CITY OF FAIRWAY, KANSAS

BASIC FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Fairway, Kansas

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairway, Kansas (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairway, Kansas, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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 statements.
- 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Marr and Company, P.C.
Certified Public Accountants

Kansas City, Missouri
September 1, 2026

CITY OF FAIRWAY, KANSAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2025

This section of the City of Fairway's (the City) financial statements provides a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2025. This discussion follows guidelines prescribed by the Governmental Accounting Standards Board (GASB) Statement 34, which enhances comparability between governments. The information presented here should be read in conjunction with the accompanying basic financial statements and the notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $13,764,523 (net position).

- The City's total net position increased during this fiscal year by $137,474, and the City's unrestricted portion decreased by $195,155.

- At the close of 2025, the City's governmental funds reported combined ending fund balances of $5,560,461, a decrease of $45,017 from the prior year. This decrease is at least partially due to increases in capital outlay, debt service, and human resource expenditures, that was partially offset by an increase in property tax, sales tax, and charges for services revenues.

- At the close of 2025, the available fund balance for the General Fund was $1,224,432, an increase of $178,923 over the prior year, primarily due to increase in Ad valorem and miscellaneous revenues, which was partially offset by transfers to the Capital Projects Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements, which include three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. These statements use the accrual basis of accounting, which means that the current year's revenues and expenses are recorded as they are earned or incurred, regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. These statements include infrastructure assets as well as all known liabilities, including long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *Statement of Activities* provides information detailing *how* the City's net position changed during 2025.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with legal requirements, such as state statutes or bond covenants. There are three types of funds: governmental, proprietary, and fiduciary. All of the City's funds are classified as governmental funds. Fund accounting focuses on 1) cash flow and how financial assets can readily be converted to available

resources, and 2) the balances left at the end of the fiscal year for future spending. The focus is on the budgetary, short-term financial picture of the reported operations rather than on the longer-term economic picture of the City as a whole.

Governmental funds are reported using the *modified accrual* basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Under this basis of accounting, revenues are recognized when they become measurable and available, and expenditures are generally recognized when the related fund liability is incurred. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Therefore, both the government-wide and fund financial statements present different useful aspects of the City's financial picture. They are designed to be compared and interpreted together. The reconciliations at the end of the fund financial statements detail the relationship and differences between the two types of financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements are an integral part of the basic financial statements. They provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required and Other Supplementary Information

Required budgetary data related to the General Fund, pension and postemployment related schedules, combining statements for non-major governmental funds and fund budgetary schedules are presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	12/31/25	12/31/24
Current and other assets	$9,072,787	$9,333,374
Capital assets	16,341,061	16,551,305
Total assets	25,413,848	25,884,679
Deferred outflows of resources	1,016,035	857,319
Long-term liabilities	8,908,825	9,361,185
Other liabilities	416,772	742,514
Total liabilities	9,325,597	10,103,699
Deferred inflows of resources	3,339,763	3,011,250
Net position		
Net investment in capital assets	11,061,499	10,558,363
Restricted	703,011	873,518
Unrestricted	2,000,013	2,195,168
Total net position	$13,764,523	$13,627,049

Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $13,764,523 at the close of 2025.

The largest portion of the City's net position reflects its investment of $11,061,499 in capital assets (e.g. land, buildings, equipment, and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

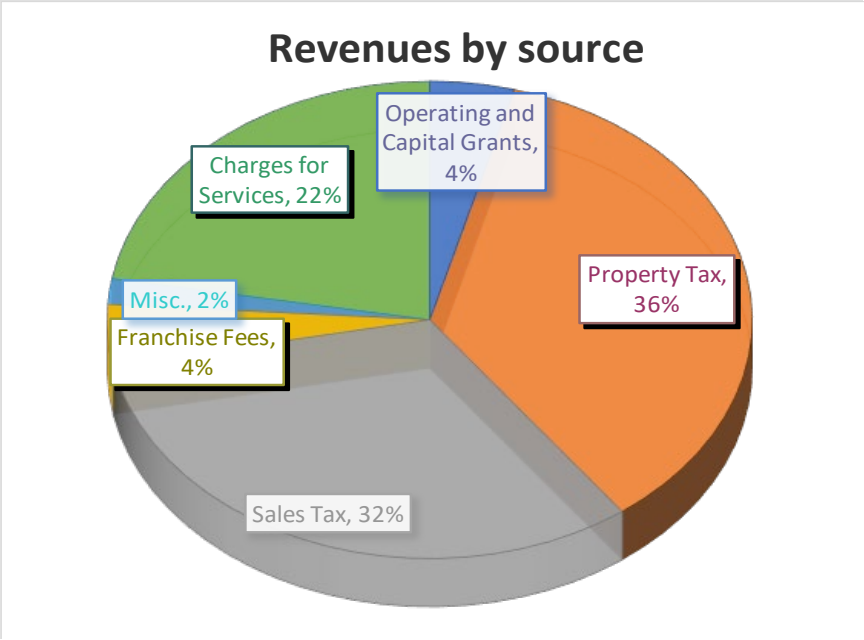
An additional $703,011 of the City's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position includes amounts from the Debt Service Fund and other special revenue funds.

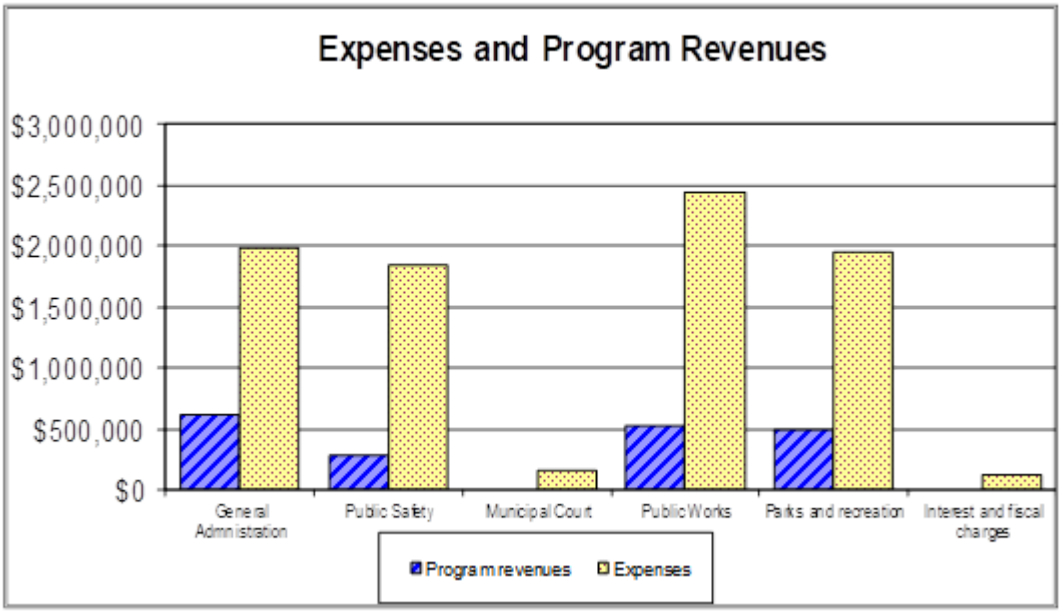
Analysis of Changes in Net Position

For the years ended December 31:	2025	2024
Revenues		
Program revenues		
Charges for services	$1,923,265	$1,883,976
Operating grants and contributions	194,798	344,733
Capital grants and contributions	170,171	55,373
General Revenues		
Property taxes	3,081,451	2,858,488
Sales taxes	2,774,557	2,648,029
Franchise fees	356,346	325,944
Intergovernmental not restricted	2,594	2,171
Unrestricted investment earnings	68,354	86,041
Miscellaneous	80,134	78,580
Total revenues	8,651,670	8,283,335
Expenses		
General administration	1,983,882	1,854,545
Public safety	1,840,599	1,737,190
Municipal Court	157,095	139,316
Public works	2,450,150	2,623,731
Parks and recreation	1,958,230	1,432,808
Interest and fiscal charges	124,240	137,999
Total expenses	8,514,196	7,925,589
Change in net position	137,474	357,746
Net position - beginning of year	13,627,049	13,269,303
Net position - end of year	$13,764,523	$13,627,049

The City's net position increased during the fiscal year by a total of $137,474, including these changes:

- The increase in revenues includes increases in most sources, particularly from property and sales taxes, and charges for services.
- The increase in expenses consists mainly of adjustments in human resource-related costs, and an increase in park maintenance expenses.





