,924 |
| Vehicle tax | 89,624 | 94,905 | 94,354 | 551 |
| Intangibles tax | 32,952 | 41,970 | 39,984 | 1,986 |
| Liquor tax | - | 81 | - | 81 |
| Sales tax - County | 435,167 | 457,542 | 350,000 | 107,542 |
| Payment in lieu of tax | 58,916 | 60,658 | 56,370 | 4,288 |
| Franchise fees | 129,941 | 135,174 | 125,750 | 9,424 |
| Interest | 79,584 | 71,996 | 25,000 | 46,996 |
| Earnings from endowment fund | 7,153 | 6,780 | 7,700 | (920) |
| Licenses and permits | 44,015 | 28,639 | 15,500 | 13,139 |
| Fines and fees | 24,692 | 12,871 | 14,500 | (1,629) |
| Other | 31,067 | 27,053 | 19,100 | 7,953 |
| Transfer from | | | | |
| Water | - | 10,000 | 73,000 | (63,000) |
| Sewer | - | 10,000 | 100,000 | (90,000) |
| Solid Waste | 15,000 | 5,000 | 5,000 | - |
| Total receipts | 1,558,180 | 1,567,518 | 1,577,874 | (10,356) |
| **EXPENDITURES, Page 14** | 1,197,267 | 1,392,739 | | |
| Receipts over (under) expenditures | 360,913 | 174,779 | | |
| UNENCUMBERED CASH, beginning | 164,693 | 525,606 | | |
| UNENCUMBERED CASH, ending | $ 525,606 | 700,385 | | |

City of North Newton, Kansas

**General Fund**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **EXPENDITURES** | | | | |
| General administration | $ 322,419 | 362,802 | 413,200 | (50,398) |
| Law enforcement | 336,855 | 441,125 | 541,400 | (100,275) |
| Fire protection | 420,383 | 468,877 | 516,000 | (47,123) |
| Municipal court | 45,119 | 28,982 | 42,100 | (13,118) |
| Utilities | 20,309 | 20,161 | 25,000 | (4,839) |
| Economic Development Council | 7,500 | 7,500 | 7,500 | - |
| Distributions from endowment fund | 7,153 | 6,780 | 7,700 | (920) |
| Other | 37,529 | 16,322 | 43,750 | (27,428) |
| Transfer to | | | | |
| Consolidated Street and Highway | - | - | 38,000 | (38,000) |
| Equipment Reserve | - | 20,000 | 45,000 | (25,000) |
| Capital Improvement | - | 10,000 | 90,000 | (80,000) |
| Opioid Settlement | - | 10,190 | - | 10,190 |
| Total expenditures | $1,197,267 | 1,392,739 | 1,769,650 | (376,911) |

City of North Newton, Kansas

**Special Purpose Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **CONSOLIDATED STREET AND HIGHWAY** | | | | |
| **RECEIPTS** | | | | |
| Gasoline tax | $ 48,794 | 48,506 | 47,680 | 826 |
| Transfers from | | | | |
| General | - | - | 38,000 | (38,000) |
| Sewer | - | - | 25,000 | (25,000) |
| Total receipts | 48,794 | 48,506 | 110,680 | (62,174) |
| **EXPENDITURES** | | | | |
| Personal services | 52,698 | 55,144 | 68,500 | (13,356) |
| Contractual services | 11,081 | 9,564 | 18,600 | (9,036) |
| Commodities | 7,833 | 10,780 | 15,510 | (4,730) |
| Capital outlay | 1,850 | - | 1,000 | (1,000) |
| Transfer to | | | | |
| Equipment Reserve | - | - | 7,500 | (7,500) |
| Capital Improvement | - | - | 50,000 | (50,000) |
| Total expenditures | 73,462 | 75,488 | 161,110 | (85,622) |
| Receipts over (under) expenditures | (24,668) | (26,982) | | |
| UNENCUMBERED CASH, beginning | 134,454 | 109,786 | | |
| UNENCUMBERED CASH, ending | $ 109,786 | 82,804 | | |

