# CITY OF MONTEZUMA, KANSAS

# FINANCIAL STATEMENT
# with
# INDEPENDENT AUDITOR'S REPORT

# YEAR ENDED DECEMBER 31, 2025

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Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308
www.kmc-cpa.com

PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA
JEREMY J. APPEL, CPA

# INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
Montezuma, Kansas

## *Adverse and Unmodified Opinions*

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

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Montezuma, Kansas, as of December 31, 2025, or changes in financial position and cash flows thereof for the year then ended.

*Unmodified Opinion on Regulatory Basis of Accounting*

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of the City of Montezuma, Kansas, as of December 31, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

## *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 of Montezuma, Kansas 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 A of the financial statement, the financial statement is prepared by the City of Montezuma, Kansas 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 A and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note A; 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, which raise substantial doubt about the City of Montezuma, Kansas' 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 judgement 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 of Montezuma, Kansas' 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 of Montezuma, Kansas' ability to continue as a going concern for a reasonable period of time.

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *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 A.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Montezuma, Kansas as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated July 31, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the website of the Kansas Department of Administration at the following link: https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures 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 basic financial statement. Such 2024 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 basic financial statement or to the 2024 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2024 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2024, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

July 31, 2026

## CITY OF MONTEZUMA, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
REGULATORY BASIS

For the Year Ended December 31, 2025

| Fund | Beginning unencumbered cash balance | Prior year canceled encumbrances |
|---|---|---|
| General fund: | | |
| General | $ 283,526 | $ - |
| Special purpose funds: | | |
| Special highway | 48,015 | - |
| PBC sales tax | 1,001,245 | - |
| Special street equipment | 22,095 | - |
| Capital improvement | 947,322 | - |
| Walking trail | 26,136 | - |
| Donations | 1,486 | - |
| Fire department donations | 3,050 | - |
| Total special purpose funds | 2,049,349 | - |
| Bond and interest fund: | | |
| PBC bond reserve | 315,000 | - |
| Business funds: | | |
| Electric utility | 71,189 | - |
| Water - sewer utility | 424,900 | - |
| Trash utility | 50,364 | - |
| Total business funds | 546,453 | - |
| Total City of Montezuma | $ 3,194,328 | $ - |
| Composition of cash: | | |
| Checking account | | |
| Sweep account | | |
| PBC checking account | | |
| PBC sweep account | | |
| Total City of Montezuma | | |

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

STATEMENT 1

| Receipts | Expenditures | Ending unencumbered cash balance | Add encumbrances and accounts payable | Ending cash balance |
|---|---|---|---|---|
| $ 621,708 | $ 681,500 | $ 223,734 | $ 3,538 | $ 227,272 |
| 27,820 | 27,781 | 48,054 | - | 48,054 |
| 565,845 | 251,029 | 1,316,061 | - | 1,316,061 |
| 6,666 | 10,075 | 18,686 | 69 | 18,755 |
| 241,334 | 198,255 | 990,401 | - | 990,401 |
| - | 3,872 | 22,264 | - | 22,264 |
| - | - | 1,486 | - | 1,486 |
| 3,350 | 3,133 | 3,267 | 1,248 | 4,515 |
| 845,015 | 494,145 | 2,400,219 | 1,317 | 2,401,536 |
| - | - | 315,000 | - | 315,000 |
| 1,311,403 | 1,382,592 | - | 68,803 | 68,803 |
| 461,518 | 469,992 | 416,426 | 13,782 | 430,208 |
| 207,490 | 210,672 | 47,182 | 12,549 | 59,731 |
| 1,980,411 | 2,063,256 | 463,608 | 95,134 | 558,742 |
| $ 3,447,134 | $ 3,238,901 | $ 3,402,561 | $ 99,989 | $ 3,502,550 |

| | |
|---|---|
| | $ 98,044 |
| | 3,089,506 |
| | 100,000 |
| | 215,000 |
| | $ 3,502,550 |

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies applied in the preparation of the accompanying financial statement is presented to assist in understanding the City's financial statement. The financial statement, schedules, and notes are representations of the City's management, which is responsible for their integrity and objectivity.