The charts illustrate Fairway's governmental expenses and program revenues by function, and revenues by source. Public Works represents the largest portion of 2025 expenses, in which the depreciation on infrastructure capital assets is allocated, followed by General Administration. This is followed by Parks & Recreation. Other revenues and expense functions fall within anticipated ranges.

For governmental activities, revenues are approximately equally divided between property taxes, sales taxes, and all other sources.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

The City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds.

At the close of 2025, the City's governmental funds reported combined ending fund balances of $5,560,461, a decrease of $45,017 from the prior year. This compares to the 2024 increase of $52,133, with the change due to a number of factors including capital outlay for street projects, debt service, and salary increases.

The General Fund is the primary operating fund for the City. At the close of 2025, the available fund balance for the General Fund was $1,224,432.

The fund balance for the City's General Fund increased by $178,923 during the fiscal year, primarily from increased property and sales tax revenue, which was partially offset by transfers to the Capital Projects Fund.

The Capital Projects Fund decreased by $156,908, as a result of capital outlay expenditures exceeding revenues and transfers in from the General Fund. The Capital Projects Fund continues to receive revenue from the passage of the .5% sales tax in 2009. Per resolution passed by the City Council, ½ of the sales tax is deposited into this fund.

The Equipment Reserve Fund's fund balance increased as a result of receiving a transfer from the General Fund of $100,000 to accumulate resources for future equipment purchases.

The Debt Service Fund had a decrease of $1,584 based on the budgeted use of the fund balance. This fund receives the other ½ of the revenue from the passage of the .5% sales tax as mentioned above.

Other governmental funds decreased by $165,448, primarily due to parks and recreation expenditures and debt service in the 2014 Sales Tax Fund, which was partially offset by increased stormwater revenues.

The 2014 Sales Tax Fund receives revenues from the passage of a .5% sales tax in 2014 which are to be used to pay costs of the debt service on the new public works facility and for parks and recreation capital improvements and associated debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. The City budgets for reserves and contingency but does not expect to expend more than a portion of the contingency. This creates a positive budget variance each year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net investment in capital assets was $11,061,499 as of December 31, 2025, an increase of $503,136 from the December 31, 2024 corresponding value. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets and bridges. The increase is due to the retirement of debt exceeding the decrease in capital assets, net of 2025 depreciation

Capital Assets
(net of depreciation)

	Governmental Activities	
	2025	2024
Land	$ 3,641,328	$ 3,641,328
Construction in progress	278,488	-
Buildings	4,034,505	4,243,860
Improvements other than buildings	936,731	978,320
Equipment	1,203,195	1,128,377
Infrastructure	6,246,814	6,559,420
Total	$ 16,341,061	$ 16,551,305

Additional information about the City's capital assets may be found in Note 2 to the basic financial statements.

Long-Term Debt

At December 31, 2025, the City had total long-term bonds backed by the full faith and credit of the City outstanding of $5,155,000. In 2017, the City issued $2,320,000 in temporary notes to fund the acquisition and construction of a new City Hall. In 2019 these were converted to Series 2019-A GO Bonds.

In October 2016, to take advantage of low interest rates, the City issued $3,760,000 (Series 2016-A) in GO Refunding Bonds to refinance a portion of the Series 2010-A GO Bonds. The refunding will save the City $575,573 in future interest costs.

The City's total long-term bonds payable decreased by $705,000 during the fiscal year, the amount of the scheduled payments on outstanding bond issues.

S&P assigned the City a 'AA+' rating to the series 2015-A GO Bonds and that rating was re-affirmed with the Series 2016-A GO Bond and again with the issuance of Series 2019-A GO Bonds.

Kansas statutes limit the amount of general obligation debt a governmental entity may acquire to 30% of their total assessed valuation. The current debt limitation for the City is $50,069,274, leaving a debt margin of $44,914,274. The City's general obligation debt is $5,155,000 which equates to only 3.1% of the total assessed valuation.

Outstanding Bonds

General Obligation Bonds

	Governmental Activities	
	2025	2024
General Obligation Bonds		
Series 2014-A	$ 475,000	$ 525,000
Series 2015-A	1,545,000	1,695,000
Series 2016-A	1,765,000	2,180,000
Series 2019-A	1,370,000	1,460,000
Total	$ 5,155,000	$ 5,860,000

Additional information on the City's long-term debt can be found in Note 4 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The strong financial position of Fairway seems sustainable in the near term. Property tax revenue is a major source and will continue to grow through 2026 because of current Johnson County assessments. Sales tax revenue has shown a steady increase through the last several years but may be leveling going forward. Other sources such as building permits, franchise fees, and Parks and Recreation activity fees may be flat in coming years.

On the expenditure side, budgeted operating expenses are expected to rise in response to inflationary forces as well as the endeavor to maintain and attract superior staff. Strict adherence to the Zero-Base budgeting process and ongoing expense controls have contributed to maintaining a balanced budget of the City of Fairway.

Fairway, like many of its neighboring communities, has an aging infrastructure, and through its Capital Improvement Plan Fund, will address needed remedies in order of priority. S&P has reaffirmed the City's bond rating at AA+. This may be helpful in the event there is a need for future infrastructure needs that would likely be funded through the issuance of bonds.

The 2026 Budget calls for slight increases in revenues and expenditures, with a flat mill levy rate.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the City's finances for all interested parties. Questions concerning any of the information provided in the report or requests for additional information should be directed to the City Administrator of the City of Fairway, 5240 Belinder Road, Fairway, Kansas 66205.

Basic Financial Statements

City of Fairway, Kansas

Statement of Net Position
December 31, 2025

	Governmental Activities
Assets	
Deposits and investments	$ 5,264,869
Receivables (net of allowance for uncollectibles):	
Property taxes	3,121,012
Sales and other taxes	563,979
Intergovernmental	27,510
Other	16,321
Restricted deposits and investments	12,295
Prepaid items	66,801
Capital assets:	
Nondepreciable	3,919,816
Other capital assets, net of depreciation	12,421,245
Total assets	25,413,848
Deferred Outflows of Resources	
Deferred amount on refunding	19,758
Pension related amounts	896,461
Other postemployment benefit related amounts	99,816
Total deferred outflows of resources	1,016,035
Liabilities	
Accounts payable	276,176
Accrued payroll and payroll liabilities	83,389
Accrued interest payable	41,093
Unearned revenue	4,806
Court bonds payable	11,308
Long-term liabilities:	
Due within one year	991,976
Due in more than one year	4,628,626
Net pension liability due in more than one year	3,048,415
OPEB liability due in more than one year	239,808
Total liabilities	9,325,597
Deferred Inflows of Resources	
Property taxes receivable	3,121,012
Pension related amounts	109,097
Other postemployment benefit related amounts	109,654
Total deferred inflows of resources	3,339,763
Net Position	
Net investment in capital assets	11,061,499
Restricted for:	
Debt service	253,863
Capital projects	429,390
Other purposes	19,758
Unrestricted	2,000,013
Total net position	$ 13,764,523

See the accompanying notes to the basic financial statements

City of Fairway, Kansas

Statement of Activities

For the year ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:					
General administration	$ 1,983,882	$ 610,652	$ -	$ -	$ (1,373,230)
Public safety	1,840,599	282,380	-	-	(1,558,219)
Municipal court	157,095	-	-	-	(157,095)
Public works	2,450,150	532,023	112,204	166,171	(1,639,752)
Parks and recreation	1,958,230	498,210	82,594	4,000	(1,373,426)
Interest and fiscal charges	124,240	-	-	-	(124,240)
Total primary government	$ 8,514,196	$ 1,923,265	$ 194,798	$ 170,171	(6,225,962)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,930,027
Property taxes, levied for debt service					151,424
Sales taxes					2,774,557
Franchise taxes					356,346
Intergovernmental not restricted to a specific program					2,594
Unrestricted investment earnings					68,354
Miscellaneous					80,134
Total general revenue					6,363,436
Change in net position					137,474
Net position-beginning of year					13,627,049
Net position-end of year					$ 13,764,523

