CITY OF LEOTI, KANSAS
MUNICIPALITY

REGULATORY BASIS FINANCIAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2025

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LEWIS, HOOPER & DICK LLC
certified public accountants

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council Members
City of Leoti, Kansas

Report on the Audit of the Financial Statement

Opinions

We have audited the regulatory basis fund summary statement of receipts, expenditures and unencumbered cash of the City of Leoti, Kansas, (the City), a municipality, as of and for the year ended December 31, 2025, and the related notes to the financial statement.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement 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 basis of accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the *Kansas Municipal Audit and Accounting Guide's (KMAAG)* regulatory basis of accounting and budget laws as described in Note 1.

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 Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the City as of December 31, 2025, or changes in financial position and cash flows thereof for the year then ended.

Basis for Opinions

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the *KMAAG*'s regulatory basis of accounting and budget laws, 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 and pervasive.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the accounting practices prescribed or permitted by the State of Kansas to demonstrate compliance with the *KMAAG*'s regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

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 and the *KMAAG* 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 and the *KMAAG*, 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 regulatory basis fund summary statement of receipts, expenditures and unencumbered cash (the financial statement) as a whole. The regulatory basis summary of expenditures – actual and budget, and the regulatory basis individual fund schedules of receipts and expenditures, and the regulatory basis schedule of receipts and disbursements – agency funds (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 financial statement; however, they are required to be presented under the provisions of the *KMAAG*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with GAAS and the *KMAAG*. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with GAAS and the *KMAAG*, the 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 March 4, 2025, which contained an unmodified opinion on the financial statement. The 2024 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/municipal-audits. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures 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 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 financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 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 financial statement or to the 2024 financial statement itself, and other additional procedures in accordance with GAAS and the *KMAAG*. In our opinion, the 2024 comparative information is fairly stated in all material respects in relation to the financial statement as a whole for the year ended December 31, 2024, on the basis of accounting described in Note 1.

Other Information

Management is responsible for the other information included in the financial statement. The other information comprises the other information section (Graphs as listed in the table of contents) but does not include the financial statement and our auditor's report thereon. Our opinions on the financial statement do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Lewis, Hooper + Dick, LLC

LEWIS, HOOPER & DICK, LLC

March 18, 2026

CITY OF LEOTI, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2025

Fund	Unencumbered Cash 1/1/25	Receipts	Expenditures	Unencumbered Cash 12/31/25	Outstanding Encumbrances and Payables	Treasurer's Cash 12/31/25
General	$ 518,485	$ 1,521,694	$ 1,535,466	$ 504,713	$ 113,870	$ 618,583
Special Purpose Funds:						
Ambulance and Fire Equipment	166,885	26,407	-	193,292	-	193,292
Animal Shelter	420	-	-	420	-	420
Capital Improvement General	207,500	95,000	-	302,500	-	302,500
Equipment Reserve	857,491	-	137,975	719,516	-	719,516
Fire Equipment Reserve	208,114	132,704	189,294	151,524	-	151,524
Opioid Settlement	-	10,935	-	10,935	-	10,935
Saturday Cinema	1,061	-	-	1,061	-	1,061
Sidewalk Reserve	136,000	-	-	136,000	-	136,000
Special Highway	30,006	38,632	-	68,638	-	68,638
Total Special Purpose Funds	1,607,477	303,678	327,269	1,583,886	-	1,583,886
Business Funds:						
Sanitation Utility:						
Sanitation Operating	58,534	275,425	278,047	55,912	1,207	57,119
Sanitation Reserve	202,112	25,000	-	227,112	-	227,112
Sewer Utility:						
Sewer Operating	51,916	202,845	228,874	25,887	1,694	27,581
Sewer Reserve	90,000	-	-	90,000	-	90,000
Storm Water Operating	101,920	8,820	3,983	106,757	44	106,801
Water Utility:						
Water Operating	880,569	668,321	1,198,355	350,535	10,205	360,740
Water Reserve	1,546,807	200,000	-	1,746,807	-	1,746,807
Total Business Funds	2,931,858	1,380,411	1,709,259	2,603,010	13,150	2,616,160
Total Reporting Entity (memorandum only)	$ 5,057,820	$ 3,205,783	$ 3,571,994	$ 4,691,609	$ 127,020	$ 4,818,629

Composition of cash:		
Demand deposits:		
Western State Bank	$ 50,026	
Security State Bank	6,087	
Total demand deposits		$ 56,113
Time deposits:		
Western State Bank		283,141
Certificates of deposit:		
Western State Bank	1,648,865	
Security State Bank	2,848,540	
Total certificates of deposit		4,497,405
Plus deposits in transit		1,387
Less outstanding checks		(2,597)
Cash on hand		200
Total cash		4,835,649
Less Agency Funds per Schedule 3		(17,020)
Total cash (excluding Agency Funds)		$ 4,818,629

The accompanying Notes to the Financial Statement are an integral part of this statement.

