

CITY OF NORTH NEWTON, KANSAS

Financial Statement

For the Year Ended December 31, 2021

City of North Newton, Kansas
For the Year Ended December 31, 2021

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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, Kansas (City), as of and for the year ended December 31, 2021, 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, 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.

Responsibilities of Management for the Audit of 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 2021 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 schedule of regulatory basis receipts and expenditures-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 2021 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 2021 basic financial statement. The 2021 information has been subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 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, 2020 (not presented herein), and have issued our report thereon dated June 1, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 basic financial statement and our accompanying report are not presented herein, but 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 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget and the schedule of receipts and expenditures-agency fund for the year ended December 31, 2021 (Schedules 2 and 3 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the 2021 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.

Knudsen, Monroe & Company, LLC

Certified Public Accountants
Newton, Kansas
June 9, 2022

City of North Newton, Kansas

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis

For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 270,278	1,199,274	1,279,570	189,982	12,801	202,783
Special Purpose Funds						
Consolidated Street and Highway	111,625	91,140	80,323	122,442	1,313	123,755
Equipment Reserve	195,180	115,000	9,036	301,144	-	301,144
Capital Improvement	1,066,290	2,792,117	2,950,447	907,960	7,135	915,095
Bond and Interest Fund	51,581	538,737	575,251	15,067	-	15,067
Business Funds						
Water	174,997	456,948	488,464	143,481	3,852	147,333
Sewer	97,069	527,699	527,752	97,016	4,498	101,514
Solid Waste	93,017	95,754	91,916	96,855	7,481	104,336
Water Reserve	170,000	-	-	170,000	-	170,000
Sewer Reserve	180,000	-	43,970	136,030	9,813	145,843
Trust Fund						
Special Law Enforcement Trust	1,711	22,922	5,678	18,955	-	18,955
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,411,748</u>	<u>5,839,591</u>	<u>6,052,407</u>	<u>2,198,932</u>	<u>46,893</u>	<u>2,245,825</u>
Composition of Cash						
Checking - Union State Bank						\$ 14,762
Money Market - Union State Bank						934,113
Certificates of Deposit						
Union State Bank						550,000
Intrust Bank						250,000
Central National Bank						250,000
Citizens State Bank						250,000
Total Cash						2,248,875
Less Agency Funds per Schedule 3						3,050
Total Reporting Entity (Excluding Agency Funds)						<u>\$ 2,245,825</u>

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

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

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:

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Improvements 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, 2021.

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

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.

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, 2021.

At December 31, 2021, the City's carrying amount of deposits was \$2,248,875 and the bank balance was \$2,276,005. The bank balance was held by four banks. Of the bank balances, \$1,000,000 was covered by federal depository insurance, and the remaining \$1,276,005 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

4. INTERFUND TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Total
General	Consolidated Street and Highway	K.S.A. 12-1,119	\$ 40,000
General	Equipment Reserve	K.S.A. 12-1,117	20,000
General	Capital Improvement	K.S.A. 12-1,118	27,500
Water	Equipment Reserve	K.S.A. 12-825d	80,000
Water	Capital Improvement	K.S.A. 12-1,118	37,500
Water	Bond and Interest	K.S.A. 12-825d	236,400
Sewer	Equipment Reserve	K.S.A. 12-825d	15,000
Sewer	Bond and Interest	K.S.A. 12-825d	150,000

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

5. 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 Paid
General Obligation Bonds									
Series 2015 (refunding)	3.00-4.25%	06/04/15	\$ 3,015,000	12/01/35	\$ 2,020,000	-	150,000	1,870,000	69,300
Series 2019	2.75-3.00%	04/25/19	1,615,000	12/01/34	1,525,000	-	90,000	1,435,000	40,430
Series 2021	2.0%	05/26/21	2,470,000	12/01/35	-	2,470,000	80,000	2,390,000	25,386
					<u>3,545,000</u>	<u>2,470,000</u>	<u>320,000</u>	<u>5,695,000</u>	<u>135,116</u>
KDHE Loans									
KDHE - Series 2004	3.78%	04/30/04	591,212	08/01/24	155,696	-	155,696	-	2,943
KDHE - Series 2014	2.78%	01/09/14	3,097,000	08/01/35	2,414,607	-	2,414,607	-	33,563
					<u>2,570,303</u>	<u>-</u>	<u>2,570,303</u>	<u>-</u>	<u>36,506</u>
Total contractual indebtedness					<u>\$ 6,115,303</u>	<u>2,470,000</u>	<u>2,890,303</u>	<u>5,695,000</u>	<u>171,622</u>

