

City of Morrill
Morrill, Kansas

Report on the Audit of the Basic Financial Statements
As of and for the Year Ended
December 31, 2025

City of Morrill
Morrill, Kansas
For the Year Ended
December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor
City of Morrill, Kansas
Morrill, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Morrill, Kansas as of and for the year ended December 31, 2025 and the related noted 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 of Morrill as of December 31, 2025 or changes in the 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 of Morrill as of December 31, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provision 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 Statements section of our report. We are required to be independent of the City of Morrill 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 audit opinion.

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 of Morrill on the basis of the financial reporting provision 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. These 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 Statements

Management is responsible for the preparation and fair presentation of the financial statements 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 statements 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 statements that is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 arise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee than an audit conducted in accordance with GAAS and Government Auditing Standards 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, individually or in the aggregate, they could reasonable be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 statements.
- 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 of the effectiveness of the City of Morrill.
- 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 statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The City of Morrill.

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 are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note #1.

Julie D. Bauman, CPA

Julie D. Bauman, CPA, P.C.
Falls City, Nebraska 68355
August 31, 2026

City of Morrill, Kansas
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
Year Ended December 31, 2025

	Beginning Unemcumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Disbursements	Ending Unencumbered Cash Balance	Add Encumbrances and Acct Pay	Ending Cash Balance
General Operating	$ 7,539	$0	$ 94,355	$ 90,395	$ 11,499	83	$ 11,582
Special Revenue Funds:							
Special Street	18,439		5,721	-	24,160	-	24,160
Morrill Fire Departm	123,420		28,968	27,128	125,260	83	125,343
Employee Benefits	5,064		21,945	25,826	1,183	-	1,183
Capital Outlay Fund	107,495		12,000	4,960	114,535	4,960	119,495
Enterprise Funds:							
Water Utility Funds:							
Water Utility	25,964	18076	56,393	58,507	23,850	28	5,802
Water Deposits	183		50	150	83	-	83
Electric Utility Fund:							
Electric Utility	11,637	-	296,295	277,647	30,285	-	30,285
Electric Deposit	70		400	300	170	-	170
Sewer Utility Fund	12,190		16,680	10,193	18,677	297	18,974
Trash Collection	7,201		14,596	14,981	6,816	-	6,816
Agency Funds:							
Petty Cash	50	-	-	-	50	-	50
Total Reporting Entity	$ 319,252	$ 18,076	$ 547,403	$ 510,087	$ 356,568	$ 5,451	$ 343,943
Transfers			-	-	-		-
Net Receipts and Disbursements			$ 547,403	$ 510,087	$ 356,568		$ 343,943

Composition of Cash:

Cash at Bank of Blue Valley	$ 246,682
Certificates of Deposits	97,211
Cash on Hand	50
	$ 343,943

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Summary of Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	Cash Disbursements	Budget	Variance Favorable (Unfavorable)
General Fund	$ 90,395	$ 423,000	$ 332,605
Special Revenue Funds:			
Special Street	-	20,000	20,000
Morrill Fire Department	27,045	130,000	102,955
Employee Benefits	25,826	26,710	884
Enterprise Funds:			
Water Utility	76,555	81,900	5,345
Electric Utility	277,647	391,700	114,053
Sewer Fund	9,896	29,500	19,604
Trash Fund	14,981	16,000	1,019
Total Budget Funds	$ 522,345	$ 1,118,810	$ 596,465

The accompanying notes are an intregral part of these financial statements.

REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

City of Morrill, Kansas
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem	$ 23,086	$ 22,947	$ 24,116	$ (1,169)
Local Compensating Use Tax	7,024	6,703	8,000	(1,297)
Redemptions	280	1,070	137	933
Motor Vehicle Tax	3,202	3,765	5,203	(1,438)
Recreational Vehicle Tax	177	189	184	5
Local Retail Sales Tax	18,136	18,986	21,450	(2,464)
KPL Franchise Fees	4,775	6,160	6,800	(640)
Late Charges	2,789	4,201	3,000	1,201
Dog Tags/Permits	58	10	15	(5)
Miscellaneous	3,612	8,223	5,000	3,223
Insurance Proceeds	2,279	4,437	4,000	437
Parks and Recreation	380	950	800	150
Grants	2,022	-	325,000	(325,000)
Interest	6,054	7,144	1,000	6,144
Federal/State Withholding Tax	9,459	9,653	9,000	653
Total Cash Receipts	83,333	94,438	413,705	(319,267)
CASH DISBURSEMENTS:				
Administration	44,890	30,121	31,500	7,490
Fire Department	-	10,000	20,000	(61)
Parks Department	4,309	421	9,000	2,062
Street Lighting Department	774	1,242	1,500	1,245
Highway Department	11,771	15,544	330,000	1,621
Cemetary Department	12,000	15,000	15,000	-
Federal Withholding	7,842	7,085	7,500	753
Kansas Withholding	2,952	2,982	3,500	1,103
Transfer Water Fund	-	5,000	-	-
Transfer Capital Outlay	8,000	3,000	5,000	-
Total Cash Disbursements	92,538	90,395	423,000	14,213
Receipts over (under) disbursements	(9,205)	4,043		
CASH, BEGINNING BALANCE	16,744	7,539		
CASH, ENDING BALANCE	$ 7,539	$ 11,582		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Fire Department Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
City Support	$ 26,150	$ 20,425	$ 20,000	$ 425
Kansas Gas Service	1,879	1,622	2,000	(378)
Support Other	-	6,921	10,000	(3,079)
Total Cash Receipts	28,029	28,968	32,000	(3,032)
CASH DISBURSEMENTS:				
Vehicle Expense	-	4,189	6,000	1,811
Mileage	1,380	2,426	-	(2,426)
Utilities	3,233	3,547	6,800	3,253
Equipment Maintenance	4,457	1,476	95,000	93,524
Miscellaneous	30	460	200	(260)
Building Maintenance	-	-	-	-
Supplies	-	651	-	(651)
Insurance	8,228	14,296	7,000	(7,296)
Capital Outlay	17,000	-	15,000	15,000
Total Cash Disbursements	34,328	27,045	130,000	102,955
Receipts over (under) disbursements	(6,299)	1,923		
CASH, BEGINNING BALANCE	129,719	123,420		
CASH, ENDING BALANCE	$ 123,420	$ 125,343		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Special Street
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Special Street and Highway Tax	$ 7,178	$ 5,721	$ 6,140	$ (419)
Transfers	-		10,000	(10,000)
Total Cash Receipts	7,178	5,721	16,140	(10,419)
CASH DISBURSEMENTS:				
Street Materials	-	-	20,000	20,000
Total Cash Disbursements	-	-	20,000	20,000
Receipts over (under) disbursements	7,178	5,721		
CASH, BEGINNING BALANCE	11,261	18,439		
CASH, ENDING BALANCE	$ 18,439	$ 24,160		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Employee Benefit
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Ad Valorem	$ 1,470	$ 503	$ 573	$ (70)
Deliquent Tax	31	2	18	(16)
Motor Vehicle Tax	422	300	279	21
Recreational Vehicle Tax	-	-	12	(12)
Employee Contributions	12,592	12,064	17,000	(4,936)
16/20M Vehicle Tax	-	-	8	(8)
KPERS	5,238	-	4,000	(4,000)
Transfers from Electric Fund	5,000	9,000	-	9,000
Redemption Distribution	51	76	200	(124)
Total Cash Receipts	24,804	21,945	22,090	(145)
CASH DISBURSEMENTS:				