CITY OF LEOTI, KANSAS
Notes to the Financial Statement
For the Year Ended December 31, 2025

1. Summary of significant accounting policies

The City of Leoti, Kansas, (the City), was incorporated under the provisions of the State of Kansas. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. Other services include utilities operations.

A. Financial reporting entity

The City is governed by an elected five-member council and a mayor. This financial statement presents the City of Leoti (the municipality) and its related municipal entities. The related municipal entities are included in the City's reporting entity because they were established to benefit the City and/or its constituents.

The City has no organizations, functions or activities which are considered related municipal entities.

B. 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.

C. Regulatory basis fund types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types are used by the City:

General fund – the chief operating fund; used to account for all resources except those required to be accounted for in another fund.

Special Purpose funds – used to account for the proceeds of specific tax levies and other specific receipt sources (other than capital project and tax levies for long-term debt) that are intended for specified purposes.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (e.g., enterprise and internal service fund etc...).

Agency funds – used to report assets held by the municipal reporting entity in a purely custodial capacity (e.g., payroll clearing fund, etc...).

1. Summary of significant accounting policies (continued)

D. Cash and investments

Cash resources of the individual funds are combined to form a pool of cash and investments which is managed by the City (except for investments in the Kansas Municipal Investment Pool). Cash includes amounts in demand deposits, time deposits and certificates of deposit. Interest income earned, unless specifically designated, is allocated to the general fund.

E. Property taxes and special assessments

The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas are the responsibility of the counties. The County Appraiser annually determines assessed valuations based on real property transactions as recorded by the Register of Deeds and personal property holdings reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls and the County Treasurer collects the taxes for all taxing entities within the County.

Taxes are assessed on a calendar year basis, are levied and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1st of the ensuing year. One-half of the property taxes are due December 20th and distributed to the City by January 20th to finance a portion of the current year's budget. The second half is due May 10th and distributed to the City by June 5th. The City Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments received prior to or after the issuance of general obligation bonds are recorded as receipts in the appropriate project fund. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest Fund to finance delinquent special assessments receivable.

F. Interfund transactions and reimbursements

Quasi-external transactions (i.e., transactions that would be treated as receipts or expenditures if they involved organizations external to the governmental unit, such as internal service fund billings to departments) are accounted for as receipts or expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

G. Memorandum totals

Totals on the financial statement are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. No consolidated financial information is presented nor are all required disclosures presented for these amounts.

2. Stewardship, compliance and accountability

A. Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

If the City is holding a revenue neutral rate hearing, the budget timeline for the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least ten days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The 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 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 budget amendments during the 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 receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital projects funds, trust funds, and the following special purpose and business funds:

Animal Shelter Fund
Capital Improvement General Fund
Equipment Reserve Fund
Fire Equipment Reserve Fund
Saturday Cinema Fund
Sidewalk Reserve Fund
Sanitation Reserve Fund
Sewer Reserve Fund
Water Reserve Fund

2. Stewardship, compliance and accountability (continued)

A. Budgetary information (continued)
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.

B. Noncompliance with finance-related legal and contractual provisions
References made herein to the statutes are not intended as interpretation of law, but are offered for consideration of the Kansas Department of Administration's Chief Financial Officer and interpretation by the County Attorney and the legal representative of the City.

There are no known material violations of finance-related legal and contractual provisions including Kansas statutes, regulations, contracts, debt covenants, or other agreements for the year ended December 31, 2025.

3. Detailed notes on all funds

A. Deposits and investments
A reconciliation of cash and investments as shown in the composition of cash on the summary statement of receipts, expenditures and unencumbered cash on Statement 1 is as follows:

Cash on hand	$ 200
Carrying amount of deposits	4,835,449
Total cash	$ 4,835,649

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 K.S.A. 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 except during designated "peak periods" when required coverage is 50%. The City does not use designated "peak periods". All deposits were legally secured at December 31, 2025.

3. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

At December 31, 2025, the City's carrying amount of deposits was $4,835,449 and the bank balance was $4,836,659. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $556,113 was covered by federal depository insurance and $4,280,546 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The City's cash deposits at year end are as follows:

	Western State Bank	Security State Bank
FDIC coverage	$ 300,026	$ 256,087
Pledged securities at market value	2,804,473	3,277,476
Total coverage	$ 3,104,499	$ 3,533,563
Funds on deposit	$ 1,982,032	$ 2,854,627
Funds at risk	$ -	$ -

Custodial credit risk - investments

Custodial credit risk for an investment is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

B. Capital projects in process

Capital project authorizations with approved change orders compared to expenditures from inception at December 31, 2025, are as follows:

	Project Authorization	Expenditures to Date	Committed
Water tower reface	$ 95,670	$ 95,670	$ -
Chip sealing SW quadrant	105,875	105,875	-
Golf course water line	20,000	13,569	-
Crack sealing NE quadrant	99,925	90,366	-
Sewer pipe repairs	58,730	-	58,730

C. Long-term contractual indebtedness

Changes in long-term contractual indebtedness for the year ended December 31, 2025, were as follows:

Issue	Date of Issue	Maximum Rate	Amount of Issue	Date of Final Maturity	Balance 1/1/25	Additions	Reductions/ Payments	Balance 12/31/25	Interest Paid
General obligation bond:									
Refunding and improvement bond	02/11/2015	2.75%	$ 2,675,000	02/11/2037	$ 1,097,989	$ -	$ 447,729	$ 650,260	$ 30,195
Finance lease:									
Edmunds GovTech	12/16/2024	4.18%	$ 90,745	10/31/2026	87,999	-	67,362	20,637	1,883
Total contractual indebtedness					$ 1,185,988	$ -	$ 515,091	$ 670,897	$ 32,078

3. Detailed notes on all funds (continued)

C. Long-term contractual indebtedness (continued)
Current maturities of long-term contractual indebtedness and interest for the next five years and in five-year increments through maturity are as follows:

	Year						
	2026	2027	2028	2029	2030	2031-2035	2036-2037	Total
Principal:								
General obligation bond	$ 49,215	$ 50,568	$ 51,959	$ 53,229	$ 54,851	$ 297,582	$ 92,856	$ 650,260
Finance lease	20,637	-	-	-	-	-	-	20,637
Total principal	69,852	50,568	51,959	53,229	54,851	297,582	92,856	670,897
Interest:								
General obligation bond	17,882	16,529	15,138	13,709	12,245	37,762	3,332	116,597
Finance lease	863	-	-	-	-	-	-	863
Total interest	18,745	16,529	15,138	13,709	12,245	37,762	3,332	117,460
Total principal and interest	$ 88,597	$ 67,097	$ 67,097	$ 66,938	$ 67,096	$ 335,344	$ 96,188	$ 788,357

Legal debt margin
The debt limit per K.S.A. 10-308 is thirty percent of the assessed tangible valuation of the City given by the County Assessor to the County Clerk on the preceding August 25th each year. The amount of debt outstanding does not exceed the statutory limit.

D. Interfund transfers
Interfund operating transfers were as follows:

From	To	Regulatory Authority	Amount
General	Capital Improvement General	12-1,118	$ 95,000
General	Fire Equipment Reserve	12-1,117	132,704
General	Opioid Settlement		8,377
Equipment Reserve	General	12-1,117	88,750
Sanitation Operating	General	12-825d	80,000
Sanitation Operating	Sanitation Reserve	12-825d	25,000
Sewer Operating	General	12-825d	100,000
Water Operating	Water Reserve	12-825d	200,000
Total			$ 729,831

4. Other information

A. Risk management
The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

4. Other information (continued)

B. Post-employment health care benefits

Other post-employment benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

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.

C. Compensated absences

The City's policy is to recognize the costs of compensated absences when paid. The City's policy regarding vacation leave pay permits full-time employees to accumulate vacation days at the maximum rate of 120 hours per year. Any additional unused vacation at the end of the employment year will be paid out at 50% on the next scheduled pay date. Upon termination, employees will be paid for unused vacation at their regular rate of pay unless said employee fails to provide at least two weeks written notice in advance of their voluntary termination.

The City's policy regarding sick leave pay permits full-time employees to earn leave days at a rate of 4 hours of sick leave for each complete pay period for total accumulation of 360 hours. Sick leave may be used for sick leave and personal leave. The City does not pay employees for unused sick leave.

D. 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 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.

4. Other information (continued)

D. 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 $42,444 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 $335,230. 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.

F. Subsequent event
Subsequent to December 31, 2025, the City approved equipment and projects totaling $348,475.

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LEOTI, KANSAS
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025

Fund	Certified Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
General	$ 1,538,200	$ 1,535,466	$ (2,734)
Special Purpose Funds:			
Ambulance and Fire Equipment	188,000	-	(188,000)
Opioid Settlement	-	-	-
Special Highway	261,747	-	(261,747)
Business Funds:			
Sanitation Operating	331,000	278,047	(52,953)
Sewer Operating	240,000	228,874	(11,126)
Storm Water Operating	108,289	3,983	(104,306)
Water Operating	1,262,796	1,198,355	(64,441)

CITY OF LEOTI, 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)