1. Municipal Financial Reporting Entity

   The City of Montezuma is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Montezuma (the municipality) and the Public Building Commission (part of the municipality). The Public Building Commission is included in the City's reporting entity because it was established to benefit the City and/or its constituents.

   **Public Building Commission.** The Commission was authorized by City Ordinance No. 429, pursuant to K.S.A. 12-1757 et. seq., and all amendments thereto, establishing the composition thereof and purpose for which established.

2. Basis of Presentation – Fund Accounting

   The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

   The following types of funds comprise the financial activities of the City for the year ended December 31, 2025:

   REGULATORY BASIS FUND TYPES

   General fund – the chief operating 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, etc.) and payment of general long-term debt.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

4. 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:

a. Preparation of the budget for the succeeding calendar year on or before August 1st.

b. Publication in the official newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.

c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

d. Adoption of the final budget on or before August 25th.

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at that time. There were no such budget amendments for this year.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary Information (Continued)

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 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 the Special Street Equipment, Capital Improvement, Walking Trail, Donations, Fire Department Donations, and PBC Bond Reserve 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.

B. 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 to 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. Effective January 1, 2026, K.S.A. 9-1402 authorizes financial institutions to secure deposits of public moneys of governmental units through the Kansas Collateral Pool (public moneys pooled method as defined by 2025 Senate Substitute for House Bill 2152). The City has no other policies that would further limit interest rate risk.

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

*Custodial credit risk – deposits*. Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2025.

At December 31, 2025, the City's carrying amount of deposits was $3,502,550 and the bank balance was $3,559,761, all of which was covered by federal depository insurance.

C. LONG-TERM DEBT

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

| Issue | Balance beginning of year | Additions | Reductions/ payments | Balance end of year | Interest paid |
|---|---|---|---|---|---|
| Revenue bonds: | | | | | |
| Public Building Commission | | | | | |
| Issued January 24, 2019 | | | | | |
| In the amount of $3,150,000 | | | | | |
| At interest rates of 2.0%-4.4% | | | | | |
| Maturing July 1, 2039 | $2,605,000 | $ - | $ 130,000 | $2,475,000 | $ 103,850 |
| Weather event loan: | | | | | |
| Kansas State Treasurer | | | | | |
| Issued March 26, 2021 | | | | | |
| In the amount of $200,000 | | | | | |
| At interest rates of 0.25%-2.81% | | | | | |
| Maturing January 1, 2031 | 123,444 | - | 19,500 | 103,944 | 2,526 |
| Total contractual indebtedness | $2,728,444 | $ - | $ 149,500 | $2,578,944 | $ 106,376 |

Current maturities of revenue bonds and interest for the next five years and through maturity are as follows:

| | Principal due | Interest due | Total due |
|---|---|---|---|
| 2026 | $ 135,000 | $ 99,740 | $ 234,740 |
| 2027 | 140,000 | 95,200 | 235,200 |
| 2028 | 145,000 | 90,283 | 235,283 |
| 2029 | 150,000 | 84,745 | 234,745 |
| 2030 | 155,000 | 78,645 | 233,645 |
| 2031-2035 | 890,000 | 288,060 | 1,178,060 |
| 2036-2039 | 860,000 | 77,880 | 937,880 |
| Total | $ 2,475,000 | $ 814,553 | $ 3,289,553 |

Current maturities of the weather event loan and interest through maturity are as follows:

| | Principal due | Interest due | Total due |
|---|---|---|---|
| 2026 | $ 19,708 | $ 2,793 | $ 22,501 |
| 2027 | 20,266 | 2,235 | 22,501 |
| 2028 | 20,839 | 1,662 | 22,501 |
| 2029 | 21,429 | 1,072 | 22,501 |
| 2030 | 21,702 | 465 | 22,167 |
| Total | $ 103,944 | $ 8,227 | $ 112,171 |

D. INTERFUND TRANSFERS

A summary of interfund transfers by type is as follows:

| From | To | Regulatory authority | Amount |
|---|---|---|---|
| Operating transfers: | | | |
| Electric Utility | General | K.S.A. 12-825d | $ 116,147 |
| Water-Sewer Utility | General | K.S.A. 12-825d | 25,000 |
| Trash Utility | General | K.S.A. 12-825d | 25,000 |
| Special Highway | Special Street Equipment | K.S.A. 68-141g | 6,666 |
| Water-Sewer Utility | Capital Improvement | K.S.A. 12-825d | 150,000 |
| Electric Utility | Capital Improvement | K.S.A. 12-825d | 25,000 |
| Trash Utility | Capital Improvement | K.S.A. 12-825d | 25,000 |
| | | | $ 372,813 |

E. 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. 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 the 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 was set at 1% and contributions were $4,912 for the year ended December 31, 2025.