Social Security	11,299	13,002	13,449	447
Retirement	11,685	12,684	13,011	327
Unemployment	81	140	250	110
Total Cash Disbursements	23,065	25,826	26,710	884
Receipts over (under) disbursements	1,739	(3,881)		
CASH, BEGINNING BALANCE	3,325	5,064		
CASH, ENDING BALANCE	$ 5,064	$ 1,183		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Water Sales	$ 55,602	$ 50,768	$ 58,450	$ (7,682)
Grant	-	-	-	-
Reconnect Fees	-	-	1,500	(1,500)
Miscellaneous	300	495	1,000	(505)
Transfers In General Fund	35,854	5,000	-	5,000
Water Protection Fees	130	130	1,000	(870)
Total Cash Receipts	91,886	56,393	61,950	(5,557)
CASH DISBURSEMENTS:				
Water Purchased	21,547	21,878	27,900	6,022
Personnel Services	35,925	29,349	35,000	5,651
Contractual Services	31,724	17,530	10,000	(7,530)
Commodities	3,946	4,798	6,000	1,202
Transfer to Capital Outlay	2,750	3,000	3,000	-
Transfers to Fire	3,667	-	-	-
Total Cash Disbursements	99,559	76,555	81,900	5,345
Receipts over (under) disbursements	(7,673)	(20,162)		
CASH, BEGINNING BALANCE	33,637	25,964		
CASH, ENDING BALANCE	$ 25,964	$ 5,802		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Electric Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Sales	$ 265,561	$ 240,757	$ 240,850	$ (93)
Reconnect Fees	-	-	450	(450)
Material Sales	6,016	2,432	285	2,147
Miscellaneous / Loan	150,980	53,106	80,000	(26,894)
Total Cash Receipts	422,557	296,295	321,585	(25,290)
CASH DISBURSEMENTS:				
Electrical Energy Purchased	122,533	104,639	120,850	16,211
Personnel Services	20,945	35,711	40,000	4,289
Interest Expense	-	36,999	-	-
Principal Expense	-	18,326	-	-
Contractural Services	263,672	16,379	115,850	99,471
Commodities	28,745	4,013	21,000	16,987
Insurance	43,611	34,455	47,000	12,545
Sales Tax	5,742	4,717	7,000	2,283
Miscellaneous	499	108	-	(108)
Transfer to Fire Dept.	6,667	10,300	-	-
Transfer to Employee Benefit	-	9,000	-	-
Transfer to Capital Outlay	2,750	3,000	40,000	37,000
Total Cash Disbursements	495,164	277,647	391,700	188,678
Receipts over (under) disbursements	(72,607)	18,648		
CASH, BEGINNING BALANCE	106,264	11,637		
Less: Prior Year Encumbrances	22,020	-		
CASH, ENDING BALANCE	$ 11,637	$ 30,285		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Sewer Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
Services	$ 18,462	$ 16,680	$ 18,950	$ (2,270)
Total Cash Receipts	18,462	16,680	18,950	$ (2,270)
CASH DISBURSEMENTS:				
Personnel Services	2,370	-	-	-
Contractural Services	9,900	6,691	26,000	19,309
Miscellaneous	5,000	205	500	295
Transfer to Fire Dept	6,667	-		
Transfer to Capital Outlay	3,000	3,000	3,000	-
Total Cash Disbursements	26,937	9,896	29,500	19,604
Receipts over (under) disbursements	(8,475)	6,784		
CASH, BEGINNING BALANCE	20,665	12,190		
CASH, ENDING BALANCE	$ 12,190	$ 18,974		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Trash Collection
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
CASH RECEIPTS:				
User Fees	$ 14,892	$ 14,596	$ 16,000	$ (1,404)
Total Cash Receipts	14,892	14,596	16,000	(1,404)
CASH DISBURSEMENTS:				
Contractural Services	15,216	14,981	16,000	1,019
Total Cash Disbursements	15,216	14,981	16,000	1,019
Receipts over (under) disbursements	(324)	(385)		
CASH, BEGINNING BALANCE	7,525	7,201		
CASH, ENDING BALANCE	$ 7,201	$ 6,816		