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Receipts:				
Ad valorem tax	$ 521,022	$ 566,973	$ 590,914	$ (23,941)
Delinquent tax	7,975	6,318	-	6,318
Motor vehicle tax	107,983	109,790	102,854	6,936
Recreational vehicle tax	1,397	1,376	1,906	(530)
Sales and compensating use tax	213,280	185,403	142,000	43,403
Local alcohol tax	999	848	2,881	(2,033)
Franchise taxes	98,210	108,430	100,000	8,430
Grants	4,414	-	-	-
Contractual	47,160	38,391	44,400	(6,009)
Licenses and permits	6,349	6,008	4,000	2,008
Sale of assets	-	3,206	-	3,206
Fines and forfeitures	4,291	2,751	6,000	(3,249)
Donations	470	-	-	-
Miscellaneous	18,221	31,746	-	31,746
Interest on idle funds	224,315	191,704	20,000	171,704
Transfer from Equipment Reserve	-	88,750	88,750	-
Transfer from Fire Equipment Reserve	-	-	21,908	(21,908)
Transfer from Sanitation Operating	100,000	80,000	80,000	-
Transfer from Sewer Operating	100,000	100,000	100,000	-
Total receipts	1,456,086	1,521,694	$ 1,305,613	$ 216,081
Expenditures:				
General government:				
Personnel	239,141	235,827	$ 355,000	$ (119,173)
Contractual	133,121	191,309	125,000	66,309
Commodities	39,784	63,402	50,000	13,402
Capital outlay	112,500	-	20,000	(20,000)
Total general government	524,546	490,538	550,000	(59,462)
Appropriations:				
Airport	1,400	1,400	1,400	-
Cemetery	1,400	1,400	1,400	-
WCED	42,750	42,750	42,750	-
Golf Course	20,000	20,000	20,000	-
Historical Society	6,500	6,500	6,500	-
Total appropriations	72,050	72,050	72,050	-
Public safety:				
Law enforcement	90,000	90,000	90,000	-

(continued)

CITY OF LEOTI, 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)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
(continued)				
Expenditures: (continued)				
Public safety: (continued)				
Fire department:				
Personnel	$ 9,038	$ 9,043	$ 9,100	$ (57)
Contractual	34,974	33,641	42,200	(8,559)
Commodities	29,513	35,227	52,500	(17,273)
Capital outlay	-	90,685	108,750	(18,065)
Total fire department	73,525	168,596	212,550	(43,954)
Total public safety	163,525	258,596	302,550	(43,954)
Public works:				
Personnel	98,511	120,580	184,000	(63,420)
Contractual	311,777	251,120	225,000	26,120
Commodities	44,038	33,073	45,000	(11,927)
Capital outlay	-	-	80,000	(80,000)
Total public works	454,326	404,773	534,000	(129,227)
Parks:				
Personnel	30,000	30,000	30,000	-
Municipal court:				
Personnel	4,841	4,842	11,000	(6,158)
Contractual	41,910	38,506	38,400	106
Commodities	-	80	200	(120)
Total municipal court	46,751	43,428	49,600	(6,172)
Transfers out:				
Transfer to Capital Improvement General	50,000	95,000	-	95,000
Transfer to Fire Equipment Reserve	39,592	132,704	-	132,704
Transfer to Opioid Settlement	-	8,377	-	8,377
Total transfers out	89,592	236,081	-	236,081
Total expenditures	1,380,790	1,535,466	$ 1,538,200	$ (2,734)
Receipts over (under) expenditures	75,296	(13,772)		
Unencumbered cash, beginning	443,189	518,485		
Unencumbered cash, ending	$ 518,485	$ 504,713		

CITY OF LEOTI, KANSAS
Ambulance and Fire Equipment 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 tax	$ 24,468	$ 14,873	$ 15,482	$ (609)
Delinquent tax	387	270	-	270
Motor vehicle tax	5,056	5,136	4,830	306
Recreational vehicle tax	65	64	90	(26)
Sale of assets	-	6,064	-	6,064
Total receipts	29,976	26,407	$ 20,402	$ 6,005
Expenditures:				
Capital outlay	-	-	$ 188,000	$ (188,000)
Total expenditures	-	-	$ 188,000	$ (188,000)
Receipts over expenditures	29,976	26,407		
Unencumbered cash, beginning	136,909	166,885		
Unencumbered cash, ending	$ 166,885	$ 193,292		

CITY OF LEOTI, KANSAS
Animal Shelter Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Grants	$ 420	$ -
Total receipts	420	-
Expenditures:		
Commodities	-	-
Total expenditures	-	-
Receipts over expenditures	420	-
Unencumbered cash, beginning	-	420
Unencumbered cash, ending	$ 420	$ 420

