SWINDOLL JANZEN HAWK & LOYD, LLC

Certified Public Accountants

CITY OF TONGANOXIE, KANSAS

FINANCIAL STATEMENT

YEAR ENDED DECEMBER 31, 2025

CITY OF TONGANOXIE, KANSAS
FINANCIAL STATEMENT
REGULATORY BASIS
Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council
City of Tonganoxie, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Tonganoxie, Kansas (the City) 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 as of December 31, 2025, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG) described in Note 2.

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 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 adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 2 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the KMAAG, 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 2 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 KMAAG as described in Note 2; this includes determining that the regulatory basis of accounting is an acceptable basis

for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern within one year after the date that the financial statement is issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash (the financial statement) as a whole. The schedules listed under supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statement, however, 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 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 financial statement as a whole, on the basis of accounting described in Note 2.

Swindoll, Janzen, Hawk & Loyd, LLC

August 6, 2026
Topeka, Kansas

CITY OF TONGANOXIE, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH
REGULATORY BASIS
Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental type funds:							
General fund:							
General	$ 2,249,977	$ -	$ 4,929,198	$ 4,897,035	$ 2,282,140	$ 75	$ 2,282,215
Special purpose funds:							
Special parks and recreation	23,463	-	8,754	450	31,767	-	31,767
Special highway	579,716	-	578,302	173,250	984,768	-	984,768
Library operations	15,785	-	611,085	612,581	14,289	-	14,289
Transient guest tax	11,492	-	2,598	-	14,090	-	14,090
Police equipment reserve	68,167	-	32,070	35,252	64,985	-	64,985
Fire equipment reserve	297,823	-	113,627	84,188	327,262	-	327,262
Infrastructure sales tax	1,261,617	-	784,342	1,134,350	911,609	-	911,609
Debt proceeds	641,374	-	175,751	817,125	-	-	-
Gallagher Park	19,333	-	-	-	19,333	-	19,333
Festival/Event	3,678	-	-	279	3,399	-	3,399
Industrial Park development	640,636	-	88,000	11,666	716,970	-	716,970
Rural housing incentive district	684	-	21,801	21,583	902	-	902
Rural housing incentive district 2	510	-	102,705	101,678	1,537	-	1,537
American Rescue Plan Act grant	-	-	-	-	-	347,725	347,725
Opioid addiction	34,966	-	8,332	19,499	23,799	-	23,799
Special alcohol and drug	1,290	-	8,753	-	10,043	-	10,043
Bond and interest fund:							
Bond and interest	241,952	-	812,443	804,229	250,166	-	250,166
Capital projects funds:							
Capital projects	2,171,526	-	1,351,501	2,658,384	864,643	40,000	904,643
Capital reserve	915	-	-	-	915	-	915
Business funds:							
Water operations	1,015,160	-	2,158,685	2,089,196	1,084,649	1,268	1,085,917
Water capital improvement	390,709	-	201,591	179,526	412,774	-	412,774
Sewer operations	699,323	-	1,391,059	1,311,918	778,464	49,746	828,210
Sewer capital improvement	435,914	-	200,484	279,264	357,134	127,892	485,026
Sanitation	342,252	-	470,100	465,406	346,946	-	346,946
Storm water	140,795	-	50,429	87,098	104,126	-	104,126
Total reporting entity (excluding agency funds)	$ 11,289,057	$ -	$ 14,101,610	$ 15,783,957	$ 9,606,710	$ 566,706	$ 10,173,416

Composition of cash	
General checking	$ 8,620,582
Certificate of deposit	63,935
Kansas Municipal Investment Pool	1,567,612
Total cash	10,252,129
Agency funds per Schedule 4	(78,713)
Total reporting entity (excluding agency funds)	$ 10,173,416

See accompanying notes to financial statement.

1 - Municipal Financial Reporting Entity

The City of Tonganoxie, Kansas (the City) is a municipal corporation governed by an elected mayor and five-member council. The financial statement presents the City as the primary government and excludes all related municipal entities for which the City appointed a voting majority of the entity's board and the City is either able to impose its will on the entity or a financial benefit or burden relationship exists. The financial statement of the City consists only of the funds of the primary government.