*Deferred compensation plan*. The City offers employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457.

*Compensated absences*. The City's compensated absence policy permits employees to earn ten vacation days after one year of service and fifteen days after ten years of service plus one day for each additional year of service after ten years. The City's policy does not allow employees to carryover accumulated vacation past their anniversary date unless approved. Unused vacation is paid upon termination or resignation.

Sick leave is accumulated at the rate of one-half day per month for eligible employees. The maximum number of days eligible to be carried over to a subsequent year is unlimited. Unused sick leave is not paid upon termination or resignation. The City's policy is to recognize the costs of compensated absences when actually paid.

## F. DEFINED BENEFIT PENSION PLAN

General Information About the Pension Plan

*Plan description.* The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kspers.gov or by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Contributions*. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by the City 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 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 $47,692 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 $404,016. 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 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.

## G. RELATED PARTIES

For the year ended December 31, 2025, the City transacted business with Stanley Construction Inc. in the amounts of $43,746. The owner of Stanley Construction Inc. serves on the City Council.

## H. 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 participating members.

The City pays an annual premium to KMIT for workers' compensation insurance coverage. The agreement to participate provides that the KMIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $500,000 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, including property, liability, and fidelity bonds. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there have been no significant reductions in coverage.

## I. CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception as of December 31, 2025 are as follows:

| | Project authorization | Cash disbursements and accounts payable to date |
|---|---|---|
| Fire shed | $ 72,035 | $ 49,635 |

## J. SUBSEQUENT EVENTS

The City has evaluated events subsequent to year end through July 31, 2026 and does not believe any events have occurred which affect the financial statement as presented.

# REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

# CITY OF MONTEZUMA, KANSAS

## SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
## REGULATORY BASIS

For the Year Ended December 31, 2025

| Fund | Certified budget | Adjustment for qualifying budget credits | Total budget for comparison | Expenditures chargeable to current year | Variance favorable (unfavorable) |
|---|---|---|---|---|---|
| General fund: | | | | | |
| General | $ 681,500 | $ - | $ 681,500 | $ 681,500 | $ - |
| Special purpose funds: | | | | | |
| Special highway | 74,520 | - | 74,520 | 27,781 | 46,739 |
| PBC sales tax | 636,350 | - | 636,350 | 251,029 | 385,321 |
| Business funds: | | | | | |
| Electric utility | 1,428,252 | - | 1,428,252 | 1,382,592 | 45,660 |
| Water - sewer utility | 615,000 | - | 615,000 | 469,992 | 145,008 |
| Trash utility | 212,500 | - | 212,500 | 210,672 | 1,828 |
| | $ 3,648,122 | $ - | $ 3,648,122 | $ 3,023,566 | $ 624,556 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Receipts: | | | | |
| Taxes and shared revenue: | | | | |
| Ad valorem property tax | $ 184,897 | $ 194,404 | $ 197,443 | $ (3,039) |
| Delinquent tax | 813 | 2,140 | - | 2,140 |
| Motor vehicle tax | 21,218 | 24,635 | 24,093 | 542 |
| Recreational vehicle tax | 462 | 444 | 545 | (101) |
| 16/20M truck tax | 89 | 65 | 99 | (34) |
| Commercial vehicle tax | 960 | 1,094 | 1,135 | (41) |
| Local sales tax | 128,634 | 134,217 | 90,000 | 44,217 |
| Airport income | 15,932 | 15,188 | 6,500 | 8,688 |
| Fines | 2,770 | 1,421 | 1,000 | 421 |
| Fire department | 14,800 | 15,932 | 6,000 | 9,932 |
| Community building | 37,839 | 34,063 | 25,000 | 9,063 |
| Franchise fees | 22,537 | 27,229 | 18,000 | 9,229 |
| Licenses and fees | 1,135 | 406 | 200 | 206 |
| RV park income | 8,562 | 6,235 | 5,000 | 1,235 |
| Miscellaneous | 19,022 | 9,857 | - | 9,857 |
| Operating transfers in | 200,000 | 166,147 | 200,000 | (33,853) |
| Neighborhood revitalization | (11,078) | (11,769) | (11,065) | (704) |
| Total receipts | 648,592 | 621,708 | $ 563,950 | $ 57,758 |
| Expenditures: | | | | |
| General government: | | | | |
| Personal services | 124,391 | 165,498 | $ 143,000 | $ (22,498) |
| Contractual services | 71,736 | 92,550 | 85,000 | (7,550) |
| Commodities | 29,702 | 44,593 | 30,000 | (14,593) |
| Subtotal | 225,829 | 302,641 | 258,000 | (44,641) |
| Employee benefits: | | | | |
| FICA | 32,588 | 34,579 | 36,000 | 1,421 |
| KPERS | 48,438 | 52,503 | 50,000 | (2,503) |
| Medicare | 7,622 | 8,087 | 10,000 | 1,913 |
| Workmen's compensation | 16,734 | 8,872 | 12,000 | 3,128 |
| Subtotal | 105,382 | 104,041 | 108,000 | 3,959 |
| Fire department: | | | | |
| Personal services | 4,050 | 2,040 | 6,000 | 3,960 |
| Contractual services | 821 | 493 | 2,000 | 1,507 |
| Commodities | 558 | 3,539 | 2,000 | (1,539) |
| Capital outlay | 14,521 | 8,638 | 10,000 | 1,362 |
| Subtotal | 19,950 | 14,710 | 20,000 | 5,290 |