See the accompanying notes to the basic financial statements

City of Fairway, Kansas

Balance Sheet
Governmental Funds
December 31, 2025

	General	Debt Service	Capital Projects	Equipment Reserve	Other Governmental Funds	Total Governmental Funds
Assets:						
Deposits and investments	$ 983,943	$ 79,113	$ 2,598,222	$ 1,010,000	$ 593,591	$ 5,264,869
Receivables (net of allowance for uncollectibles):						
Property taxes	2,982,272	138,740	-	-	-	3,121,012
Sales and other taxes	392,289	41,500	41,500	-	88,690	563,979
Intergovernmental	-	-	-	-	27,510	27,510
Other	16,321	-	-	-	-	16,321
Restricted deposits and investments	12,295	-	-	-	-	12,295
Prepaid items	66,801	-	-	-	-	66,801
Total assets	$ 4,453,921	$ 259,353	$ 2,639,722	$ 1,010,000	$ 709,791	$ 9,072,787
Liabilities:						
Accounts payable	$ 134,574	$ -	$ 65,942	$ -	$ 75,660	$ 276,176
Accrued payroll and payroll liabilities	80,894	-	-	-	2,495	83,389
Unearned revenue	4,806	-	-	-	-	4,806
Court bonds payable	11,308	-	-	-	-	11,308
Total liabilities	231,582	-	65,942	-	78,155	375,679
Deferred inflows of resources:						
Property taxes receivable	2,982,272	138,740	-	-	-	3,121,012
Unavailable revenue-receivables	15,635	-	-	-	-	15,635
Total deferred inflows of resources	2,997,907	138,740	-	-	-	3,136,647
Fund balances:						
Nonspendable	66,801	-	-	-	-	66,801
Restricted for:						
Debt service	-	120,613	-	-	168,100	288,713
Capital projects	-	-	-	-	435,633	435,633
Other purposes	-	-	-	-	27,903	27,903
Committed for capital projects	-	-	-	1,010,000	-	1,010,000
Assigned to capital projects	-	-	2,573,780	-	-	2,573,780
Assigned for subsequent year's expenditures	-	-	-	-	-	-
Unassigned	1,157,631	-	-	-	-	1,157,631
Total fund balances	1,224,432	120,613	2,573,780	1,010,000	631,636	5,560,461
Total liabilities, deferred inflows of resources and fund balances	$ 4,453,921	$ 259,353	$ 2,639,722	$ 1,010,000	$ 709,791	$ 9,072,787

See the accompanying notes to the basic financial statements

City of Fairway, Kansas

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
December 31, 2025

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Ending fund balances - total governmental funds	$ 5,560,461
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Position.	16,341,061
Adjustment for unearned revenue not considered available in the fund statements	15,635
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Discounts, premiums, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the related debt in the government-wide financial statements. Balances as of December 31, 2025 for long-term liabilities and related items are:	
Deferred amount on refunding	19,758
Accrued interest payable	(41,093)
Pension related deferred outflows of resources	896,461
Pension related deferred inflows of resources	(109,097)
Other postemployment related deferred outflows of resources	99,816
Other postemployment related deferred inflows of resources	(109,654)
Long-term liabilities	(8,908,825)
Total net position of governmental activities	$ 13,764,523

See the accompanying notes to the basic financial statements

City of Fairway, Kansas

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2025

	General	Debt Service	Capital Projects	Equipment Reserve	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	$ 2,930,027	$ 151,424	$ -	$ -	$ -	$ 3,081,451
Sales tax	1,904,377	210,793	210,793	-	448,594	2,774,557
Special assessments	362,762	-	-	-	-	362,762
Intergovernmental	2,594	-	44,741	-	236,228	283,563
Donations	-	-	4,000	-	80,000	84,000
Licenses, permits and fees	266,975	-	-	-	-	266,975
Franchise taxes	356,346	-	-	-	-	356,346
Charges for services	616,751	-	-	-	517,704	1,134,455
Fines, forfeitures and penalties	159,073	-	-	-	-	159,073
Use of money and property	68,354	-	-	-	-	68,354
Miscellaneous	191,424	-	-	-	-	191,424
Total revenues	6,858,683	362,217	259,534	-	1,282,526	8,762,960
Expenditures:						
Current:						
General administration	1,838,683	-	-	-	21,088	1,859,771
Public safety	1,785,564	-	-	-	-	1,785,564
Municipal court	138,461	-	-	-	-	138,461
Public works	1,121,292	-	-	-	458,639	1,579,931
Parks and recreation	1,105,760	-	-	-	546,258	1,652,018
Capital outlay	-	-	987,724	-	-	987,724
Debt service:						
Principal retirements	-	301,650	-	-	403,350	705,000
Interest, fiscal charges, and issue costs	-	62,151	-	-	75,139	137,290
Total expenditures	5,989,760	363,801	987,724	-	1,504,474	8,845,759
Excess (deficiency) of revenues over expenditures	868,923	(1,584)	(728,190)	-	(221,948)	(82,799)
Other financing sources (uses):						
Proceeds from the sale of capital assets	-	-	37,782	-	-	37,782
Transfers in	-	-	533,500	100,000	65,000	698,500
Transfers out	(690,000)	-	-	-	(8,500)	(698,500)
Total other financing sources (uses)	(690,000)	-	571,282	100,000	56,500	37,782
Net change in fund balances	178,923	(1,584)	(156,908)	100,000	(165,448)	(45,017)
Fund balances, beginning of year	1,045,509	122,197	2,730,688	910,000	797,084	5,605,478
Fund balances, end of year	$ 1,224,432	$ 120,613	$ 2,573,780	$ 1,010,000	$ 631,636	$ 5,560,461

See the accompanying notes to the basic financial statements

City of Fairway, Kansas

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the year ended December 31, 2025

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	$ (45,017)
Governmental funds report capital outlays as expenditures in the year acquired. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts are the effect of capital additions and depreciation in the current period:	
Capital additions	633,822
Depreciation expense	(844,066)
The proceeds from the sale of capital assets are reported as revenues in the governmental funds. However, the cost and accumulated depreciation are removed from the capital asset accounts and offset against the proceeds in the Statement of Activities. This is the amount of the net book value of the assets disposed.	0
Revenues reported in the prior year statement of activities that do not provide current financial resources are not reported in the statements	(149,072)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the effect of the differences in the treatment of long-term debt and related items:	
Principal payments	705,000
Accrued interest expense	4,670
Amortization of bond premiums	13,769
Amortization of the deferred amount on refunding	(5,389)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in pension related amounts	(150,919)
Change in compensated absences	(21,324)
Change in other postemployment benefits	(4,000)
Total change in net position of governmental activities	$ 137,474

See the accompanying notes to the basic financial statements

Notes to the
Basic Financial Statements

Note 1: Summary of Significant Accounting Policies

The City of Fairway, Kansas (the City), was incorporated in 1949 as a City of the second class. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police), street maintenance, solid waste removal, culture and recreation, public improvements, and general administrative services.

The accounting and reporting policies of the City of Fairway, Kansas conform to accounting principles generally accepted in the United States of America. The more significant accounting and reporting policies and practices employed by the City are as follows:

A. Reporting Entity

Generally accepted accounting principles require that the basic financial statements present the City (the primary government) and its component units. Component units are required to be included in the City's reporting entity based on the concept of financial accountability, including the significance of their operational or financial relationships with the City. Based on the evaluation criteria, there are no component units related to the City which should be included in the basic financial statements.

B. Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City, the primary government, as a whole. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The government-wide Statement of Activities presents a comparison between expenses and program revenues for each program of the governmental activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City.

The City's net position is reported in three parts—net investment in capital assets, which consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets; restricted, which consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation; and unrestricted. The City generally utilizes restricted resources first to finance qualifying activities.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Note 1: Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The major governmental funds of the City are described below:

General Fund - is the main operating fund of the City which accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are financed through revenues received by the General Fund.

Capital Projects Fund - is used to account for all resources derived from a dedicated sales tax, bond proceeds, grants, and transfers from the General Fund to finance major capital improvements in the City.

Debt Service Fund - is used to account for resources to be used for the payment of principal, interest and related costs of the general obligation bonds and certain other long-term obligations of the City.

Equipment Reserve Fund - is used to account for transfers from the General Fund to accumulate resources to finance the acquisition of equipment pursuant to K.S.A. 12-1,117.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, sales tax and donations. Revenues from grants or donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Note 1: Summary of Significant Accounting Policies (continued)

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes sales taxes, franchise taxes, investment earnings and state-levied locally shared taxes (including motor fuel taxes). Reimbursements due for grant-funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes receivable are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt that have not matured are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Basis Accounting and Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specially exempted by statute), and the Debt Service Fund. An annual operating budget is not required for the Drug Tax special revenue fund under the statutory exemption. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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

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

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 any time. There were no budget amendments in 2025.