The Tonganoxie Public Library (the Library) serves the citizens within the City's jurisdiction. Acquisition or disposition of real property by the Library must be approved by the City. Bond issues must be approved by the City. The Library is not included in the report of the primary government. Financial statements for the Library may be obtained at the Library's office located at 217 E. 4th Street, Tonganoxie, Kansas.

2 - Summary of Significant Accounting Policies

(a) 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.

(b) 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 regulatory basis fund types comprise the financial activities of the City for the year ended December 31, 2025:

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 regulatory receipt sources (other than capital projects and tax levies for long-term debt) that are intended for specified purposes.

Bond and interest fund - used to account for the accumulation of resources, including tax levies, transfers from other funds, and payment of general long-term debt.

Capital projects funds - used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds - financed in whole or in part by fees charged to users of the goods or services.

Agency funds - used to report assets held by the City in a purely custodial capacity.

(c) 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), the bond and interest fund, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City did hold a revenue neutral rate hearing for this budget year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at that time. The Water Operations and Sewer Operations Funds were amended in the current year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for the capital project funds, agency funds, or the following special purpose and business funds:

Police Equipment Reserve Fund
Fire Equipment Reserve Fund
Rural Housing Incentive District Fund
Rural Housing Incentive District 2 Fund

Infrastructure Sales Tax Fund	American Rescue Plan Act Grant Fund
Debt Proceeds Fund	Opioid Addiction Fund
Gallagher Park Fund	Special Alcohol & Drug Fund
Festival/Event Fund	Water Capital Improvement Fund
Industrial Park Development Fund	Sewer Capital Improvement Fund

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

(d) Annual Personal and Sick Leave Benefits

It is the City's policy to permit employees to earn non-cumulative vacation at different intervals based on length of service. The liability for compensated vacation time at December 31, 2025 is approximately $ 201,000. Sick leave accrues at 12 days per year and accumulates to a maximum of 90 days. Floating holiday is 8 hours of vacation pay per year that is assigned January 1 to all full-time employees with a use it or lose it policy over the year.

(e)Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase.

(f) Use of Estimates

The preparation of the financial statement in compliance with the regulatory basis requires management to make estimates and assumptions that affect the reported amounts of encumbrances at the date of the financial statement and the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

3 - Deposits and Investments

Deposits. 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 bank to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

Investments. 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 (KMIP). The City has no investment policy that would further limit its investment choices.

At December 31, 2025, the City had the following investments:

Investment Type	Cost	Rating	Investment Maturities (in Years)
Kansas Municipal Investment Pool	$ 1,567,612	Not Rated	Less than a year

The KMIP is under the oversight of the Pooled Money Investment Board (the Board). The Board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The City's investment in the KMIP was not rated by a rating agency as of December 31, 2025.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's investments were composed of KMIP deposits as of December 31, 2025.

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. Kansas statutes require the 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.

At December 31, 2025, the City's carrying amount of deposits was $ 8,684,517, and the bank balance was $ 8,750,881. Of the bank balance, $ 250,000 was covered by federal depository insurance, and the remaining $ 8,500,881 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial credit risk - investments. For an investment, this 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. At December 31, 2025, the City's investments were not exposed to custodial credit risk.

4 - Long-Term Debt

The City issues general obligation bonds and temporary notes to provide funds for the acquisition and construction of major capital facilities. The City has entered into lease agreements as the lessee for financing the acquisition of equipment.