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							
	2022	2023	2024	2025	2026	2027-2031	2032-2035	Total
General Obligation Bonds								
Principal	\$ 435,000	440,000	435,000	405,000	410,000	1,945,000	1,625,000	5,695,000
Interest	<u>150,555</u>	<u>139,543</u>	<u>128,430</u>	<u>117,530</u>	<u>107,405</u>	<u>393,930</u>	<u>115,862</u>	<u>1,153,255</u>
Total Principal and Interest	<u>\$ 585,555</u>	<u>579,543</u>	<u>563,430</u>	<u>522,530</u>	<u>517,405</u>	<u>2,338,930</u>	<u>1,740,862</u>	<u>6,848,255</u>

Advanced Refunding

In order to achieve an interest cost savings, the City issued General Obligation Bonds, Series 2021, in the amount of \$2,470,000. Proceeds from the issue were used to retire KDHE Loans, Series 2004 and Series 2014. The refunded debt carried interest rates ranging from 2.78% to 3.78%, and had a final maturity date in 2035. The Series 2021 bonds carry an interest rate of 2%, and are scheduled to mature in 2035. This refunding transaction resulted in a bond premium of \$109,568 and a net present value economic gain of approximately \$106,096.

6. 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

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% through June 30, 2021, with a 0% moratorium for the period July 1, 2021 through June 30, 2022.

Compensated Absences

Full-time employees earn five days of paid vacation upon completion of six months of employment; from one through ten years of service they earn two weeks of paid vacation per year. After ten years of service, employees earn three weeks of paid vacation per year. 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.

7. 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 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.

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 with a 0% moratorium for the period July 1, 2021 through June 30, 2022 for the Death and Disability Program) and the statutory contribution rate was 11.62% for the fiscal year ended December 31, 2021. Contributions to the pension plan from the City were \$64,437 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 \$321,336. The net pension liability was measured as of June 30, 2021, and the total pension

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

7. DEFINED BENEFIT PENSION PLAN (Continued)

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 or can be obtained as described above.

8. DEFERRED COMPENSATION PLAN

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency.

The deferred compensation plan is administered by Lincoln Financial Group and Lord Abbett mutual funds. Under the terms of an IRC Section 457 deferred compensation plan, all deferred compensation and income attributable to the investment of the deferred compensation amounts is held by the insurance company and mutual fund until paid or made available to the employees or beneficiaries.

The following schedule summarizes activity in the accounts maintained by Lincoln Financial Group during the year ended December 31, 2021:

Balance, December 31, 2020	\$ 762,314
Deposits - Compensation deferred by participants	-
Withdrawals	(61,358)
Fees	(125)
Change in market value	<u>130,323</u>
Balance, December 31, 2021	<u>\$ 831,154</u>

The following schedule summarizes activity in the accounts maintained by Lord Abbett mutual funds during the year ended December 31, 2021:

Balance, December 31, 2020	\$ 112,552
Deposits - Compensation deferred by participants	5,958
Withdrawals	-
Fees	(235)
Change in market value	15,651
Dividends	<u>10,085</u>
Balance, December 31, 2021	<u>\$ 144,011</u>

The accounts maintained by the Lincoln Financial Group and Lord Abbett mutual fund are not included in the accompanying financial statement of the City.

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

9. 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.

10. 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 has been unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other cities in the State to participate in the Kansas Municipal Insurance Trust (KMIT), a public entity risk pool currently operating as a common risk management and insurance program for its participating members.

The City pays an annual premium to KMIT for workers' compensation coverage. The agreement to participate provides that KMIT will be self-sustaining through member premiums and 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 by KMIT management.