**CITY OF MONTEZUMA, 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Expenditures (continued): | | | | |
| Noxious weed department: | | | | |
| Commodities | $ 18,533 | $ 14,886 | $ 25,000 | $ 10,114 |
| Police department: | | | | |
| Personal services | 23,155 | 25,350 | 26,000 | 650 |
| Contractual services | 647 | 151 | 1,000 | 849 |
| Commodities | (2,850) | 2,865 | 2,500 | (365) |
| Subtotal | 20,952 | 28,366 | 29,500 | 1,134 |
| Street department: | | | | |
| Contractual services | 41,745 | 91,688 | - | (91,688) |
| Commodities | 13,995 | 6,520 | 80,000 | 73,480 |
| Subtotal | 55,740 | 98,208 | 80,000 | (18,208) |
| Golf course: | | | | |
| Personal services | 46,334 | 43,236 | 50,000 | 6,764 |
| Contractual services | 66,118 | 57,048 | 65,000 | 7,952 |
| Subtotal | 112,452 | 100,284 | 115,000 | 14,716 |
| Swimming pool | 6,787 | 7,035 | 20,000 | 12,965 |
| Airport | 4,705 | 6,468 | 10,000 | 3,532 |
| City beautification | 683 | 817 | 5,000 | 4,183 |
| RV park expense | 1,904 | 1,569 | 5,000 | 3,431 |
| ADA van | - | - | 1,000 | 1,000 |
| Community building | 560 | 2,475 | 5,000 | 2,525 |
| Total expenditures | 573,477 | 681,500 | $ 681,500 | $ - |
| Receipts over (under) expenditures | 75,115 | (59,792) | | |
| Unencumbered cash, beginning of year | 208,411 | 283,526 | $ 117,550 | $ 165,976 |
| Unencumbered cash, end of year | $ 283,526 | $ 223,734 | | |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Receipts: | | | | |
| State of Kansas gas tax | $ 26,556 | $ 26,663 | $ 26,080 | $ 583 |
| Miscellaneous | - | 1,157 | - | 1,157 |
| Total receipts | 26,556 | 27,820 | $ 26,080 | $ 1,740 |
| Expenditures: | | | | |
| Street repair and maintenance | 49,472 | 21,115 | $ 68,000 | $ 46,885 |
| Operating transfers out | 6,528 | 6,666 | 6,520 | (146) |
| Total expenditures | 56,000 | 27,781 | $ 74,520 | $ 46,739 |
| Receipts over (under) expenditures | (29,444) | 39 | | |
| Unencumbered cash, beginning of year | 77,459 | 48,015 | $ 48,440 | $ (425) |
| Unencumbered cash, end of year | $ 48,015 | $ 48,054 | | |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## PBC SALES TAX 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Receipts: | | | | |
| Local sales tax | $ 579,462 | $ 565,845 | $ 450,000 | $ 115,845 |
| Expenditures: | | | | |
| Debt service: | | | | |
| Principal | 125,000 | 130,000 | $ 130,000 | $ - |
| Interest | 107,550 | 103,850 | 103,850 | - |
| Commissions and postage | 1,500 | - | 2,500 | 2,500 |
| Capital outlay | 68,972 | 17,179 | 400,000 | 382,821 |
| Total expenditures | 303,022 | 251,029 | $ 636,350 | $ 385,321 |
| Receipts over (under) expenditures | 276,440 | 314,816 | | |
| Unencumbered cash, beginning of year | 724,805 | 1,001,245 | $ 656,350 | $ 344,895 |
| Unencumbered cash, end of year | $ 1,001,245 | $ 1,316,061 | $ 470,000 | $ 846,061 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## SPECIAL STREET EQUIPMENT 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)