Note 1: Summary of Significant Accounting Policies (continued)

Budgetary Basis Accounting and Information (continued)

The statutes establish the overall budget level of control at the fund level by prohibiting expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may not amend a fund's budgeted expenditures without Council approval. Spending in funds that are not subject to the legal annual operating budget requirement are controlled by federal regulations, other statutes, or by the use of internal spending limits established by the City.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments such as purchase orders or contracts.

Property Taxes Receivable

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, the taxes levied during the current year are not recognized as revenue until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2025. Estimated delinquencies are insignificant and have not been recorded.

Deposits and Investments

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

The City pools temporarily idle cash from all funds for investment purposes. Each fund's portion of the pool is shown on the financial statements as deposits and investments. Deposits during the year included cash in interest-bearing and demand bank accounts, and certificates of deposit.

A summary of the carrying values of deposits, certificates of deposit and petty cash at December 31, 2025 is as follows:

Total deposits	$	4,835,590
Certificates of deposit		429,110
Petty cash		169
	$	5,264,869

Restricted deposits and investments consist of cash held for court bonds in the General Fund.

Note 1: Summary of Significant Accounting Policies (continued)

Investment Policies

State statutes limit the types of investments the City may utilize. Allowable investments generally include United States Treasury bills or notes with maturities not exceeding two years, repurchase agreements, and the Kansas State Municipal Investment Pool. In addition, bond proceeds may be invested in United States government agency securities, money market mutual funds that invest in United States government or agency securities, and certain Kansas municipal obligations.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits, the City's policy follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts, and that the collateral be held in safekeeping in the City's name at other than the depository financial institution.

At December 31, 2025, the City's deposits were covered by Federal depository insurance or were fully collateralized by securities held by the City's agent in the City's name.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the City follows state statutes which generally limit investment maturities to two years. To minimize the risk of loss, the City matches investments to anticipated cash flows and diversifies the investment types to the extent practicable.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, storm sewers, etc.), are reported in the applicable governmental activities column in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial individual cost of $10,000 or more and a useful life greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Assets, which have been acquired with funds received through grants, must be used in accordance with the terms of the grant.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Improvements other than buildings	7-30 years
Equipment	5-20 years
Infrastructure	10-50 years

Note 1: Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports the deferred amount on refunding, pension, and postemployment benefit-related amounts in this category. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and balance sheets reports a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue from property taxes as an inflow of resources in the period for which they were levied, unavailable grants and certain special assessments, and pension and other postemployment benefit related amounts in this category.

Compensated Absences

City employees earn vacation time in varying amounts based upon their length of service. The City's policies allow unused vacation leave and all unused compensatory time to be carried over into the next year. The unused vacation leave carryover is limited to the maximum number of hours earned in the calendar year. This carryforward is payable upon separation from service. The liability of $321,282 for compensated absences at December 31, 2025 is reported in the government-wide financial statements, but not in the governmental fund financial statements as it is not estimated to be payable from expendable available resources.

In lieu of sick time, employees are allowed to receive salary continuation for up to 30 consecutive days per illness upon approval of their supervisor. If an employee is unable to perform their duties as a result of illness or disability, the City provides a short-term disability policy through a third- party to all full-time employees. The policy takes effect on the 31st calendar day following a salary continuation that has been paid for by the City and may last up to 22 weeks.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees' Retirement System (KPERS) and additions to and deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post Employment Benefit Plans (OPEB)

The City sponsors a single-employer, defined benefit healthcare plan and participates in the Kansas Public Employees Death and Disability Plan, a multiple-employer defined benefit plan. The total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined on the same basis as they are reported by the OPEB plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Note 1: Summary of Significant Accounting Policies (continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported in the Statement of Net Position as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount. Refunding costs are deferred and amortized on a straight-line basis over the life of the new debt, or the remaining life of the old debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances

In the governmental fund financial statements, fund balances are reported in the following classifications, which are primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources.

Nonspendable – Nonspendable consists of amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Committed – This classification consists of amounts that can be used only for the specific purposes imposed by a formal action of the governing body and cannot be used for any other purpose unless removed or changed by taking the same type of action that previously committed those amounts.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the governing body or a City official delegated that authority.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first to finance qualifying expenditures, when either restricted or unrestricted amounts are available. For unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts.

Minimum Unassigned Fund Balance – It is the policy of the City to maintain an unassigned fund balance in the General Fund equal to 20% of the current year budget to be used for unanticipated expenditures of an emergency or nonrecurring nature, and for cash flow needs. Amounts above the minimum may be used for transfers to the Capital Projects or Debt Service funds.

Note 1: Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2: Capital Assets

A summary of changes in capital assets for the year follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	$ 3,641,328	$ 0	$ 0	$ 3,641,328
Construction in progress	0	278,488	0	278,488
Total capital assets not being depreciated	3,641,328	278,488	0	3,919,816
Capital assets being depreciated				
Buildings	6,393,704	0	0	6,393,704
Improvements other than buildings	2,395,105	45,000	0	2,440,105
Equipment	2,441,700	310,334	(37,938)	2,714,096
Infrastructure	24,233,007	0	0	24,233,007
Total capital assets being depreciated	35,463,516	355,334	(37,938)	35,780,912
Less accumulated depreciation for:				
Buildings	2,149,844	209,355	0	2,359,199
Improvements other than buildings	1,416,785	86,589	0	1,503,374
Equipment	1,313,323	235,516	(37,938)	1,510,901
Infrastructure	17,673,587	312,606	0	17,986,193
Total accumulated depreciation	22,553,539	844,066	(37,938)	23,359,667
Total capital assets being depreciated, net	12,909,977	(488,732)	0	12,421,245
Governmental activities capital assets, net	$ 16,551,305	$ (210,244)	$ 0	$ 16,341,061

Depreciation expense was charged to the functions/programs of the city government as follows:

General administration	$ 103,642
Public safety	130,739
Public works	188,899
Parks and recreation	420,786
Total depreciation expense	$ 844,066

Note 3: Special Assessments

Special assessment taxes consist of charges to the City's residents for trash and recycling services and are due and payable with annual ad valorem property taxes.

Note 4: Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2025.

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025	Amounts Due Within One Year
General obligation bonds	$ 5,860,000	$ 0	$ 705,000	$ 5,155,000	$ 725,000
Unamortized premium	83,738	0	13,769	69,969	13,769
Bonds payable	5,943,738	0	718,769	5,224,969	738,769
Equipment purchase agreement	74,351	0	0	74,351	74,351
Compensated Absences*	299,958	195,892	174,568	321,282	178,856
Total governmental activities debt	$ 6,318,047	$ 195,892	$ 893,337	$ 5,620,602	$ 991,976

*Compensated absences typically have been liquidated in the General Fund.

General Obligation bonds outstanding at December 31, 2025 are as follows:

	Date Issued	Interest Rates	Original Amount	Maturity Date	Outstanding December 31, 2025
Internal improvements:					
Series 2014 A	10/30/14	1%	$ 1,000,000	9/1/34	$ 475,000
Series 2015 A	2/26/15	1 - 3%	2,100,000	9/1/34	1,545,000
Series 2016 A	10/27/16	2%	3,760,000	9/1/29	1,765,000
Series 2019 A	4/4/19	2 - 3%	1,845,000	9/1/38	1,370,000
			$ 8,705,000		$ 5,155,000

The annual debt service requirements to amortize the general obligation bonds outstanding as of December 31, 2025 are as follows:

Year	Principal	Interest	Total
2026	$ 725,000	$ 122,940	$ 847,940
2027	735,000	108,165	843,165
2028	750,000	92,805	842,805
2029	770,000	76,326	846,326
2030	325,000	59,250	384,250
2031 - 2035	1,490,000	164,650	1,654,650
2036 - 2038	360,000	21,900	381,900
Total	$ 5,155,000	$ 646,036	$ 5,801,036

The city entered into a $74,351 equipment purchase agreement on February 2, 2024 to acquire cameras for its police department. The full agreement balance was paid in early 2026.

Note 4: Long-term Liabilities (continued)

Legal Debt Margin

The City is subject to state statutes, which limit the amount of bonded debt (exclusive of revenue bonds, bonds issued for storm drainage and sanitary sewer improvements, and refunding bonds) that the City may issue to 30% of assessed valuation. Currently, the City has a debt limit of $50,069,274, leaving a debt margin of $44,914,274.