City of North Newton, Kansas

**Special Purpose Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | 2024 | 2025 |
|---|---|---|
| **EQUIPMENT RESERVE** | | |
| **RECEIPTS** | | |
| Sale of equipment | $ 48,977 | 9,900 |
| Transfer from | | |
| General | - | 20,000 |
| Water | 56,500 | 5,000 |
| Sewer | 56,500 | 5,000 |
| Total receipts | 161,977 | 39,900 |
| **EXPENDITURES** | | |
| Equipment purchases | 171,134 | 60,239 |
| Receipts over (under) expenditures | (9,157) | (20,339) |
| UNENCUMBERED CASH, beginning | 390,410 | 381,253 |
| UNENCUMBERED CASH, ending | $ 381,253 | 360,914 |
| **CAPITAL IMPROVEMENT** | | |
| **RECEIPTS** | | |
| Donations and other | $ 248,669 | - |
| Transfer from General | - | 10,000 |
| Total receipts | 248,669 | 10,000 |
| **EXPENDITURES** | | |
| Other capital expenditures | 410,728 | 234,435 |
| Receipts over (under) expenditures | (162,059) | (224,435) |
| UNENCUMBERED CASH, beginning | 830,372 | 668,313 |
| UNENCUMBERED CASH, ending | $ 668,313 | 443,878 |

City of North Newton, Kansas

**Special Purpose Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | 2024 | 2025 |
|---|---|---|
| **OPIOID SETTLEMENT** | | |
| **RECEIPTS** | | |
| State revenue | $ - | 3,174 |
| Transfer from General | - | 10,190 |
| Total receipts | - | 13,364 |
| **EXPENDITURES** | | |
| Contractual services | - | 344 |
| Receipts over (under) expenditures | - | 13,020 |
| UNENCUMBERED CASH, beginning | - | - |
| UNENCUMBERED CASH, ending | $ - | 13,020 |

City of North Newton, Kansas

**Bond and Interest Fund**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **RECEIPTS** | | | | |
| Ad valorem property tax | $ 55,233 | 54,630 | 59,418 | (4,788) |
| Delinquent tax | 298 | 512 | - | 512 |
| Vehicle tax | 9,904 | 8,694 | 8,592 | 102 |
| Special assessments | 99,957 | 98,131 | 98,013 | 118 |
| Transfer from | | | | |
| Water | 251,400 | 208,000 | 207,000 | 1,000 |
| Sewer | 151,200 | 148,800 | 148,800 | - |
| Total receipts | 567,992 | 518,767 | 521,823 | (3,056) |
| **EXPENDITURES** | | | | |
| Principal | 435,000 | 405,000 | 405,000 | - |
| Interest | 128,430 | 117,530 | 117,530 | - |
| Total expenditures | 563,430 | 522,530 | 522,530 | - |
| Receipts over (under) expenditures | 4,562 | (3,763) | | |
| UNENCUMBERED CASH, beginning | 38 | 4,600 | | |
| UNENCUMBERED CASH, ending | $ 4,600 | 837 | | |

City of North Newton, Kansas

**Business Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **WATER** | | | | |
| **RECEIPTS** | | | | |
| Sales and connection fees | $ 498,536 | 446,353 | 540,800 | (94,447) |
| Reimbursed expenses | 657 | - | - | - |
| Total receipts | 499,193 | 446,353 | 540,800 | (94,447) |
| **EXPENDITURES** | | | | |
| Personal services | 101,456 | 124,026 | 149,000 | (24,974) |
| Contractual services | 39,850 | 35,733 | 39,500 | (3,767) |
| Commodities | 28,694 | 30,622 | 27,600 | 3,022 |
| Capital outlay | 3,786 | 6,820 | 6,600 | 220 |
| Sales tax and water protection fee | 3,419 | 3,057 | 4,200 | (1,143) |
| Wholesale water district | 10,708 | 11,352 | 20,000 | (8,648) |
| Transfer to | | | | |
| General | - | 10,000 | 73,000 | (63,000) |
| Equipment Reserve | 56,500 | 5,000 | 30,000 | (25,000) |
| Capital Improvement | - | - | 15,000 | (15,000) |
| Bond and Interest | 251,400 | 208,000 | 207,000 | 1,000 |
| Water Reserve | 35,000 | - | 10,000 | (10,000) |
| Total expenditures | 530,813 | 434,610 | 581,900 | (147,290) |
| Receipts over (under) expenditures | (31,620) | 11,743 | | |
| UNENCUMBERED CASH, beginning | 87,937 | 56,317 | | |
| UNENCUMBERED CASH, ending | $ 56,317 | 68,060 | | |