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

Long-Term Debt	Interest Rates	Date of Issue	Date of Final Maturity	Original Amount Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Refundings	Balance End of Year	Interest Paid
General obligation bonds:										
Series 2013B	2.00% - 2.70%	1/29/2013	8/1/2031	$ 6,355,000	$ 1,490,000	$ -	$ (600,000)	$ -	$ 890,000	$ 34,278
Series 2017A	3.00%	11/21/2017	9/1/2029	1,860,000	470,000	-	(90,000)	-	380,000	14,100
Series 2018A	3.00% - 4.00%	4/19/2018	9/1/2038	3,660,000	2,805,000	-	(160,000)	-	2,645,000	101,850
Series 2022A	1.80% - 2.00%	2/28/2022	9/1/2032	1,015,000	825,000	-	(95,000)	-	730,000	16,170
Series 2022B	2.00% - 2.60%	3/3/2022	9/1/2033	1,155,000	965,000	-	(100,000)	-	865,000	21,635
Total general obligation bonds					$ 6,555,000	$ -	$ (1,045,000)	$ -	$ 5,510,000	$ 188,033
Temporary notes:										
Series 2023A	2.95%	2/28/2023	3/1/2025	$ 2,380,000	$ 2,380,000	$ -	$ (2,380,000)	$ -	$ -	$ 35,105
Finance leases:										
Police department and city hall	2.44%	2/2/2016	9/1/2035	$ 1,100,000	$ 674,692	$ -	$ (52,814)	$ -	$ 621,878	$ 16,462
Pierce fire truck	2.99%	12/14/2018	9/1/2028	300,449	130,117	-	(31,040)	-	99,077	3,652
Street sweeper	1.50%	6/1/2020	4/1/2030	209,888	118,397	-	(20,907)	-	97,490	1,706
Total finance leases					$ 923,206	$ -	$ (104,761)	$ -	$ 818,445	$ 21,820

Annual debt service requirements to maturity for the general obligation bonds, temporary note and finance leases are as follows:

	2026	2027	2028	2029	2030	2031-2035	2036-2040	Total
Principal:								
General obligation bonds:								
Series 2013B	$ 155,000	$ 160,000	$ 160,000	$ 165,000	$ 125,000	$ 125,000	$ -	$ 890,000
Series 2017A	95,000	90,000	95,000	100,000	-	-	-	380,000
Series 2018A	165,000	170,000	175,000	180,000	185,000	1,040,000	730,000	2,645,000
Series 2022A	100,000	100,000	100,000	105,000	105,000	220,000	-	730,000
Series 2022B	100,000	105,000	105,000	110,000	110,000	335,000	-	865,000
Finance leases:								
Police department and city hall	54,372	55,976	57,627	59,327	61,077	333,499	-	621,878
Pierce fire truck	31,975	32,939	34,163	-	-	-	-	99,077
Street sweeper	21,222	21,542	21,864	22,195	10,667	-	-	97,490
Total principal	722,569	735,457	748,654	741,522	596,744	2,053,499	730,000	6,328,445
Interest:								
General obligation bonds:								
Series 2013B	22,278	18,635	14,875	10,875	6,750	3,375	-	76,788
Series 2017A	11,400	8,550	5,850	3,000	-	-	-	28,800
Series 2018A	97,050	92,100	87,000	81,750	76,350	282,200	68,800	785,250
Series 2022A	14,270	12,270	10,270	8,270	6,170	6,160	-	57,410
Series 2022B	19,635	17,635	15,535	13,330	10,910	17,110	-	94,155
Finance leases:								
Police department and city hall	15,174	13,847	12,481	11,075	32,789	1,724	-	87,090
Pierce fire truck	2,717	1,753	764	-	-	-	-	5,234
Street sweeper	1,391	1,071	749	418	62	-	-	3,691
Total interest	183,915	165,861	147,524	128,718	133,031	310,569	68,800	1,138,418
Total principal and interest	$ 906,484	$ 901,318	$ 896,178	$ 870,240	$ 729,775	$ 2,364,068	$ 798,800	$ 7,466,863

KDHE Loan

The City entered into a loan agreement with the Kansas Department of Health and Environment in March 2025 to fund a wastewater treatment improvement project. The loan amount is based on actual project costs and is not to exceed $ 6,349,700 at an interest of 2.48%. The first payment of principal and interest will be due one year after completion of the project. The principal balance shall be fully repaid no later than 21 years after project completion. Funds will be remitted to the City as the projected is completed. As of December 31, 2025, no funds had been received by the City.

Industrial Revenue Bonds

The City has issued industrial revenue bonds to provide financial assistance to private sector entities for the acquisitions and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State of Kansas, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. As of December 31, 2025, there was one industrial revenue bond outstanding with a principal amount payable of $ 47,115,582.