Conduit Debt Obligations

The City has issued industrial revenue bonds to provide financial assistance to a private business for economic development purposes. The bonds are secured by the property financed and are payable solely from the payments received from the private business involved. Neither the City, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements.

As of December 31, 2025, there was one industrial revenue bond issue outstanding with an original issue amount and balance outstanding of $27,000,000.

Note 5: Pension and Other Postemployment Benefit Plans

Defined Benefit Pension Plan

Plan Description – The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan (the Plan). Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information in its Comprehensive Annual Financial Report which can be found on the KPERS website at http://www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

KPERS provides pension benefits to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

1. Public employees, which includes state/school employees and local employees
2. Police and firemen
3. Judges

Substantially all public employees are covered by the Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

The employees participating in the Plan for the City are included in the local employee group or the police and firemen group.

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Benefits Provided – KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees (except police and firemen) with 10 or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of credited service, or whenever an employee's combined age and years of credited service equal 85 (police and firemen's normal retirement ages are 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions - Member contribution rates are established by state law and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A.74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior contribution rate is 1.2% of total payroll.

For the year ended December 31, 2025, the actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) for the local employee group are both 9.71%. The member contribution rate as a percentage of eligible compensation for the fiscal year is 6%. For the police and fire group, the actuarially determined employer contribution rate and the statutory contribution rate are both 24.67%. The member contribution rate for this group is 7.15%.

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Contributions to the Plan from the City for the local employee group and police and firemen group were $139,742 and $243,457 respectively, for the year ended December 31, 2025.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each group of the Plan. The City participates in the local (KPERS) group and the police and firemen (KP&F) group.

At December 31, 2025, the City reported a liability of $1,132,860 for KPERS and $1,915,555 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2025, and the total pension liability used to calculate the collective 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 collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of KPERS and KP&F for the fiscal year ended June 30, 2025. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

At June 30, 2025, the City's proportion and change from its proportion measured as of June 30, 2024 were as follows:

	Net pension liability as of June 30, 2025	Proportion as of June 30, 2025	Increase (decrease) in proportion from June 30, 2024
KPERS (Local)	$ 1,132,860	0.056523%	0.002566%
KP&F	1,915,555	0.118139%	0.014030%
	$ 3,048,415		

For the year ended December 31, 2025, the City recognized pension expense of $187,522 for KPERS and $346,761 for KP&F. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 371,326	$ -
Net differences between projected and actual earnings on pension plan investments	-	88,669
Changes in proportions	251,487	20,428
Changes in assumptions	74,871	-
Contributions subsequent to the measurement date	198,777	-
Total	$ 896,461	$ 109,097

Note 5: Pension and Other Postemployment Benefit Plans (continued)

$198,777 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year Ended	Amount
2026	$ 364,886
2027	117,613
2028	63,634
2029	42,454
	$ 588,587

Actuarial Assumptions

The total pension liability for KPERS in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases	3.50% to 15.50%, including price inflation
Long-term rate of return, net of investement expense, and including price inflation	7.00%

The actuarial cost method is entry age normal. The amortization method is level percentage of payroll, closed.

Mortality rates were based on the Pub 2010 Mortality Tables with age setbacks and set forwards, as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2021.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the 2023 actuarial experience study dated January 29, 2024.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage.

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 29, 2024, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equities	43.00%	8.20%
Alternatives	11.00%	12.00%
Real Estate	15.00%	5.70%
Yield Driven	12.00%	5.30%
Infrastructure	3.00%	6.80%
Core Fixed Income	13.00%	2.20%
Short-term investments	3.00%	0.30%
Total	100.00%	

Discount Rate

The discount rate used by KPERS to measure the total pension liability at June 30, 2025 was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. Local and KP&F employers are currently contributing the full actuarially determined contribution rate. The expected employer actuarial contribution rate was modeled for future years for these groups, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate	1% Increase (8.00%)
City's KPERS proportionate share of the net pension liability	$ 1,671,746	$ 1,132,860	$ 680,269
City's KP&F proportionate share of the net pension liability	2,635,367	1,915,555	1,312,462
	$ 4,307,113	$ 3,048,415	$ 1,992,731

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

The City had no contributions payable to the plan for the year ended December 31, 2025.

Defined Contribution Plan

The City has established a defined contribution plan for those full-time employees eligible for the KPERS and KP&F programs. The plan is administered by Voya Financial, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. The City's contributions in 2025 were $64,478. The balances in the plan are not controlled by the City, and therefore, the related assets and liabilities are not reflected in the financial statements.

Other Postemployment Benefit Plans

The two plan disclosures that follow are for the City's healthcare plan, as well as its participation in the KPERS Death and Disability Plan.

City Healthcare Plan

Plan Description - In addition to providing the pension benefits described above, the City has a single-employer defined benefit healthcare OPEB plan that provides employees that retire under KPERS and KP&F at the same time they end their service to the City the opportunity for continuation of medical and dental insurance coverage offered through Midwest Public Risk (MPR). The plan is administered by MPR who has the authority to establish or amend the plan provisions or contribution requirements; and no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. The plan does not issue a stand-alone financial report.

Benefits Provided - Retirees who elect to continue coverage in the medical and dental plans offered through MPR are required to pay a contribution until the retiree or spouse becomes eligible for Medicare. Upon retiree death or attainment of age 65, spouses may continue COBRA coverage for up to three years. The City requires the retirees to pay 125% of the premiums charged to active employees. The rates being paid by retirees for benefits are typically lower than those for individual health insurance policies. The difference between these amounts is the implicit rate subsidy, which is considered other postemployment benefits (OPEB) under GASB Statement No. 75.

Contributions - The City does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group. Retirees who elect to continue coverage in the medical and dental plans offered through MPR are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the premiums each year, the City's share of any premium costs is determined on the basis of a blended rate or implicit rate subsidy calculation. The plan is financed on a pay-as-you-go basis. The benefits and benefit levels are governed by City policy and the MPR trust agreement.

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Employees Covered by Benefit Terms

As of the July 1, 2023 actuarial valuation, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	1
Active employees	23
	24

Total OPEB liability

The City's total OPEB liability of $136,011 was measured as of December 31, 2025 and was determined by an actuarial valuation as of July 1, 2023.

Actuarial Assumptions – The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Salary Increase	4.00% per year
Discount rate	4.42% end of year; 4.22% beginning of year
Healthcare cost trend rates	Actual trend is valued for claims, admin costs, and retiree contribution premiums based on the July 1, 2025 renewal data; 7.25% for the 2025 fiscal year, decreasing by 0.25% per year through 2034 to an ultimate rate of 5.00%
Retirees' share of benefit-related costs	Retirees are required to pay 125% of premiums

The discount rate was based on the average of the S&P Municipal Bond 20-year High Grade and the Fidelity Municipal AA Yield curve indexes.

Mortality rates were based on the Society of Actuaries Pub-2016 Public Retirement Plan Headcount-weighted Mortality Tables using Scale MP-2021 Full Generational Improvement.

The actuarial assumptions used in the July 1, 2023 valuation were based on an experience analysis of the plan's past experience, the actuary's experience with plans of similar size, plan design, and retiree contribution level.

Change in the Total OPEB Liability

Beginning of year	$	126,431
Changes for the year:		
Service cost		8,209
Interest		5,471
Differences between expected and actual experience		8,785
Changes in assumptions and inputs		(2,885)
Benefit payments (Employer contributions)		(10,000)
End of year	$	136,011

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 4.42%, as well as what the City's total OPEB liability would be using a discount rate that is one percentage point lower (3.42%) or one percentage point higher (5.42%) than the current rate:

	1% Decrease (3.42%)	Current Discount Rate	1% Increase (5.42%)
Total OPEB Liability	$ 148,861	$ 136,011	$ 124,321

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, calculated using the healthcare cost trend rate of 7.25%, as well as what the City's total OPEB liability would be using a healthcare cost trend rate that is one percentage point lower (6.25%) or one percentage point higher (7.25%) than the current rate:

	1% Decrease	Current Healthcare Cost Trend	1% Increase
Total OPEB Liability	$ 118,348	$ 136,011	$ 156,970

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City recognized OPEB expense of $14,374. The City reported deferred outflows and deferred inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 26,444	$ (59,396)
Differences between expected and actual experience	59,151	(21,553)
	$ 85,595	$ (80,949)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Year Ended	Amount
2026	$ 694
2027	694
2028	694
2029	694
2030	694
2031 & Thereafter	1,176
	$ 4,646

Note 5: Pension and Other Postemployment Benefit Plans (continued)

KPERS Death and Disability Plan

Plan Description - The City participates in an agent multiple-employer defined benefit OPEB plan which is administered by KPERS. The plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement 75. Accordingly, the plan is considered to be on a pay-as-you-go basis.