CITY OF LEOTI, KANSAS
Capital Improvement General Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Transfer from General	$ 50,000	$ 95,000
Total receipts	50,000	95,000
Expenditures:		
Capital outlay	-	-
Total expenditures	-	-
Receipts over expenditures	50,000	95,000
Unencumbered cash, beginning	157,500	207,500
Unencumbered cash, ending	$ 207,500	$ 302,500

CITY OF LEOTI, KANSAS
Equipment Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Transfer from Sanitation Operating	$ -	$ -
Total receipts	-	-
Expenditures:		
Capital outlay	12,300	49,225
Transfer to General	-	88,750
Total expenditures	12,300	137,975
Receipts under expenditures	(12,300)	(137,975)
Unencumbered cash, beginning	869,791	857,491
Unencumbered cash, ending	$ 857,491	$ 719,516

SCHEDULE 2

CITY OF LEOTI, KANSAS
Fire Equipment Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Grants	$ 146,614	$ -
Transfer from General	39,592	132,704
Total receipts	186,206	132,704
Expenditures:		
Capital outlay	-	189,294
Total expenditures	-	189,294
Receipts over (under) expenditures	186,206	(56,590)
Unencumbered cash, beginning	21,908	208,114
Unencumbered cash, ending	$ 208,114	$ 151,524

CITY OF LEOTI, KANSAS
Opioid Settlement 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:				
Intergovernmental revenue	$ -	$ 2,558	$ -	$ 2,558
Transfer from General	-	8,377	-	8,377
Total receipts	-	10,935	$ -	$ 10,935
Expenditures:				
Commodities	-	-	$ -	$ -
Total expenditures	-	-	$ -	$ -
Receipts over expenditures	-	10,935		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	$ -	$ 10,935		

CITY OF LEOTI, KANSAS
Saturday Cinema Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Donations	$ -	$ -
Total receipts	-	-
Expenditures:		
Contractual	1,175	-
Commodities	20	-
Total expenditures	1,195	-
Receipts under expenditures	(1,195)	-
Unencumbered cash, beginning	2,256	1,061
Unencumbered cash, ending	$ 1,061	$ 1,061

CITY OF LEOTI, KANSAS
Sidewalk Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Grants	$ 100,000	$ -
Total receipts	100,000	-
Expenditures:		
Capital outlay	36,728	-
Total expenditures	36,728	-
Receipts over expenditures	63,272	-
Unencumbered cash, beginning	72,728	136,000
Unencumbered cash, ending	$ 136,000	$ 136,000

CITY OF LEOTI, KANSAS
Special Highway 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)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Receipts:				
State payments	$ 38,742	$ 38,632	$ 39,180	$ (548)
Grants	628,768	-	-	-
Total receipts	667,510	38,632	$ 39,180	$ (548)
Expenditures:				
Contractual	120,465	-	$ 261,747	$ (261,747)
Capital outlay	739,727	-	-	-
Total expenditures	860,192	-	$ 261,747	$ (261,747)
Receipts over (under) expenditures	(192,682)	38,632		
Unencumbered cash, beginning	222,688	30,006		
Unencumbered cash, ending	$ 30,006	$ 68,638		

CITY OF LEOTI, KANSAS
Sanitation Operating 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)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Receipts:				
Sanitation collections	$ 274,644	$ 273,030	$ 305,000	$ (31,970)
Penalties	2,597	2,395	-	2,395
Miscellaneous	25	-	-	-
Total receipts	277,266	275,425	$ 305,000	$ (29,575)
Expenditures:				
Personnel	118,468	124,786	$ 121,000	$ 3,786
Contractual	21,970	24,062	25,000	(938)
Commodities	24,489	24,199	30,000	(5,801)
Capital outlay	-	-	50,000	(50,000)
Transfer to General	100,000	80,000	80,000	-
Transfer to Sanitation Reserve	25,000	25,000	25,000	-
Total expenditures	289,927	278,047	$ 331,000	$ (52,953)
Receipts under expenditures	(12,661)	(2,622)		
Unencumbered cash, beginning	71,195	58,534		
Unencumbered cash, ending	$ 58,534	$ 55,912		

CITY OF LEOTI, KANSAS
Sanitation Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Transfer from Sanitation Operating	$ 25,000	$ 25,000
Total receipts	25,000	25,000
Expenditures:		
Capital outlay	-	-
Total expenditures	-	-
Receipts over expenditures	25,000	25,000
Unencumbered cash, beginning	177,112	202,112
Unencumbered cash, ending	$ 202,112	$ 227,112