The City continues to carry commercial insurance for all other risks of loss. 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.

11. CORONAVIRUS PANDEMIC

In January 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, and workforce. Given the 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 on future years.

As a result of the COVID-19 outbreak, numerous Federal and State grants have been made available to the City to assist with the risks and help offset incurred costs of the City.

City of North Newton, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2021

12. DATE OF MANAGEMENT REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statement. Management has performed their analysis through June 9, 2022, 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, 2021

City of North Newton, Kansas
SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
GENERAL FUND	\$ 1,386,310	-	1,386,310	1,279,570	(106,740)
SPECIAL PURPOSE FUND					
Consolidated Street and Highway	140,700	-	140,700	80,323	(60,377)
BOND AND INTEREST FUND	590,330	-	590,330	575,251	(15,079)
BUSINESS FUNDS					
Water	547,100	-	547,100	488,464	(58,636)
Sewer	789,270	-	789,270	527,752	(261,518)
Solid waste	132,830	-	132,830	91,916	(40,914)

City of North Newton, 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)

		Current Year		Variance
	Prior Year	Actual	Budget	Over
	Actual			(Under)
RECEIPTS				
Ad valorem property tax	\$ 452,288	452,809	456,256	(3,447)
Delinquent tax	1,966	2,198	-	2,198
Vehicle tax	81,069	85,891	79,031	6,860
Intangibles tax	45,232	45,226	32,953	12,273
Sales tax - County	315,587	345,540	250,000	95,540
Payment in lieu of tax	48,228	51,046	43,620	7,426
Franchise fees	119,187	121,269	115,677	5,592
Interest	27,648	8,820	8,000	820
Earnings from endowment fund	6,810	6,872	7,310	(438)
Licenses and permits	21,904	32,895	11,500	21,395
Fines and fees	9,899	21,222	6,700	14,522
Other	19,249	25,486	15,050	10,436
Transfers from				
Water	-	-	45,000	(45,000)
Sewer	-	-	140,000	(140,000)
Total receipts	<u>1,149,067</u>	<u>1,199,274</u>	<u>1,211,097</u>	<u>(11,823)</u>
EXPENDITURES				
General administration	226,681	246,074	251,350	(5,276)
Law enforcement	415,526	447,140	437,600	9,540
Fire protection	378,450	387,115	425,000	(37,885)
Municipal court	33,736	42,287	59,300	(17,013)
Utilities	25,147	19,359	29,000	(9,641)
Economic Development Council	7,500	7,500	7,500	-
Distributions from endowment fund	6,810	6,920	7,310	(390)
Other	38,301	35,675	53,750	(18,075)
Transfers to				
Consolidated Street and Highway	40,000	40,000	40,000	-
Equipment Reserve	-	20,000	20,000	-
Capital Improvement	-	27,500	55,500	(28,000)
Total expenditures	<u>1,172,151</u>	<u>1,279,570</u>	<u>1,386,310</u>	<u>(106,740)</u>
Receipts over (under) expenditures	(23,084)	(80,296)		
UNENCUMBERED CASH, beginning	<u>293,362</u>	<u>270,278</u>		
UNENCUMBERED CASH, ending	<u>\$ 270,278</u>	<u>189,982</u>		

City of North Newton, Kansas

Special Purpose Funds**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)

		Current Year		Variance
	Prior Year	Actual	Budget	Over
	Actual			(Under)
CONSOLIDATED STREET AND HIGHWAY				
RECEIPTS				
Gasoline tax	\$ 45,731	51,140	40,070	11,070
Transfers from				
General	40,000	40,000	40,000	-
Sewer	-	-	25,000	(25,000)
Total receipts	<u>85,731</u>	<u>91,140</u>	<u>105,070</u>	<u>(13,930)</u>
EXPENDITURES				
Personal services	51,774	54,682	55,600	(918)
Contractual services	10,567	14,077	17,600	(3,523)
Commodities	6,687	10,250	11,500	(1,250)
Capital outlay	2,286	1,314	2,500	(1,186)
Transfers to				
Equipment Reserve	-	-	5,000	(5,000)
Capital Improvement	-	-	48,500	(48,500)
Total expenditures	<u>71,314</u>	<u>80,323</u>	<u>140,700</u>	<u>(60,377)</u>
Receipts over (under) expenditures	14,417	10,817		
UNENCUMBERED CASH, beginning	<u>97,208</u>	<u>111,625</u>		
UNENCUMBERED CASH, ending	<u>\$ 111,625</u>	<u>122,442</u>		