| | 2024 | 2025 |
|---|---|---|
| Receipts: | | |
| Sale of equipment | $ 780 | $ - |
| Operating transfers in | 6,528 | 6,666 |
| Total receipts | 7,308 | 6,666 |
| Expenditures: | | |
| Capital outlay | 20,350 | 10,075 |
| Receipts over (under) expenditures | (13,042) | (3,409) |
| Unencumbered cash, beginning of year | 35,137 | 22,095 |
| Unencumbered cash, end of year | $ 22,095 | $ 18,686 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## CAPITAL IMPROVEMENT 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)

| | 2024 | 2025 |
|---|---|---|
| Receipts: | | |
| Interest and assessments | $ 62,792 | $ 38,649 |
| Street assessments | 2,462 | 885 |
| State aid | 792,700 | - |
| Miscellaneous | - | 1,800 |
| Operating transfers in | 50,000 | 200,000 |
| Total receipts | 907,954 | 241,334 |
| Expenditures: | | |
| General government | 850,802 | 69,175 |
| Culture and recreation | 25,927 | 129,080 |
| Total expenditures | 876,729 | 198,255 |
| Receipts over (under) expenditures | 31,225 | 43,079 |
| Unencumbered cash, beginning of year | 916,097 | 947,322 |
| Unencumbered cash, end of year | $ 947,322 | $ 990,401 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## WALKING TRAIL 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)

| | 2024 | 2025 |
|---|---|---|
| Receipts: | | |
| Federal aid | $ 186,400 | $ - |
| Expenditures: | | |
| Capital outlay | 250,570 | 3,872 |
| Receipts over (under) expenditures | (64,170) | (3,872) |
| Unencumbered cash, beginning of year | 90,306 | 26,136 |
| Unencumbered cash, end of year | $ 26,136 | $ 22,264 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## DONATIONS 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)

| | 2024 | 2025 |
|---|---|---|
| Receipts: | | |
| Donations | $ - | $ - |
| Expenditures: | | |
| Capital outlay | - | - |
| Receipts over (under) expenditures | - | - |
| Unencumbered cash, beginning of year | 1,486 | 1,486 |
| Unencumbered cash, end of year | $ 1,486 | $ 1,486 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## FIRE DEPARTMENT DONATIONS 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)

| | 2024 | 2025 |
|---|---|---|
| Receipts: | | |
| Donations | $ 2,220 | $ 3,350 |
| Expenditures: | | |
| Capital outlay | - | 3,133 |
| Receipts over (under) expenditures | 2,220 | 217 |
| Unencumbered cash, beginning of year | 830 | 3,050 |
| Unencumbered cash, end of year | $ 3,050 | $ 3,267 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## PBC BOND 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)