CITY OF LEOTI, KANSAS
Sewer Operating 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:				
Sewer collections	$ 204,315	$ 201,118	$ 215,000	$ (13,882)
Penalties	1,834	1,677	2,000	(323)
Miscellaneous	-	50		50
Total receipts	206,149	202,845	$ 217,000	$ (14,155)
Expenditures:				
Personnel	58,881	63,576	$ 60,000	$ 3,576
Contractual	42,668	51,419	40,000	11,419
Commodities	7,781	13,879	40,000	(26,121)
Transfer to General	100,000	100,000	100,000	-
Total expenditures	209,330	228,874	$ 240,000	$ (11,126)
Receipts under expenditures	(3,181)	(26,029)		
Unencumbered cash, beginning	55,097	51,916		
Unencumbered cash, ending	$ 51,916	$ 25,887		

CITY OF LEOTI, KANSAS
Sewer Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts:		
Transfer from Water Operating	$ -	$ -
Total receipts	-	-
Expenditures:		
Transfer to Water and Sewer Utility	-	-
Total expenditures	-	-
Receipts over expenditures	-	-
Unencumbered cash, beginning	90,000	90,000
Unencumbered cash, ending	$ 90,000	$ 90,000

CITY OF LEOTI, KANSAS
Storm Water Operating 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:				
Storm water collections	$ 8,725	$ 8,728	$ 10,800	$ (2,072)
Penalties	97	92	100	(8)
Total receipts	8,822	8,820	$ 10,900	$ (2,080)
Expenditures:				
Contractual	1,391	1,308	$ 3,000	$ (1,692)
Commodities	-	2,675	3,000	(325)
Capital outlay	-	-	102,289	(102,289)
Total expenditures	1,391	3,983	$ 108,289	$ (104,306)
Receipts over expenditures	7,431	4,837		
Unencumbered cash, beginning	94,489	101,920		
Unencumbered cash, ending	$ 101,920	$ 106,757		

CITY OF LEOTI, KANSAS
Water Operating 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)

	Prior Year Actual	Current Year Actual	Current Year Budget	Variance Over (Under)
Receipts:				
Water collections	$ 667,783	$ 633,669	$ 675,000	$ (41,331)
Penalties	5,492	5,064	5,000	64
Connection fees	2,650	3,450	1,500	1,950
Coin box sales	4,923	4,001	4,500	(499)
Miscellaneous	19,888	22,137	-	22,137
Total receipts	700,736	668,321	$ 686,000	$ (17,679)
Expenditures:				
Personnel	83,016	111,819	$ 230,000	$ (118,181)
Contractual	157,220	360,236	168,700	191,536
Commodities	38,484	48,376	75,000	(26,624)
Capital outlay	225,314	-	300,000	(300,000)
Debt principal	46,620	47,729	45,372	2,357
Debt interest	31,477	30,195	43,724	(13,529)
Additional debt service	-	400,000	200,000	200,000
Transfer to Water Reserve	200,000	200,000	200,000	-
Total expenditures	782,131	1,198,355	$ 1,262,796	$ (64,441)
Receipts under expenditures	(81,395)	(530,034)		
Unencumbered cash, beginning	961,964	880,569		
Unencumbered cash, ending	$ 880,569	$ 350,535		

CITY OF LEOTI, KANSAS
Water Reserve Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

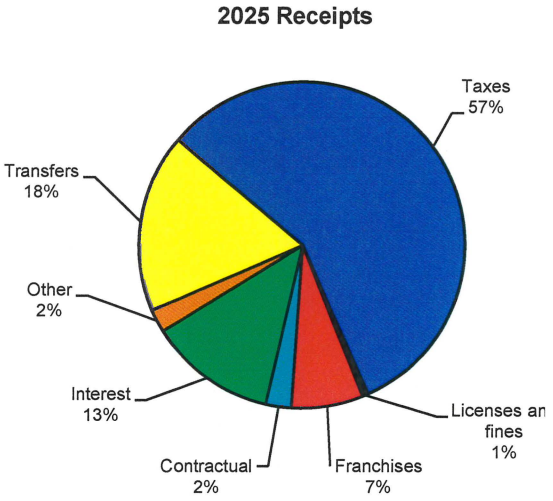
	Prior Year Actual	Current Year Actual
Receipts:		
Transfer from Water Operating	$ 200,000	$ 200,000
Total receipts	200,000	200,000
Expenditures:		
Capital outlay	23,291	-
Total expenditures	23,291	-
Receipts over expenditures	176,709	200,000
Unencumbered cash, beginning	1,370,098	1,546,807
Unencumbered cash, ending	$ 1,546,807	$ 1,746,807