Benefits Provided - Benefits are established by statute and may be amended by the KPERS Board of Trustees. The plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66-2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

The monthly long-term disability benefit is 60% of the member's monthly compensation, with a minimum of $100 and a maximum of $5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers' compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of-living increase.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of the member's annual rate of compensation at the time of disability or the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Employees Covered by Benefit Terms

As of December 31, 2025, the following employees were covered by the benefit terms:

Inactive members or beneficiaries currently receiving benefit payments	1
Active employees	15
	16

Total OPEB Liability

The City's total OPEB liability of $103,797 was measured as of June 30, 2025 and was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025.

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Total OPEB Liability (continued)

Actuarial Assumptions and Other Inputs - The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50% to 10.30%, including price inflation
Discount rate	5.20%
Actuarial cost method	Entry Age Normal

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the RP-2014 Mortality Tables, adjusted for generational mortality improvements for future years using MP-2021.

The actuarial assumptions used in the December 31, 2024 valuation were based on an actuarial experience study conducted during 2019 to 2022. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2024 KPERS pension valuation.

Change in the Total OPEB Liability

Beginning of year	$	111,027
Changes for the year:		
Service cost		3,184
Interest		4,367
Differences between expected and actual experience		656
Changes in assumptions and inputs		(9,214)
Benefit payments (Employer contributions)		(6,223)
End of year	$	103,797

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.93% on June 30, 2024 to 5.20% on June 30, 2025.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the KPERS OPEB liability of the City, calculated using the discount rate of 5.20%, as well as what the City's KPERS OPEB liability would be using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1% Decrease (4.20%)	Current Discount Rate	1% Increase (6.20%)
Total OPEB Liability	$ 110,961	$ 103,797	$ 97,241

Note 5: Pension and Other Postemployment Benefit Plans (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

Healthcare cost trend sensitivity analysis is not applicable as healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS.

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City recognized OPEB expense of $5,849. The City reported deferred outflows and inflows related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 6,709	$ (24,116)
Differences between expected and actual experience	7,512	(4,589)
	$ 14,221	$ (28,705)

Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Year Ended	Amount
2026	$ (1,469)
2027	(1,073)
2028	(1,426)
2029	(1,948)
2030	(2,995)
2031 and thereafter	(5,573)
	$ (14,484)

Summary of OPEB Plans

As of December 31, 2025, the City's total OPEB liability, deferred outflows and inflows of resources and OPEB expense associated with the two OPEB plans are summarized as follows:

Total OPEB Liability	$ 239,808
Deferred outflows of resources	99,816
Deferred inflows of resources	109,654
OPEB expense	$ 20,223

Note 6: Interfund Transfers

Interfund transfers for the year ended December 31, 2025 are as follows:

	Transfers in	Transfers out
General fund	$ -	$ 690,000
SIM fund	65,000	-
2014 Sales Tax Fund	-	8,500
Equipment Reserve fund	100,000	-
Capital Projects fund	533,500	-
	$ 698,500	$ 698,500

Transfers are used to (1) move revenues from the fund that a statute or the budget requires to collect them to the fund that a statute or the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Any transfers within the governmental funds have been eliminated in the government-wide Statement of Activities.

Note 7: Commitments and Contingencies

Litigation

The City is subject to various legal actions and claims arising in the normal course of its activities. In the opinion of management and counsel, the probability of material aggregate liabilities not covered by insurance resulting from these claims is remote.

Tax Abatements

Generally accepted accounting principles require the City to disclose information about tax abatement agreements entered into by it, or other governmental entities, that reduce the City's tax revenues. As of December 31, 2025, the City has not entered into any agreements that have abated any current tax revenues, and based on its review, has determined that no other governmental entities have entered into any agreements that would reduce its tax revenues.

Commitments

Capital projects often extend over several years. The City has made normal commitments for future expenditures related to capital project programs.

Note 8: Risk Management

The City is exposed to various risks of loss related to torts, loss and damage to property, errors and omissions and injuries to employees. There have been no significant changes in coverages from the previous year and settled claims have not exceeded the insurance coverage in any of the past three years. The City obtains health, dental, and property and liability coverage through its membership in Midwest Public Risk (MPR), which was formed as a public entity risk retention pool. MPR has the authority to assess its members additional premiums should reserves and premiums be insufficient to meet its obligations. MPR has not had any deficiencies in the last three years and the City does not anticipate any additional assessments in excess of the premiums paid.

The City obtains workers' compensation insurance through its membership in the Kansas Eastern Region Insurance Trust (KERIT), whose members consist of local cities and counties. KERIT is a risk-sharing pool organized under the insurance laws of the State of Kansas, which self-insures workers' compensation and other related expenses up to certain limits and reinsures additional excess amounts up to certain limits. The City pays annual premiums to the Trust based upon historical experience and legal requirements mandated by the State of Kansas. The trust agreement allows for member assessments in the event claims and expenses exceed the Trust's self-insured retention limit. The City does not anticipate any additional assessments in excess of premiums paid as a result of their participation in the Trust.

Note 9: Shawnee Indian Mission Historical Site

In 2016, the City entered into various agreements to manage the Shawnee Indian Mission (SIM) historical site and created the Shawnee Indian Mission Fund to account for the activities associated with these agreements. The agreements are with the Kansas State Historical Society (KSHS), which is the custodian of the site, and the Shawnee Indian Mission Foundation (SIMF), a not-for-profit corporation whose purpose is to preserve and promote the site.

The agreement with the KSHS permits the City to manage the daily operations of the site, including the responsibility for routine maintenance, and allows the City to retain any admission and rental fees. The agreement also provides funding for the operating costs of the site, subject to state appropriation, over the term of the agreement, which originally was from July 1, 2016 to June 30 2021, and was extended in 2023 to June 30, 2026, with the funding only for the period from July 1, 2016 to June 30, 2019.

The agreement with the SIMF establishes the collaboration with the City to preserve and maintain the site and specifies the minimum SIMF funding to be provided to the City for the term of the agreement, which originally was from July 1, 2016 to June 30, 2021, and was extended in 2023 to June 30, 2026. The funding for 2025 was $80,000. The City and the SIMF have also entered into an agreement to establish an endowment fund in order to generate additional resources to support the site.

Note 10: Community Improvement District

On December 14, 2020, the City authorized the creation of the 55th and Parkway Community Improvement District (the CID) to finance certain project costs in the CID through the imposition of a 1.5% CID sales tax for a period of up to twenty-two years. On this date the City also approved a development agreement to reimburse the developer a maximum of $400,000 of certified project costs for CID improvements. The reimbursement is on a pay-as-you-go basis solely from the proceeds of the sales tax. If the proceeds are not sufficient to fully reimburse the developer, the City will have no responsibility for any deficiency in the amount to be reimbursed. The CID will terminate at the earlier of the reimbursement of the maximum costs or twenty-two years. The sales tax collections began in 2022. The $398,567 of certified costs were approved in 2023. Reimbursements to date are $87,118, including $20,933 in 2025.

Note 11: Tax Increment Financing District

On November 8, 2021, the City authorized the creation of a tax increment financing (TIF) district, and on April 29, 2022, the City entered into a development agreement to reimburse the developer a maximum of $14,827,448 of project costs for TIF eligible improvements from the incremental real property taxes generated by the project over a period of 20 years. The reimbursement is on a pay-as-you-go basis solely from the incremental real property taxes. If the tax increments are not sufficient to fully reimburse the developer, the City will have no responsibility for any deficiency in the amount to be reimbursed. The project was completed in the fall of 2025. As of December 31, 2025, no tax increments have been realized.