5 - Interfund Transfers

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
Water Operations	General	K.S.A. 12-825d	$ 10,000
Sewer Operations	General	K.S.A. 12-825d	10,000
Infrastructure Sales Tax	Bond and Interest	Bond Ordinance	261,850
Infrastructure Sales Tax	Special Highway	K.S.A. 12-1.119	292,500
Infrastructure Sales Tax	Capital Projects	K.S.A. 12-1.118	580,000

6 - Defined Benefit Pension Plan

General Information about the 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.kpers.org or by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, Kansas 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 6.00% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate 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 $ 320,643 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 $ 2,298,711. 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.kpers.org or can be obtained as described above.

7 - 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.

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Reimbursement 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.

8 - Commitments and Contingencies

The City receives significant financial assistance from numerous federal and state governmental agencies in

the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statement as of December 31, 2025.

Project authorizations compared with expenditures-to-date for significant projects open at year-end are as follows:

	Expenditures to Date	Project Authorization
Projects in process:		
Waste Water Treatment Plant Improvements Project		
(Construction contract with Crossland Heavy Contractors, Inc.)	$ -	$ 6,349,700
Waste Water Treatment Plant Improvements Project		
(Design Engineering Contract with BG Consultants)	491,483	967,100
2025 Sanitary Sewer Improvement Project		
(Construction Contract with Westland Construction, Inc.)	189,527	284,730
2025 Front Street Improvement Project		
(Construction Contract with Kansas Heavy Construction, LLC)	-	867,509
2025 Kokomo Amphitheatre Structure at Gallagher Park		
(Design Engineering Contract with Poligon Park Architecture)	-	48,895

9 - 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 for which it carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have not been significant reductions in coverage from prior years.

10 - Subsequent Event

The City has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statement is available to be issued.

The City entered into an interlocal agreement with the Tonganoxie Recreation Commission (TRC) for playground replacement improvements. In June 2026, the City entered into a lease purchase agreement and a contract for completing project improvements. TRC will reimburse the City for the lease payments. The total amount of the agreement is not to exceed $ 1,000,000.

SUPPLEMENTARY INFORMATION

CITY OF TONGANOXIE, KANSAS
SUMMARY OF EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(BUDGETED FUNDS ONLY)
Year Ended December 31, 2025

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental type funds:					
General fund:					
General	$ 6,281,024	$ -	$ 6,281,024	$ 4,897,035	$ (1,383,989)
Special purpose funds:					
Special parks and recreation	10,000	-	10,000	450	(9,550)
Special highway	1,875,000	-	1,875,000	173,250	(1,701,750)
Library operations	639,142	-	639,142	612,581	(26,561)
Transient guest tax	5,000	-	5,000	-	(5,000)
Bond and interest fund:					
Bond and interest	1,042,498	-	1,042,498	804,229	(238,269)
Capital projects fund:					
Capital projects	3,235,263	-	3,235,263	2,658,384	(576,879)
Business funds:					
Water operations	2,192,835	-	2,192,835	2,089,196	(103,639)
Sewer operations	1,648,119	-	1,648,119	1,311,918	(336,201)
Sanitation	468,000	-	468,000	465,406	(2,594)
Storm water	97,000	-	97,000	87,098	(9,902)
Totals	$ 17,493,881	$ -	$ 17,493,881	$ 13,099,547	

CITY OF TONGANOXIE, KANSAS
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	$ 3,323,304	$ 3,364,169	$ 40,865
Franchise fees	499,000	531,734	32,734
Licenses and permits	88,300	159,356	71,056
Fines and fees	190,000	226,894	36,894
Interest	100,000	313,653	213,653
Charges for services	170,000	156,022	(13,978)
Miscellaneous	91,000	157,370	66,370
Transfers in	40,000	20,000	(20,000)
Total receipts and transfers	$ 4,501,604	4,929,198	$ 427,594
Expenditures and encumbrances:			
Administration	$ 795,605	731,957	$ (63,648)
Code enforcement	119,174	118,957	(217)
City planning and development	16,000	14,300	(1,700)
Police department	1,730,437	1,870,061	139,624
Fire department	1,233,638	1,275,313	41,675
Highway and streets	493,136	499,373	6,237
Swimming pool	197,972	193,519	(4,453)
Court services	166,540	193,555	27,015
Miscellaneous	413,121	-	(413,121)
Cash forward	1,115,401	-	(1,115,401)
Total expenditures and encumbrances	$ 6,281,024	4,897,035	$ (1,383,989)
Receipts and transfers over expenditures and encumbrances		32,163	
Unencumbered cash, beginning		2,249,977	
Unencumbered cash, ending		$ 2,282,140	