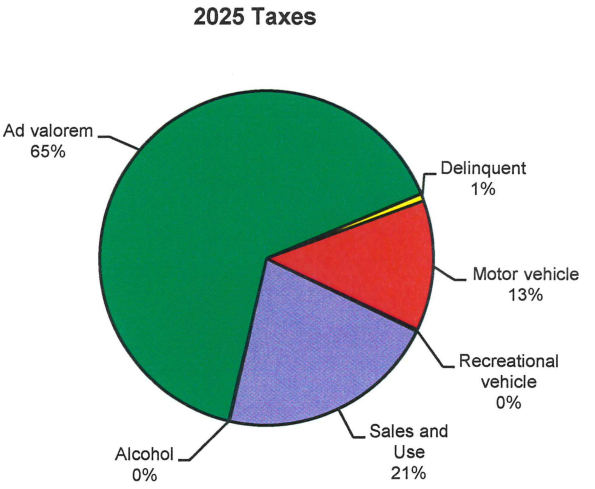
CITY OF LEOTI, KANSAS
Agency Funds
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2025

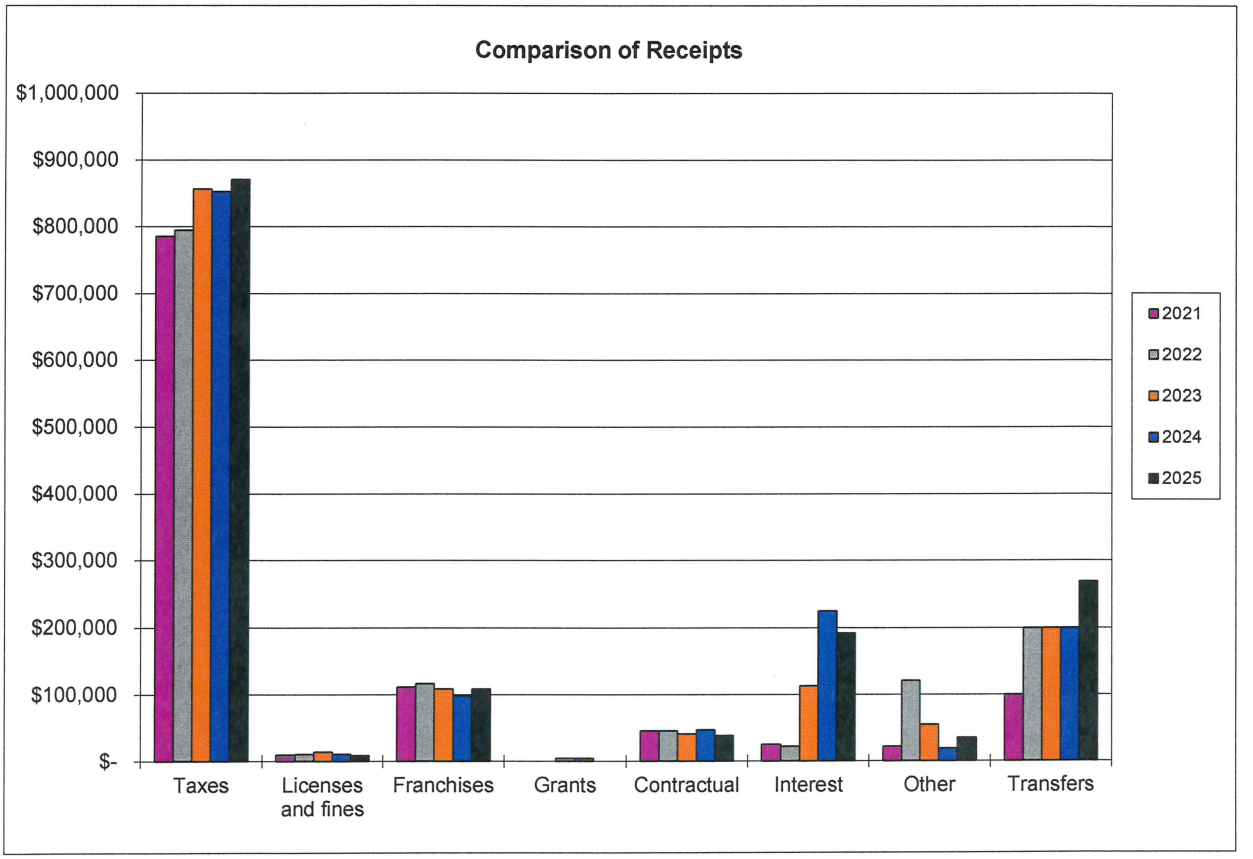
	Cash Balance 1/1/25	Receipts	Disburse-ments	Cash Balance 12/31/25
Agency Funds:				
Landfill	$ 16,340	$ 84,683	$ 84,003	$ 17,020
Total Agency Funds	$ 16,340	$ 84,683	$ 84,003	$ 17,020

OTHER INFORMATION

CITY OF LEOTI, KANSAS
Receipts - General Fund
Regulatory Basis
For the Year Ended December 31