Required Supplementary Information

City of Fairway, Kansas

Budgetary Comparison Schedule - General Fund
Budget and Actual-Budgetary Basis
For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	$ 2,918,477	$ 2,918,477	$ 2,930,027	$ 11,550
Sales tax	1,720,000	1,720,000	1,904,377	184,377
Special assessments	350,361	350,361	362,762	12,401
Intergovernmental	2,500	2,500	2,594	94
Donations and grants	-	-	-	-
Licenses, permits and fees	241,100	241,100	266,975	25,875
Franchise taxes	318,000	318,000	356,346	38,346
Charges for services	573,250	573,250	616,751	43,501
Fines, forfeitures and penalties	170,000	170,000	159,073	(10,927)
Use of money and property	80,000	80,000	68,354	(11,646)
Miscellaneous	15,525	15,525	191,424	175,899
Total revenues	6,389,213	6,389,213	6,858,683	469,470
Expenditures:				
Current:				
General administration	1,865,667	1,865,667	1,838,683	26,984
Public safety	1,810,880	1,810,880	1,785,564	25,316
Municipal court	133,404	133,404	138,461	(5,057)
Public works	1,222,249	1,222,249	1,121,292	100,957
Parks and recreation	1,119,715	1,119,715	1,105,760	13,955
Contingency	300,000	300,000	-	300,000
Total expenditures	6,451,915	6,451,915	5,989,760	462,155
Excess (deficiency) of revenues over expenditures	(62,702)	(62,702)	868,923	931,625
Other financing uses:				
Transfers out	(928,653)	(928,653)	(690,000)	238,653
Net change in fund balance	$ (991,355)	$ (991,355)	178,923	$ 1,170,278
Fund balance, beginning of year			1,045,509	
Fund balance, end of year			$ 1,224,432	

City of Fairway, Kansas

Schedule of the City's Proportionate Share of the Net Pension Liability

Kansas Public Employees Retirement System (KPERS)

December 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
City's proportion of the net pension liability:										
KPERS	.056523%	.053957%	.053746%	.053305%	.044605%	.04467%	.0469%	.0484%	.0425%	.0368%
KP&F	.118139%	.104109%	.101276%	.105884%	.100562%	.10023%	.1102%	.1358%	.1214%	.1149%
City's proportionate share of the net pension liability	$ 3,048,415	$ 2,805,680	$ 2,745,177	$ 2,586,820	$ 1,494,847	$ 2,010,396	$ 1,770,139	$ 1,981,261	$ 1,754,214	$ 1,636,703
City's covered payroll	$ 2,303,421	$ 1,996,182	$ 1,840,789	$ 1,700,376	$ 1,424,630	$ 1,393,575	$ 1,459,284	$ 1,513,311	$ 1,390,361	$ 1,177,166
City's proportionate share of the net pension liability as a percentage of its covered payroll	132.34%	140.55%	149.13%	152.13%	104.93%	144.26%	121.30%	130.92%	126.17%	139.04%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	72.75%	70.70%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

The amounts presented were determined as of June 30th.

City of Fairway, Kansas

Schedule of Pension Contributions

Kansas Public Employees Retirement System (KPERS)

December 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 383,199	$ 310,136	$ 269,815	$ 239,311	$ 220,330	$ 198,842	$ 197,302	$ 199,905	$ 195,570	$ 175,756
Contributions in relation to the contractually required contribution	(383,199)	(310,136)	(269,815)	(239,311)	(220,330)	(198,842)	(197,302)	(199,905)	(195,570)	(175,756)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll	$ 2,426,013	$ 2,110,591	$ 1,957,550	$ 1,722,084	$ 1,552,276	$ 1,428,717	$ 1,407,928	$ 1,499,483	$ 1,489,359	$ 1,240,692
Contributions as a percentage of covered payroll	15.80%	14.69%	13.78%	13.90%	14.19%	13.92%	14.01%	13.33%	13.13%	14.17%

City of Fairway, Kansas

Schedule of Changes in Total OPEB Liability and Related Ratios -
Other Postemployment Benefits
City Healthcare Plan
December 31, 2025

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 8,209	$ 8,435	$ 6,487	$ 8,496	$ 7,349	$ 7,333	$ 4,154	$ 6,016
Interest	5,471	5,625	4,834	3,254	2,747	3,184	2,216	2,558
Changes in benefit terms	-	-	-	-	-	-	22,582	(19,039)
Differences between expected and actual experience	8,785	31,247	3,253	(32,329)	14,946	17,229	7,195	-
Changes in assumptions and inputs	(2,885)	(51,414)	20,561	(14,689)	(1,221)	11,041	8,641	(6,391)
Benefit payments (Employer contributions)	(10,000)	(8,000)	(7,500)	(5,700)	(5,500)	(4,100)	-	-
Net change in total OPEB liability	9,580	(14,107)	27,635	(40,968)	18,321	34,687	44,788	(16,856)
Total OPEB liability - beginning	126,431	140,538	112,903	153,871	135,550	100,863	56,075	72,931
Total OPEB liability - end	$ 136,011	$ 126,431	$ 140,538	$ 112,903	$ 153,871	$ 135,550	$ 100,863	$ 56,075
Covered employee payroll	$ 1,751,720	$ 1,751,720	$ 1,471,356	$ 1,471,356	$ 1,393,926	$ 1,393,926	$ 1,402,986	$ 1,402,986
Total OPEB liability as a percentage of covered employee payroll	7.76%	7.22%	9.55%	7.67%	11.04%	9.72%	7.19%	4.00%

Notes: The above schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Covered employee payroll is annualized pay of active employees based on amounts as of July 1, 2023.

Changes in Benefit Terms or Assumptions

The discount rate was changed from 4.22% to 4.42% for 2025.

City of Fairway, Kansas

Schedule of Changes in Total OPEB Liability and Related Ratios -
Other Postemployment Benefits
KPERS Death and Disability Plan
December 31, 2025

Total OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	$ 3,184	$ 3,081	$ 2,823	$ 4,012	$ 3,745	$ 3,536	$ 3,220	$ 3,203
Interest	4,367	3,982	3,772	2,900	2,894	4,121	4,290	3,832
Economic/demographic gains or (losses)	656	2,911	2,867	(6,111)	2,111	(2,310)	1,822	5,685
Changes in assumptions or inputs	(9,214)	(1,850)	(912)	(21,123)	546	13,869	3,475	(2,703)
Benefit payments	(6,223)	(6,223)	(6,223)	(6,223)	(6,223)	(6,223)	(6,223)	(6,223)
Net change in total OPEB liability	(7,230)	1,901	2,327	(26,545)	3,073	12,993	6,584	3,794
Total OPEB liability - beginning	111,027	109,126	106,799	133,344	130,271	117,278	110,694	106,900
Total OPEB liability - end	$ 103,797	$ 111,027	$ 109,126	$ 106,799	$ 133,344	$ 130,271	$ 117,278	$ 110,694
Covered employee payroll	$ 1,272,671	$ 1,190,300	$ 1,111,650	$ 999,792	$ 859,426	$ 805,429	$ 842,877	$ 805,429
Total OPEB liability as a percentage of covered employee payroll	8.16%	9.33%	9.82%	10.68%	15.52%	16.17%	13.91%	13.74%

Notes: The above schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

Changes in Benefit Terms or Assumptions

Discount Rate	5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%	2.21%

City of Fairway, Kansas
Notes to Required Supplementary Information
December 31, 2025

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements. This information includes the Budgetary Comparison Schedule – General Fund, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, and the Schedule of Changes in Total OPEB Liability and Related Ratios.

Budgetary Data

The City utilizes encumbrances for budgetary reporting purposes. Encumbrances relating to certain contractual agreements, supplies and equipment that have been ordered but not received are reported in the year the commitment arises for budgetary reporting purposes. However, for financial reporting purposes, the goods or services are reported when they are received. All unencumbered appropriations lapse at year-end.

Pension Schedules – Changes of Benefits or Assumptions

There were no changes in benefit terms during the Plan year ended June 30, 2025 that affected the measurement of the total pension liability.

OPEB Schedules – Changes of Benefits or Assumptions

There were no changes in benefit terms. Actuarial assumption changes that were adopted by the Plans for the most recent valuations consisted of:

City Healthcare Plan July 1, 2023 valuation:

- Increased the discount rate from 4.22% to 4.42%
- The assumed proportion of employees electing city coverage upon retirement was revised at retirement ages 60 to 63.5 from 35% to 30%.
- The assumed mortality was revised from Pub-2010 to Pub-2016 as published by the Society of Actuaries. The mortality projection scale remains at MP-2021.
- The projected retiree per capita costs and retiree contribution premiums were updated. The July 1, 2025 renewal was taken into account.