(Continued)

CITY OF TONGANOXIE, KANSAS
SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts:			
Taxes	$ 4,800	$ 8,754	$ 3,954
Donations	5,200	-	(5,200)
Total receipts	$ 10,000	8,754	$ (1,246)
Expenditures:			
Contractual services	$ 7,000	450	$ (6,550)
Commodities	3,000	-	(3,000)
Total expenditures	$ 10,000	450	$ (9,550)
Receipts over expenditures		8,304	
Unencumbered cash, beginning		23,463	
Unencumbered cash, ending		$ 31,767	

(Continued)

CITY OF TONGANOXIE, KANSAS
SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	$ 216,200	$ 241,958	$ 25,758
Reimbursements	290,000	43,844	(246,156)
Transfers in	390,000	292,500	(97,500)
Grants	935,000	-	(935,000)
Total receipts and transfers	$ 1,831,200	578,302	$ (1,252,898)
Expenditures:			
Contractual services	$ 1,725,000	173,250	$ (1,551,750)
Commodities	150,000	-	(150,000)
Total expenditures	$ 1,875,000	173,250	$ (1,701,750)
Receipts and transfers over expenditures		405,052	
Unencumbered cash, beginning		579,716	
Unencumbered cash, ending		$ 984,768	

(Continued)

CITY OF TONGANOXIE, KANSAS
LIBRARY OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Over (Under)
Receipts:				
Taxes	$ 535,986	$ 535,986	$ 537,262	$ 1,276
Reimbursements	91,500	91,500	73,823	(17,677)
Total receipts	$ 627,486	$ 627,486	611,085	$ (16,401)
Expenditures:				
Contractual services	$ 547,095	$ 552,095	548,577	$ (3,518)
Personal services	80,500	85,500	64,004	(21,496)
Cash reserve	11,547	1,547	-	(1,547)
Total expenditures	$ 639,142	$ 639,142	612,581	$ (26,561)
Receipts under expenditures			(1,496)	
Unencumbered cash, beginning			15,785	
Unencumbered cash, ending			$ 14,289	

(Continued)

CITY OF TONGANOXIE, KANSAS
TRANSIENT GUEST TAX FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts:			
Taxes	$ 2,200	$ 2,598	$ 398
Expenditures:			
Contractual services	$ 5,000	-	$ (5,000)
Receipts over expenditures		2,598	
Unencumbered cash, beginning		11,492	
Unencumbered cash, ending		$ 14,090	

(Continued)

CITY OF TONGANOXIE, KANSAS
BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	$ 548,481	$ 550,593	$ 2,112
Transfers in	261,850	261,850	-
Total receipts and transfers	$ 810,331	812,443	$ 2,112
Expenditures:			
Debt service	$ 804,230	804,229	$ (1)
	238,268	-	(238,268)
	$ 1,042,498	804,229	$ (238,269)
Receipts and transfers over expenditures		8,214	
Unencumbered cash, beginning		241,952	
Unencumbered cash, ending		$ 250,166	

(Continued)

CITY OF TONGANOXIE, KANSAS
CAPITAL PROJECTS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts and transfers:			
Taxes	$ 754,000	$ 768,238	$ 14,238
Transfers in	580,000	580,000	-
Other revenues	-	3,263	3,263
Total receipts and transfers	$ 1,334,000	1,351,501	$ 17,501
Expenditures and encumbrances:			
Contractional services	$ 217,500	161,647	$ (55,853)
Commodities	65,000	45,136	(19,864)
Capital outlay	2,930,150	2,428,988	(501,162)
Debt service	22,613	22,613	-
Total expenditures and encumbrances	$ 3,235,263	2,658,384	$ (576,879)
Receipts and transfers under expenditures and encumbrances		(1,306,883)	
Unencumbered cash, beginning		2,171,526	
Unencumbered cash, ending		$ 864,643	