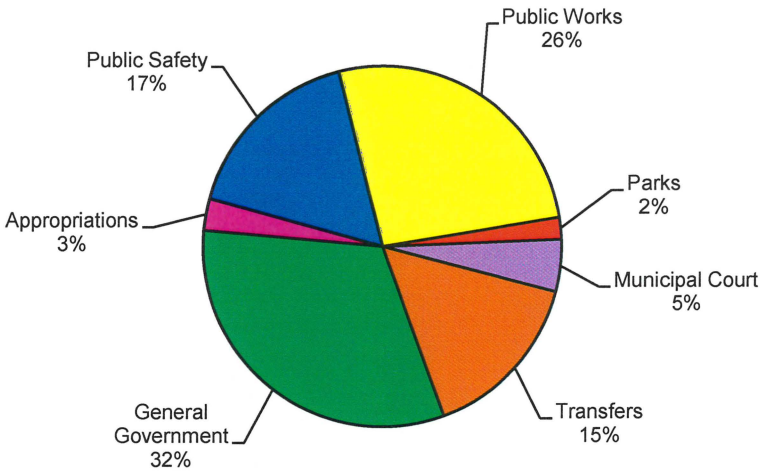


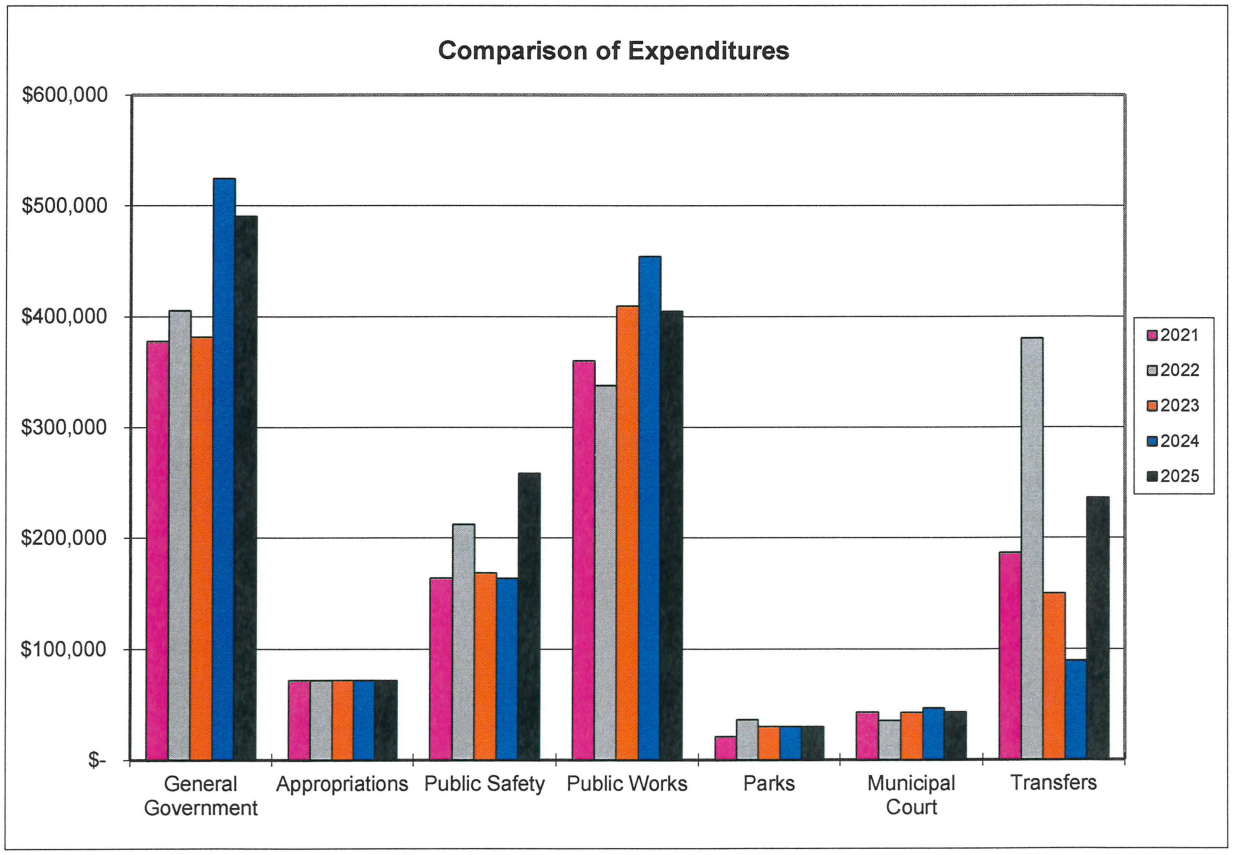




CITY OF LEOTI, KANSAS
Expenditures - General Fund
Regulatory Basis
For the Year Ended December 31

2025 Expenditures





CITY OF LEOTI, KANSAS
Comparison of Receipts and Expenditures - General Fund
Regulatory Basis
For the Year Ended December 31