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Capital Outlay Fund
Schedule of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2025

	2024 Actual	2025 Actual
CASH RECEIPTS:		
Transfer from General Fund	$ 3,000	$ 3,000
Transfer from Water Fund	2,750	3,000
Transfer from Sewer Fund	3,000	3,000
Transfer from Fire Department Fund	17,000	-
Transfer from Electric Fund	2,750	3,000
Loan Proceeds	107,505	-
Total Cash Receipts	136,005	12,000
CASH DISBURSEMENTS:		
Capital outlay	142,147	
Total Cash Disbursements	142,147	-
Receipts over (under) disbursements	(6,142)	12,000
CASH, BEGINNING BALANCE	113,637	107,495
CASH, ENDING BALANCE	$ 107,495	$ 119,495

The accompanying notes are an intregral part of these financial statements.

City of Morrill, Kansas
Trust and Agency Funds
Schedule of Receipts and Expenditures
Regulatory Basis
Year Ended December 31, 2025

	Petty Cash
CASH RECEIPTS:	
Cash Receipts	$ -
Total Cash Receipts	-
CASH DISBURSEMENTS:	
Disbursements	-
Total Cash Disbursements	-
CASH, BEGINNING BALANCE	50
CASH, ENDING BALANCE	$ 50

The accompanying notes are an intregral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

A. Basis of Presentation – Fund Accounting -

The accounts of the City of Morrill, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2025.

Governmental funds:

General fund – to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds – to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds – to account for major capital expenditures not financed by other funds.

Proprietary funds:

Enterprise funds – to account for operations that are financed and operated in a manner similar to business enterprises-where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges-or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds:

Agency funds – to account for assets held by the governmental entity as trustee or agent for others.

B. Basis of Accounting

These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

C. Departure from Generally Accepted Accounting Principles

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality 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.

D. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statue), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating

1. Preparation of the budget for the succeeding calendar year on or before July 20. Determine if this will exceed the Revenue Neutral Rate.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before September 15th
3. Public hearing on or before September 30th but at least ten days after publication of notice of
4. Adoption of the final budget on or before October 1.

The statues 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 the year ended December 31, 2025.

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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project 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.

E. Reporting Entity

This report includes all of the services provided by the City of Morrill to residents and businesses within its boundaries and includes all of its component units

Note 2 – Deposits

At year-end, the carrying amount of the City's deposits was $246,672 and the bank balance was $246,672. The difference between the carrying amount and the bank balance is December was encumbrances. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and insurance.

Composition of Cash and Investments

	Amount
Bank of Blue Valley:	
Checking	$ 246,672
Cash on Hand	50
Total	$ 246,722
Certificate of Deposit	$ 97,211
Total Cash and Investments	$ 343,933

Note 3 – Taxes

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax.

In 2025, the City received the following from county and state taxes:

	General Fund	Street Fund	Employee Benefit Fund
Property Taxes	$ 22,947	$ -	$ 503
Motor Vehicle Taxes	3,765	-	300
Sales and Use Taxes	18,986	-	-
Other Vehicle Taxes	189	-	-
State Highway Aid	-	5,721	-
	$ 45,887	$ 5,721	$ 803

The assessed valuation in 2025 was $1,707,786, which was used to determine the mill levy for 2025. The mill levy was 14.423 for 2025.

Note 4 – Utilities

The City provides water, sewer, electric and solid waste services. The City reads the meters at the 18th of each month and mails their utility bills on the 20th day of each month for the previous month's service. The utility bills are due the tenth day of the month. Payments received after this date, are subjected to a late charge of 10.0% on the unpaid bill. If bills are not paid by the twentieth of the month, services will be disconnected on the twenty-first.