(Continued)

CITY OF TONGANOXIE, KANSAS
WATER OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Over (Under)
Receipts:				
Taxes	$ 36,000	$ 36,000	$ 53,206	$ 17,206
Charges for services	1,892,000	1,962,000	2,087,697	125,697
Fines and fees	300	300	280	(20)
Miscellaneous	17,500	17,500	17,502	2
Total receipts	$ 1,945,800	$ 2,015,800	2,158,685	$ 142,885
Expenditures, encumbrances, and transfers:				
Personnel services	$ 516,532	$ 516,532	641,532	$ 125,000
Contractual services	1,213,000	1,273,000	1,081,426	(191,574)
Commodities	71,000	71,000	34,198	(36,802)
Capital outlay	134,000	144,000	188,842	44,842
Debt service	168,303	168,303	133,198	(35,105)
Transfers out	20,000	20,000	10,000	(10,000)
Total expenditures, encumbrances, and transfers	$ 2,122,835	$ 2,192,835	2,089,196	$ (103,639)
Receipts over expenditures, encumbrances, and transfers			69,489	
Unencumbered cash, beginning			1,015,160	
Unencumbered cash, ending			$ 1,084,649	

(Continued)

CITY OF TONGANOXIE, KANSAS
SEWER OPERATIONS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Over (Under)
Receipts:				
Taxes	$ -	$ -	$ 14,793	$ 14,793
Charges for services	1,274,000	1,301,000	1,376,109	75,109
Other revenues	5,000	5,000	157	(4,843)
Total receipts	$ 1,279,000	$ 1,306,000	1,391,059	$ 85,059
Expenditures, encumbrances, and transfers:				
Personnel services	$ 543,237	$ 543,237	452,697	$ (90,540)
Contractual services	333,000	360,000	308,476	(51,524)
Commodities	67,000	67,000	41,164	(25,836)
Capital outlay	191,000	191,000	134,699	(56,301)
Debt service	466,882	466,882	364,882	(102,000)
Transfers out	20,000	20,000	10,000	(10,000)
Total expenditures, encumbrances, and transfers	$ 1,621,119	$ 1,648,119	1,311,918	$ (336,201)
Receipts over expenditures, encumbrances, and transfers			79,141	
Unencumbered cash, beginning			699,323	
Unencumbered cash, ending			$ 778,464	

(Continued)

CITY OF TONGANOXIE, KANSAS
SANITATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	$ 468,000	$ 470,100	$ 2,100
Expenditures:			
Contractual services	$ 468,000	465,406	$ (2,594)
Receipts over expenditures		4,694	
Unencumbered cash, beginning		342,252	
Unencumbered cash, ending		$ 346,946	

(Continued)

CITY OF TONGANOXIE, KANSAS
STORM WATER FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

	Original and Final Budget	Actual	Variance Over (Under)
Receipts:			
Charges for services	$ 50,000	$ 50,429	$ 429
Other revenue	47,000	-	(47,000)
Total receipts	$ 97,000	50,429	$ (46,571)
Expenditures:			
Contractual services	$ 92,000	87,098	$ (4,902)
Commodities	5,000	-	(5,000)
Total expenditures	$ 97,000	87,098	$ (9,902)
Receipts under expenditures		(36,669)	
Unencumbered cash, beginning		140,795	
Unencumbered cash, ending		$ 104,126	

CITY OF TONGANOXIE, KANSAS
POLICE EQUIPMENT RESERVE FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
Year Ended December 31, 2025

Receipts:		
Licenses and permits	$	2,500
Grants and donations		9,690
Use of money and property		10,900
Miscellaneous		8,980
Total receipts		32,070
Expenditures:		
Commodities		19,607
Contractual services		4,500
Capital outlay		11,145
Total expenditures		35,252
Receipts under expenditures		(3,182)
Unencumbered cash, beginning		68,167
Unencumbered cash, ending	$	64,985