KPERS Death and Disability Plan December 31, 2025 valuation:

- Increased the discount rate from 3.93% to 5.20%

Combining and Individual Fund Statements and Schedules

City of Fairway, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Special Revenue Funds								
	Special Highway	Storm Water Utility	L.A.L. Park	Drug Tax	Tree Fund	2014 Sales Tax	Shawnee Indian Mission	55th and Parkway CID	Totals
Assets:									
Deposits and investments	$ 33,422	$ 374,701	$ 6,800	$ 1	$ 14,949	$ 144,220	$ 6,077	$ 13,421	$ 593,591
Receivables, net:									
Sales and other taxes	-	-	-	-	-	83,001	-	5,689	88,690
Intergovernmental	27,510	-	-	-	-	-	-	-	27,510
Total assets	$ 60,932	$ 374,701	$ 6,800	$ 1	$ 14,949	$ 227,221	$ 6,077	$ 19,110	$ 709,791
Liabilities :									
Accounts payable	$ -	$ -	$ -	$ -	$ 9,000	$ 59,121	$ 1,927	$ 5,612	$ 75,660
Accrued payroll and payroll liabilities	-	-	-	-	-	-	2,495	-	2,495
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	9,000	59,121	4,422	5,612	78,155
Fund balances:									
Nonspendable	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt service	-	-	-	-	-	168,100	-	-	168,100
Capital projects	60,932	374,701	-	-	-	-	-	-	435,633
Other purposes	-	-	6,800	1	5,949	-	1,655	13,498	27,903
Total fund balances	60,932	374,701	6,800	1	5,949	168,100	1,655	13,498	631,636
Total liabilities and fund balances	$ 60,932	$ 374,701	$ 6,800	$ 1	$ 14,949	$ 227,221	$ 6,077	$ 19,110	$ 709,791

City of Fairway, Kansas

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended December 31, 2025

	Special Revenue Funds								
	Special Highway	Storm Water Utility	L.A.L. Park	Drug Tax	Tree Fund	2014 Sales Tax	Shawnee Indian Mission	55th and Parkway CID	Totals
Revenues:									
Sales tax	$ -	$ -	$ -	$ -	$ -	$ 421,588	$ -	$ 27,006	$ 448,594
Intergovernmental	112,204	121,430	2,594	-	-	-	-	-	236,228
Donations	-	-	-	-	-	-	80,000	-	80,000
Charges for services	-	509,748	-	-	1,875	-	6,081	-	517,704
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	112,204	631,178	2,594	-	1,875	421,588	86,081	27,006	1,282,526
Expenditures:									
General administration	-	-	-	-	-	-	-	21,088	21,088
Public works	125,000	324,639	-	-	9,000	-	-	-	458,639
Parks and recreation	-	-	-	-	-	396,434	149,824	-	546,258
Capital outlay	-	-	-	-	-	-	-	-	-
Debt service:								-	
Principal retirements	-	203,350	-	-	-	200,000	-	-	403,350
Interest and fiscal charges	-	21,364	-	-	-	53,775	-	-	75,139
Total expenditures	125,000	549,353	-	-	9,000	650,209	149,824	21,088	1,504,474
Excess (deficiency) of revenues over expenditures	(12,796)	81,825	2,594	-	(7,125)	(228,621)	(63,743)	5,918	(221,948)
Other financing sources:									
Transfers in	-	-	-	-	-	-	65,000	-	65,000
Transfers out	-	-	-	-	-	(8,500)	-	-	(8,500)
Net change in fund balances	(12,796)	81,825	2,594	-	(7,125)	(237,121)	1,257	5,918	(165,448)
Fund balance, beginning of year	73,728	292,876	4,206	1	13,074	405,221	398	7,580	797,084
Fund balance, end of year	$ 60,932	$ 374,701	$ 6,800	$ 1	$ 5,949	$ 168,100	$ 1,655	$ 13,498	$ 631,636

City of Fairway, Kansas

Special Highway Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 107,150	$ 107,150	$ 112,204	$ 5,054
Expenditures:				
Public works	125,000	125,000	125,000	-
Contingency and other	32,545	32,545	-	32,545
Total expenditures	157,545	157,545	125,000	32,545
Net change in fund balance	$ (50,395)	$ (50,395)	(12,796)	$ 37,599
Fund balance, beginning of year			73,728	
Fund balance, end of year			$ 60,932	

City of Fairway, Kansas

Storm Water Utility Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 161,659	$ 161,659	$ 121,430	$ (40,229)
Charges for services	500,000	500,000	509,748	9,748
	661,659	661,659	631,178	(30,481)
Expenditures:				
Public works	363,404	363,404	324,639	38,765
Debt service	227,714	227,714	224,714	3,000
Contingency and other	-	-	-	-
Total expenditures	591,118	591,118	549,353	41,765
Net change in fund balance	$ 70,541	$ 70,541	81,825	$ 11,284
Fund balance, beginning of year			292,876	
Fund balance, end of year			$ 374,701	

City of Fairway, Kansas

L.A.L. Park Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 1,500	$ 1,500	$ 2,594	$ 1,094
Expenditures:				
Parks and recreation	-	-	-	-
Contingency and other	2,256	2,256	-	2,256
Total expenditures	2,256	2,256	-	2,256
Net change in fund balance	$ (756)	$ (756)	2,594	$ (1,162)
Fund balance, beginning of year			4,206	
Fund balance, end of year			$ 6,800	

City of Fairway, Kansas

Tree Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	$ -	$ -	$ 1,875	$ 1,875
Expenditures:				
Public works	-	-	9,000	(9,000)
Contingency and other	9,625	9,625	-	9,625
Total expenditures	9,625	9,625	9,000	625
Net change in fund balance	$ (9,625)	$ (9,625)	(7,125)	$ 1,250
Fund balance, beginning of year			13,074	
Fund balance, end of year			$ 5,949	

City of Fairway, Kansas

2014 Sales Tax Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Sales tax	$ 375,000	$ 375,000	$ 421,588	$ 46,588
Expenditures:				
Parks and recreation	375,000	375,000	396,434	(21,434)
Contingency and other	30,199	30,199	-	30,199
Debt service	253,775	253,775	253,775	-
Total expenditures	658,974	658,974	650,209	8,765
Excess (deficiency) of revenues over expenditures	(283,974)	(283,974)	(228,621)	55,353
Other financing uses:				
Transfers out	-	-	(8,500)	(8,500)
Net change in fund balance	$ (283,974)	$ (283,974)	(237,121)	$ 46,853
Fund balance, beginning of year			405,221	
Fund balance, end of year			$ 168,100	

City of Fairway, Kansas

Shawnee Indian Mission Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Donations	$ 80,000	$ 80,000	$ 80,000	$ -
Charges for services	7,500	7,500	6,081	(1,419)
Miscellaneous	-	-	-	-
	87,500	87,500	86,081	(1,419)
Expenditures:				
Parks and recreation	155,218	155,218	149,824	5,394
Excess (deficiency) of revenues over expenditures	(67,718)	(67,718)	(63,743)	3,975
Other financing sources:				
Transfers in	68,745	68,745	65,000	(3,745)
Net change in fund balance	$ 1,027	$ 1,027	1,257	$ 230
Fund balance, beginning of year			398	
Fund balance, end of year			$ 1,655	

City of Fairway, Kansas

55th and Parkway CID

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Sales tax	$ 45,000	$ 45,000	$ 27,006	$ (17,994)
Expenditures:				
General administration	44,500	44,500	21,088	23,412
Excess (deficiency) of revenues over expenditures	500	500	5,918	5,418
Other financing uses:				
Transfers out	(500)	(500)	-	500
Net change in fund balance	$ -	$ -	5,918	$ 5,918
Fund balance, beginning of year			7,580	
Fund balance, end of year			$ 13,498	

City of Fairway, Kansas

Debt Service Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual
Budgetary Basis

For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	$ 149,538	$ 149,538	$ 151,424	$ 1,886
Sales taxes	185,000	185,000	210,793	25,793
Total revenues	334,538	334,538	362,217	27,679
Expenditures:				
Debt service	363,801	363,801	363,801	-
Contingency and other	35,000	35,000	-	35,000
Total expenditures	398,801	398,801	363,801	35,000
Net change in fund balance	$ (64,263)	$ (64,263)	$ (1,584)	$ 62,679
Fund balance, beginning of year			122,197	
Fund balance, end of year			$ 120,613	