The City requires that, at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount of $50 for water service and $100 for electric service, set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

Note 4 – Utilities (continued)

The amount due to the City for utility services as of December 31, 2025 was $25,529 (due January 10, 2026). The amount due to customers for utility deposits as of December 31, 2025 was water $83, electric $170

Utility Rates as of December 31, 2025 are as follows:

Water Rates:

Minimum Charge	$26.52 for residents inside city limits includes 1,000 gallons
Minimum Charge	$31.14 for residents outside city limits includes 1,000 gallons
Next 1,000 Gallons	$5.39 per 1,000 gallons, inside the City limits
	$5.39 per 1,000 gallons, outside the City limits

Sewer Rates:

Flat Rate	$15.00 for residential
Flate Rate	$15.00 for commercial

Solid Waste:

Monthly Charge	$13.00 for residential
Monthly Charge	$29.00 for commercial

Electric Rates:

Monthly Charge	$9.00 for residential
Monthly Charge	$11.00 for commercial
All Customers	$0.15 per KWHR
	plus Energy Cost Adjustment

Note 5 – Pension Plan

Plan Description. The City of Morrill 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 publically 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 South 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 and KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for 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 of Morrill were $7,531 for the year ended December 31, 2025.

Net Pension Liability

At December 31, 2025, the City of Morrill's proportionate share of the collective net pension liability reported by KPERS was $71,532. 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 of Morrill's proportion of the net pension liability was based on the ratio of the 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 these financial statements.

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.

Note 6 – Compliance with Kansas Law

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during year December 31, 2025.

Note 7 – Water Purchase Contract

The City purchases its water from the City of Sabetha, Kansas at a rate of $4.08 per 1,000 gallons the original contract is dated August 29, 1991 and is subject to increases after each audit of the Sabetha water utility. The City sold 4,162,500 gallons of water to customers and purchased 4,582,400 gallons from the City of Sabetha, the water loss percentage was 10% in 2025.

Note 8 – Waste Management Contract

The City contracts with P&J Solid Waste Management, LLC for refuse collection at a rate of $13.00 per residential customer and $29.00 per commercial customer.

Note 9 – Electrical Service Contract

The City purchases power from Evergy at a rate of $.1712 plus variable charges per kilowatt hour. The contract is effective August 2, 2010 and has a term of twenty years. The City sold 1,282,591 kilowatt hours to customers and purchased 1,731,360 kilowatt hours from Energy, the electricity loss percentage was 26% in 2025.

Note 10 – Compensated Absences

The City vacation and sick policies are as follows:

Vacation Leave:

Years of Service	Numbers of days received on anniversary date
0-1	5
1-10	10

After ten years of service the employee earns one extra day of vacation for each year over ten years the maximum accrual is 120 hours.

Sick Leave:

Employees earn 40 hours of sick time per year and can be carried over for two additional years. The maximum accumulated sick leave shall not exceed 120 hours.

Note 11 – Infrastructure

The City has elected not to comply with Government Accounting Standards Board 34 (GASB 34), which requires Cities to account for their infrastructure.

Note 12 – Concentrations

The City is engaged in the sale of water, trash, electric and sewer services to customers located in the City. The City grants credit to those customers and requires no collateral but does require a service deposit.

Note 13 – Risk Management

The City has various risks including general liabilities, employees injured while working, automobile, etc. The City insures these risks through various insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

Note 14 – Long - Term Debt

The City of Morrill took out a loan payable from the UMB Bank on September 1, 2023. Total loan $467,269 as of December 31, 2024. The interest rate is 7.615%, with loan payments starting on July 31, 2024 monthly for 59 payments of $4,476.46. This loan balloons and matures June 30, 2029

	Balance Janaury 1, 2025	Additions	Reductions	Balance December 31, 2025
Revolving Loan	467,269	---	18,326	448,943

Year Ending December 31	Principle	Interest
2026	20,428	33,289
2027	21,838	31,880
2028	23,560	30,147
2029	383,117	14,391
	448,943	109,707

Note 15 – Subsequent Events

Subsequent events have been evaluated through the August 31, 2026, the date that the financial statements were available to be issued. No events or transactions were noted to that date which requires further disclosure.