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
FIRE EQUIPMENT RESERVE FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Special assessments	$	93,669
Grants and donations		19,958
Total receipts		113,627
Expenditures:		
Contractual services		43,518
Capital outlay		5,978
Debt service		34,692
Total expenditures		84,188
Receipts over expenditures		29,439
Unencumbered cash, beginning		297,823
Unencumbered cash, ending	$	327,262

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
INFRASTRUCTURE SALES TAX FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Sales and use tax	$	784,342
Transfers:		
Transfer out		1,134,350
Receipts under transfers		(350,008)
Unencumbered cash, beginning		1,261,617
Unencumbered cash, ending	$	911,609

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
DEBT PROCEEDS FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:	
Grant revenue	$ 169,011
Interest	6,740
Total receipts	175,751
Expenditures:	
Contractual services	169,012
Debt service	648,113
Total expenditures	817,125
Receipts under expenditures	(641,374)
Unencumbered cash, beginning	641,374
Unencumbered cash, ending	$ -

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
GALLAGHER PARK FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Unencumbered cash, beginning	$	19,333
Unencumbered cash, ending	$	19,333

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
FESTIVAL/EVENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Expenditures:		
Contractual services	$	279
Unencumbered cash, beginning		3,678
Unencumbered cash, ending	$	3,399

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
INDUSTRIAL PARK DEVELOPMENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:	
Miscellaneous	$ 88,000
Expenditures:	
Contractual services	4,420
Capital outlay	7,246
Total expenditures	11,666
Receipts over expenditures	76,334
Unencumbered cash, beginning	640,636
Unencumbered cash, ending	$ 716,970

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
RURAL HOUSING INCENTIVE DISTRICT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Taxes	$	21,801
Expenditures:		
Contractual services		21,583
Receipts over expenditures		218
Unencumbered cash, beginning		684
Unencumbered cash, ending	$	902

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
RURAL HOUSING INCENTIVE DISTRICT 2 FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Taxes	$	102,705
Expenditures:		
Contractual services		101,678
Receipts over expenditures		1,027
Unencumbered cash, beginning		510
Unencumbered cash, ending	$	1,537

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
AMERICAN RESCUE PLAN ACT GRANT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Unencumbered cash, beginning	$ -
Unencumbered cash, ending	$ -

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
OPIOID ADDICTION FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Miscellaneous	$	8,332
Expenditures:		
Capital outlay		19,499
Receipts under expenditures		(11,167)
Unencumbered cash, beginning		34,966
Unencumbered cash, ending	$	23,799

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
SPECIAL ALCOHOL & DRUG FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Taxes	$	8,753
Unencumbered cash, beginning		1,290
Unencumbered cash, ending	$	10,043

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
CAPITAL RESERVE FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Unencumbered cash, beginning	$	915
Unencumbered cash, ending	$	915

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
WATER CAPITAL IMPROVEMENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Charges for services	$	201,591
Expenditures:		
Capital outlay		179,526
Receipts over expenditures		22,065
Unencumbered cash, beginning		390,709
Unencumbered cash, ending	$	412,774

*This fund is not required to be budgeted.

(Continued)

CITY OF TONGANOXIE, KANSAS
SEWER CAPITAL IMPROVEMENT FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
(Continued)
Year Ended December 31, 2025

Receipts:		
Charges for services	$	183,934
Sale of property and equipment		16,550
Total receipts		200,484
Expenditures and encumbrances:		
Capital outlay		279,264
Receipts under expenditures and encumbrances		(78,780)
Unencumbered cash, beginning		435,914
Unencumbered cash, ending	$	357,134

*This fund is not required to be budgeted.

Schedule 4

CITY OF TONGANOXIE, KANSAS
AGENCY FUNDS
SUMMARY OF RECEIPTS AND DISBURSEMENTS
REGULATORY BASIS
Year Ended December 31, 2025

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Payroll clearing	$ 51,971	$ 3,332,479	$ 3,323,533	$ 60,917
Bail bonds	17,933	-	137	17,796
	$ 69,904	$ 3,332,479	$ 3,323,670	$ 78,713