| | 2024 | 2025 |
|---|---|---|
| Receipts | $ - | $ - |
| Expenditures | - | - |
| Receipts over (under) expenditures | - | - |
| Unencumbered cash, beginning of year | 315,000 | 315,000 |
| Unencumbered cash, end of year | $ 315,000 | $ 315,000 |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## ELECTRIC UTILITY 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Receipts: | | | | |
| Charges for services | $ 1,250,540 | $ 1,307,605 | $ 1,300,000 | $ 7,605 |
| Miscellaneous | 265 | 3,798 | - | 3,798 |
| Total receipts | 1,250,805 | 1,311,403 | $ 1,300,000 | $ 11,403 |
| Expenditures: | | | | |
| Administrative and general | 25,435 | 26,586 | $ 20,000 | $ (6,586) |
| Distribution | 57,248 | 122,507 | 75,000 | (47,507) |
| Non-operating | - | - | 20,000 | 20,000 |
| Personal services | 164,865 | 161,140 | 200,000 | 38,860 |
| Employee benefits | 168,079 | 172,175 | 150,000 | (22,175) |
| Production | 604,757 | 674,607 | 650,000 | (24,607) |
| Sales tax | 62,496 | 62,229 | 68,000 | 5,771 |
| Miscellaneous | 573 | 175 | - | (175) |
| Operating transfers out | 150,000 | 141,147 | 225,000 | 83,853 |
| Debt service: | | | | |
| Principal | 18,639 | 19,500 | 19,963 | 463 |
| Interest | 3,863 | 2,526 | 289 | (2,237) |
| Total expenditures | 1,255,955 | 1,382,592 | $ 1,428,252 | $ 45,660 |
| Receipts over (under) expenditures | (5,150) | (71,189) | | |
| Unencumbered cash, beginning of year | 76,339 | 71,189 | $ 128,252 | $ (57,063) |
| Unencumbered cash, end of year | $ 71,189 | $ - | | |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## WATER - SEWER UTILITY 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Receipts: | | | | |
| Charges for services | $ 448,747 | $ 448,377 | $ 380,000 | $ 68,377 |
| Reimbursements | 36 | - | - | - |
| Sale of equipment | - | 13,000 | - | 13,000 |
| Miscellaneous | 3,102 | 141 | - | 141 |
| Total receipts | 451,885 | 461,518 | $ 380,000 | $ 81,518 |
| Expenditures: | | | | |
| Administrative and general | 2,158 | 2,670 | $ 5,000 | $ 2,330 |
| Production | 27,986 | 28,441 | 35,000 | 6,559 |
| Distribution | 94,520 | 100,198 | 130,000 | 29,802 |
| Personal services | 162,828 | 160,469 | 200,000 | 39,531 |
| Non-operating | 2,177 | 3,214 | 20,000 | 16,786 |
| Capital outlay | - | - | 50,000 | 50,000 |
| Operating transfers out | 75,000 | 175,000 | 175,000 | - |
| Total expenditures | 364,669 | 469,992 | $ 615,000 | $ 145,008 |
| Receipts over (under) expenditures | 87,216 | (8,474) | | |
| Unencumbered cash, beginning of year | 337,684 | 424,900 | $ 235,000 | $ 189,900 |
| Unencumbered cash, end of year | $ 424,900 | $ 416,426 | | |

See Independent Auditor's Report.

# CITY OF MONTEZUMA, KANSAS

## TRASH UTILITY 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)

| | | 2025 | | |
|---|---|---|---|---|
| | 2024 | Actual | Budget | Variance favorable (unfavorable) |
| Receipts: | | | | |
| Charges for services | $ 127,908 | $ 135,274 | $ 110,000 | $ 25,274 |
| County fees | 65,612 | 72,216 | 70,000 | 2,216 |
| Total receipts | 193,520 | 207,490 | $ 180,000 | $ 27,490 |
| Expenditures: | | | | |
| Contractual services | 123,686 | 125,079 | $ 120,000 | $ (5,079) |
| County fees | 29,963 | 35,593 | 37,500 | 1,907 |
| Other | - | - | 5,000 | 5,000 |
| Operating transfers out | 25,000 | 50,000 | 50,000 | - |
| Total expenditures | 178,649 | 210,672 | $ 212,500 | $ 1,828 |
| Receipts over (under) expenditures | 14,871 | (3,182) | | |
| Unencumbered cash, beginning of year | 35,493 | 50,364 | $ 32,500 | $ 17,864 |
| Unencumbered cash, end of year | $ 50,364 | $ 47,182 | | |

See Independent Auditor's Report.