City of North Newton, Kansas

**Business Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **SEWER** | | | | |
| **RECEIPTS** | | | | |
| User fees and other | $ 563,755 | 549,696 | 727,040 | (177,344) |
| **EXPENDITURES** | | | | |
| Personal services | 89,764 | 100,470 | 112,000 | (11,530) |
| Purchased services | 221,600 | 221,600 | 225,000 | (3,400) |
| Contractual services | 39,747 | 46,128 | 52,425 | (6,297) |
| Commodities | 2,267 | 6,250 | 6,200 | 50 |
| Capital outlay | - | 1,270 | - | 1,270 |
| Transfer to | | | | |
| General | - | 10,000 | 100,000 | (90,000) |
| Consolidated Street and Highway | - | - | 25,000 | (25,000) |
| Equipment Reserve | 56,500 | 5,000 | 65,000 | (60,000) |
| Capital Improvement | - | - | 60,000 | (60,000) |
| Bond and Interest | 151,200 | 148,800 | 148,800 | - |
| Sewer Reserve | 10,900 | - | 10,000 | (10,000) |
| Total expenditures | 571,978 | 539,518 | 804,425 | (264,907) |
| Receipts over (under) expenditures | (8,223) | 10,178 | | |
| UNENCUMBERED CASH, beginning | 88,798 | 80,575 | | |
| UNENCUMBERED CASH, ending | $ 80,575 | 90,753 | | |

City of North Newton, Kansas

**Business Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | | Current Year | | |
|---|---|---|---|---|
| | Prior Year Actual | Actual | Budget | Variance Over (Under) |
| **SOLID WASTE** | | | | |
| **RECEIPTS** | | | | |
| User fees | $ 108,077 | 108,685 | 105,000 | 3,685 |
| **EXPENDITURES** | | | | |
| Personal services | 2,346 | 3,774 | 3,575 | 199 |
| Contractual services | 101,514 | 106,114 | 127,000 | (20,886) |
| Commodities | - | 495 | 500 | (5) |
| Transfer to General | 15,000 | 5,000 | 5,000 | - |
| Total expenditures | 118,860 | 115,383 | 136,075 | (20,692) |
| Receipts over (under) expenditures | (10,783) | (6,698) | | |
| UNENCUMBERED CASH, beginning | 98,659 | 87,876 | | |
| UNENCUMBERED CASH, ending | $ 87,876 | 81,178 | | |

SCHEDULE 2

City of North Newton, Kansas

**Business Funds**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | 2024 | 2025 |
|---|---|---|
| **WATER RESERVE** | | |
| **RECEIPTS** | | |
| Transfer from Water | $ 35,000 | - |
| **EXPENDITURES** | - | - |
| Receipts over (under) expenditures | 35,000 | - |
| UNENCUMBERED CASH, beginning | 175,000 | 210,000 |
| UNENCUMBERED CASH, ending | $ 210,000 | 210,000 |
| **SEWER RESERVE** | | |
| **RECEIPTS** | | |
| Transfer from Sewer | $ 10,900 | - |
| **EXPENDITURES** | - | - |
| Receipts over (under) expenditures | 10,900 | - |
| UNENCUMBERED CASH, beginning | 169,379 | 180,279 |
| UNENCUMBERED CASH, ending | $ 180,279 | 180,279 |

City of North Newton, Kansas

**Trust Fund**

SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

| | 2024 | 2025 |
|---|---|---|
| **SPECIAL LAW ENFORCEMENT TRUST** | | |
| **RECEIPTS** | | |
| Monies seized | $ 360 | - |
| **EXPENDITURES** | | |
| Equipment purchases | 6,665 | 3,436 |
| Receipts over (under) expenditures | (6,305) | (3,436) |
| UNENCUMBERED CASH, beginning | 9,741 | 3,436 |
| UNENCUMBERED CASH, ending | $ 3,436 | - |

SCHEDULE 3

City of North Newton, Kansas

**Agency Fund**

SUMMARY OF RECEIPTS AND DISBURSEMENTS
Regulatory Basis

For the Year Ended December 31, 2025

| Fund | Beginning Cash Balance | Receipts | Disbursements | Ending Cash Balance |
|---|---|---|---|---|
| **METER DEPOSITS** | $ 3,300 | 650 | 800 | 3,150 |