City of North Newton, Kansas

Special Purpose Funds**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL****Regulatory Basis**

For the Year Ended December 31, 2021

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

	<u>2020</u>	<u>2021</u>
EQUIPMENT RESERVE		
RECEIPTS		
Sale of equipment	\$ 2,300	-
Transfers from		
General	-	20,000
Water	50,000	80,000
Sewer	<u>10,000</u>	<u>15,000</u>
Total receipts	62,300	115,000
EXPENDITURES		
Equipment purchases	<u>68,677</u>	<u>9,036</u>
Receipts over (under) expenditures	(6,377)	105,964
UNENCUMBERED CASH, beginning	<u>201,557</u>	<u>195,180</u>
UNENCUMBERED CASH, ending	<u><u>\$ 195,180</u></u>	<u><u>301,144</u></u>
CAPITAL IMPROVEMENT		
RECEIPTS		
Donations and other	\$ 82,788	13,100
Bond proceeds	-	2,470,000
Bond premium	-	109,568
Federal Grant - ARPA	-	134,449
Transfers from		
General	-	27,500
Water	<u>-</u>	<u>37,500</u>
Total receipts	<u>82,788</u>	<u>2,792,117</u>
EXPENDITURES		
Principle	-	2,486,674
Bond expenses	11,591	91,737
Other capital expenditures	<u>262,989</u>	<u>372,036</u>
Total expenditures	<u>274,580</u>	<u>2,950,447</u>
Receipts over (under) expenditures	(191,792)	(158,330)
UNENCUMBERED CASH, beginning	<u>1,258,082</u>	<u>1,066,290</u>
UNENCUMBERED CASH, ending	<u><u>\$ 1,066,290</u></u>	<u><u>907,960</u></u>

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, 2021

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

		Current Year		Variance
	Prior Year			Over
	Actual	Actual	Budget	(Under)
RECEIPTS				
Ad valorem property tax	\$ 30,454	32,495	32,680	(185)
Delinquent tax	140	140	-	140
Vehicle tax	4,277	5,755	5,320	435
Special assessments	117,234	113,947	113,947	-
Transfers from				
Water	240,600	236,400	240,600	(4,200)
Sewer	147,000	150,000	150,000	-
Total receipts	<u>539,705</u>	<u>538,737</u>	<u>542,547</u>	<u>(3,810)</u>
EXPENDITURES				
Principal	398,573	403,629	480,600	(76,971)
Interest	<u>193,252</u>	<u>171,622</u>	<u>109,730</u>	<u>61,892</u>
Total expenditures	<u>591,825</u>	<u>575,251</u>	<u>590,330</u>	<u>(15,079)</u>
Receipts over (under) expenditures	(52,120)	(36,514)		
UNENCUMBERED CASH, beginning	<u>103,701</u>	<u>51,581</u>		
UNENCUMBERED CASH, ending	<u>\$ 51,581</u>	<u>15,067</u>		

City of North Newton, Kansas

Business Funds**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)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
WATER				
RECEIPTS				
Sales and connection fees	\$ 509,642	456,948	507,600	(50,652)
EXPENDITURES				
Personal services	73,917	87,969	90,000	(2,031)
Contractual services	30,772	30,703	34,500	(3,797)
Commodities	12,262	12,406	15,200	(2,794)
Capital outlay	5,259	129	8,600	(8,471)
Sales tax and water protection fee	3,439	3,357	4,200	(843)
Wholesale water district	-	-	19,000	(19,000)
Transfers to				
General	-	-	45,000	(45,000)
Equipment Reserve	50,000	80,000	50,000	30,000
Capital Improvement	-	37,500	40,000	(2,500)
Bond and Interest	240,600	236,400	240,600	(4,200)
Water Reserve	15,000	-	-	-
Total expenditures	431,249	488,464	547,100	(58,636)
Receipts over (under) expenditures	78,393	(31,516)		
UNENCUMBERED CASH, beginning	96,604	174,997		
UNENCUMBERED CASH, ending	\$ 174,997	143,481		

