

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Financial Statements for the
Year Ended December 31, 2025
And Independent Auditors' Report

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
FINANCIAL STATEMENT:	
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to Financial Statement	5-9
SUPPLEMENTARY INFORMATION:	
Schedule 1 - Summary of Expenditures - Actual and Budget	10
Schedule 2-A - General Fund - Schedule of Receipts and Expenditures - Actual and Budget	11
Schedule 2-B – Special Machinery Reserv Fund - Schedule of Receipts and Expenditures	12

Michael D. Peroo CPA, PA



INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Kanwaka Township, Douglas County, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Kanwaka Township, Douglas County, Kansas (Township), 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 Township 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 Township 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 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Township, 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. General Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the Township on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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 statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township'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 statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township'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 balances (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-actual and budget (Schedules 1-2 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 1.

The 2024 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures - actual and budget 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.

The Township's basic financial statement for the year ended December 31, 2024 (not presented herein), was audited by other auditors whose report dated September 8, 2025, expressed an unmodified opinion on the basic financial statement. The 2024 basic financial statement and the other auditor's report are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The report of the other auditors dated September 8, 2025, stated that the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2024 was 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 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, and in their opinion, was 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 1.

Michael D. Peroo, CPA, PA
September 30, 2026

Olathe, Kansas

Michael D. Peroo, CPA
Michael D. Peroo, CPA
In Charge of and Actively Engaged
on this Audit

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
FOR YEAR ENDED DECEMBER 31, 2025

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance
General Fund	$ 1,036	$ 638,337	$ 634,641	$ 4,732
Special Machinery Reserve Fund	89,876	33,577	7,328	116,125
Total Reporting Entity	$ 90,912	671,916	641,969	$ 120,857
Less Transfers:		17,000	17,000	
Net Receipts and Disbursements		$ 654,916	$ 624,969	

COMPOSITION OF CASH:	
Checking	$ 4,732
Money Market	116,125
Total Reporting Entity	$ 120,857

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

   a. Basis of Presentation - Fund Accounting - The accounts of the Kanwaka Township, Douglas County, Kansas (Township) are organized on the basis of funds, each of which is considered a separate accounting entity.

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

      Governmental funds:

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

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

   b. Regulatory Basis of Accounting and Departure from Accounting Principles General Accepted in the United States of America - This financial statement is presented on a basis of accounting that demonstrates compliance with the KMAAG regulatory basis and budget laws of Kansas. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligations 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 Township 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 Township to use the regulatory basis of accounting.

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

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

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

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

4. Adoption of the final budget on or before August 25.

If the Township 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 met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The Township did hold a revenue neutral rate hearing for the year ending December 31, 2025.

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 the year ended December 31, 2025.

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

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

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

Special Machinery Reserve

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.

d. Comparative Amounts - The amounts shown for the year ended December 31, 2024 in the accompanying financial statements are included to provide a basis for comparison with 2025 and are not intended to present all information necessary for a fair presentation in accordance with the cash basis and budget laws of Kansas.

e. Record of Organization - The Township is organized under K.S.A 80-101 to purchase and hold real and personal property for the use of the Township, sell, convey and dispose of real and personal property owned by the Township, and may make all contracts that may be necessary and convenient for the exercise of its corporate powers.

f. Powers and Duties – The Township trustees shall have the power to ensure all moneys belonging to the township are properly spent for road or other purposes, provide for the care and management of all property, real and personal, belonging to the Township, review all the financial concerns of the Township including levy of a tax on the property in the Township.

2. DEPOSITS

At December 31, 2025 the carrying amounts of the Township's deposits were $120,857 and the bank balances were $212,733. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the Township's name.

K.S.A. 9-1401 establishes the depositories, which may be used by the Township. The statute requires banks eligible to hold the Township's funds have a main or branch bank in the county in which the Township 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 Township has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Township'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 Township has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - State statutes place no limit on the amount the Township may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Township has no investments.

Custodial Credit Risk - deposits: Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. State statutes require the Township'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 Township, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. There were no designated "peak periods" during the year.

3. TAXES

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

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

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2025, the Township received $629,907 in taxes from the County.

The mill levy in 2025 was 13.687 and the revenue neutral rate was 12.614.

The assessed valuation for 2024 was $37,246,238 and $40,451,390 in 2025 an increase of 8.60%.