City of North Newton, Kansas

Business Funds**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)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
SEWER				
RECEIPTS				
User fees and other	\$ 521,781	527,699	720,040	(192,341)
EXPENDITURES				
Personal services	81,973	84,095	103,100	(19,005)
Purchased services	203,600	220,924	215,000	5,924
Contractual services	45,105	54,829	39,970	14,859
Commodities	3,283	2,904	6,200	(3,296)
Transfers to				
General	-	-	140,000	(140,000)
Consolidated Street and Highway	-	-	25,000	(25,000)
Equipment Reserve	10,000	15,000	40,000	(25,000)
Capital Improvement	-	-	70,000	(70,000)
Bond and Interest	147,000	150,000	150,000	-
Sewer Reserve	40,000	-	-	-
Total expenditures	530,961	527,752	789,270	(261,518)
Receipts over (under) expenditures	(9,180)	(53)		
UNENCUMBERED CASH, beginning	106,249	97,069		
UNENCUMBERED CASH, ending	\$ 97,069	97,016		

City of North Newton, Kansas

Business Funds**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)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
SOLID WASTE				
RECEIPTS				
User fees	\$ 94,113	95,754	120,000	(24,246)
EXPENDITURES				
Personal services	2,066	2,248	2,480	(232)
Contractual services	88,676	89,366	120,000	(30,634)
Commodities	-	302	350	(48)
Transfer to				
General	-	-	10,000	(10,000)
Total expenditures	90,742	91,916	132,830	(40,914)
Receipts over (under) expenditures	3,371	3,838		
UNENCUMBERED CASH, beginning	89,646	93,017		
UNENCUMBERED CASH, ending	\$ 93,017	96,855		

City of North Newton, Kansas

Business FundsSCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL
Regulatory Basis

For the Year Ended December 31, 2021

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

	<u>2020</u>	<u>2021</u>
WATER RESERVE		
RECEIPTS		
Transfer from		
Water	\$ 15,000	-
EXPENDITURES	<u>-</u>	<u>-</u>
Receipts over (under) expenditures	15,000	-
UNENCUMBERED CASH, beginning	<u>155,000</u>	<u>170,000</u>
UNENCUMBERED CASH, ending	<u>\$ 170,000</u>	<u>170,000</u>
 SEWER RESERVE		
RECEIPTS		
Transfer from		
Sewer	\$ 40,000	-
EXPENDITURES		
Contractual Services	<u>40,000</u>	<u>43,970</u>
Receipts over (under) expenditures	-	(43,970)
UNENCUMBERED CASH, beginning	<u>180,000</u>	<u>180,000</u>
UNENCUMBERED CASH, ending	<u>\$ 180,000</u>	<u>136,030</u>

City of North Newton, Kansas

Trust Fund**SCHEDULE OF RECEIPTS AND EXPENDITURES – ACTUAL**
Regulatory Basis

For the Year Ended December 31, 2021

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

	<u>2020</u>	<u>2021</u>
SPECIAL LAW ENFORCEMENT TRUST		
RECEIPTS		
Monies seized	\$ 2,633	22,922
EXPENDITURES		
Equipment purchases	<u>2,684</u>	<u>5,678</u>
Receipts over (under) expenditures	(51)	17,244
UNENCUMBERED CASH, beginning	<u>1,762</u>	<u>1,711</u>
UNENCUMBERED CASH, ending	<u>\$ 1,711</u>	<u>18,955</u>

City of North Newton, Kansas

Agency Fund

SUMMARY OF RECEIPTS AND DISBURSEMENTS

Regulatory Basis

For the Year Ended December 31, 2021

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
METER DEPOSITS	\$ 2,850	650	450	3,050