4. CONCENTRATIONS OF CREDIT RISK

The Township had two vendors which accounted for 23% of the disbursements in 2025.

The Township deposits are with one bank.

The Township relies on property taxes to fund the operations.

5. CAPITAL PROJECTS

The Township did not have capital projects in 2025.

6. COMPLIANCE WITH KANSAS LAW

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

7. RELATED PARTY

The Township was not aware of any related party transactions during the year of 2025.

8. PENSION PLAN

General Information about the Pension Plan

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

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414 (h) of the Internal Revenue Code.

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.

The Township has two employees that participate in the Plan. The payroll for the employees covered by the System for 2025 was $132,052 and the Township's total payroll for 2025 was $149,731.

The contribution requirement for the year ended December 31, 2025 was $20,745, which consisted of $12,822 from the employee and $7,923 from the Township. The Township also contributed $1,321 for insurance.

Net Pension Liability

At December 31, 2025, the Township's proportionate share of the collective net pension liability reported by KPERS was $108,189. 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 Township's proportion of the net pension liability was based on the ratio of the Township's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kspers.gov or can be obtained as described above.

9. RISK MANAGEMENT

The Township is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the Township has obtained various insurance coverage through EMC Insurance Companies.

10. COMMITMENTS AND CONTINGENCIES

The Township is not involved in any litigation.

11. TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General Fund	Special Machinery Reserve	K.S.A. 12-1,117	$ 17,000
			$ 17,000

12. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through September 30, 2026, the date the financial statements were available to be issued. There are no additional events or transactions that require adjustment to or disclosure in these financial statements.

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KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR YEAR ENDED DECEMBER 31, 2025

	Expenditures Chargeable to Current Year	Certified Budget	Variance Favorable (Unfavorable)
General Fund	$ 634,641	$ 634,662	$ 21

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Schedule 2-A

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2024 Actual	2025 Actual	2025 Budget	Variance Favorable (Unfavorable)
RECEIPTS:				
Property Taxes	$ 503,179	$ 551,670	$ 553,658	$ (1,988)
Vehicle Taxes	51,382	54,215	48,021	6,194
Highway Tax	22,195	22,340	22,500	(160)
Flood Control	1,811	1,682	-	1,682
Township Hall Rent	1,800	1,991	-	1,991
Reimbursements/Refunds/FEMA	143,479	25	-	25
Interest on Idle Funds	4,103	6,414	-	6,414
Transfers from Reserve Fund		-	-	-
Total Receipts	727,949	638,337	$ 624,179	$ 14,158
EXPENDITURES:				
Personnel	139,361	136,841	225,000	88,159
Employee Benefits	39,896	42,931		(42,931)
Officer Meeting Per Diem	24,090	22,625		(22,625)
Communications	3,644	3,991	6,000	2,009
Fuel	18,744	21,557	40,000	18,443
Hired Services	7,315	9,274	8,000	(1,274)
Insurance	32,989	27,001	49,000	21,999
Road Materials	199,029	162,827	141,162	(21,665)
Supplies and Repairs	37,383	150,082	77,000	(73,082)
Utilities and Office	12,642	14,611	8,500	(6,111)
Capital Outlay	25,043	25,901	80,000	54,099
Transfer		17,000		(17,000)
Debt Service	193,016			-
Total Expenditures	733,152	634,641	$ 634,662	$ 21
Receipts over(under) Expenditures	(5,203)	3,696		
UNENCUMBERED CASH, BEGINNING	6,239	1,036		
UNENCUMBERED CASH, ENDING	$ 1,036	$ 4,732		

KANWAKA TOWNSHIP
DOUGLAS COUNTY, KANSAS

Schedule 2-B

SPECIAL MACHINERY RESERVE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2025

(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	2024	2025
RECEIPTS:		
Interest on Idle Funds	$ 1,821	$ 2,118
Transfer from General		17,000
Reimbursement	5,100	14,459
Total Receipts	6,921	33,577
EXPENDITURES:		
Rock		7,328
Total Expenditures	-	7,328
Receipts over (under) Expenditures	6,921	26,249
UNENCUMBERED CASH, BEGINNING	82,955	89,876
UNENCUMBERED CASH, ENDING	$ 89,876	$ 116,125