CITY OF CLAY CENTER, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2025

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CITY OF CLAY CENTER, KANSAS

Financial Statements
Year ended December 31, 2025

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CITY OF CLAY CENTER, KANSAS

Financial Statements
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INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Clay Center, Kansas

Adverse and Unmodified Opinions

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2025, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government 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 statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget and schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated April 14, 2026, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Matter

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Clay Center, Kansas as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated March 5, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/oar/municipalservices. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2025 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2024 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 basic financial statement or to the 2024 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2024 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2024, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 14, 2026

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

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:							
General	$ 949,436	$ -	$ 4,306,903	$ 4,713,598	$ 542,741	$ 182,263	$ 725,004
Special Purpose Funds:							
Airport	19,923	-	149,880	63,624	106,179	7,684	113,863
Connecting Link Improvement	145,681	-	560,635	633,128	73,188	-	73,188
Industrial	636	-	34,742	35,000	378	-	378
Library	1,748	-	245,859	243,933	3,674	-	3,674
Public Recreation	15,507	-	123,214	92,404	46,317	1,057	47,374
Special Highway	262,884	-	119,236	75,038	307,082	1,560	308,642
Special Improvement	29,791	-	-	-	29,791	-	29,791
Sales Tax	301,218	-	592,913	513,804	380,327	-	380,327
Special Parks and Recreation	20,589	-	9,720	22,000	8,309	-	8,309
Airport Improvement	56,108	-	460,848	1,013,734	[496,778]	-	[496,778]
Street, Building, Machinery and Equipment	1,169,835	-	472,400	509,879	1,132,356	803	1,133,159
Cemetery Perpetual Care	130,435	-	840	-	131,275	-	131,275
Pool Sales Tax	1,452,989	-	592,913	369,033	1,676,869	-	1,676,869
BASE	189,587	-	-	189,587	-	-	-
Accelerator Grant	11,428	-	1,726,236	2,237,887	[500,223]	18,316	[481,907]
MIH Grant	-	-	329,445	329,445	-	-	-
Bond and Interest Funds:							
Bond and Interest	51,049	-	113,280	101,200	63,129	-	63,129
Capital Project Funds:							
Pool Project	43,928	-	-	-	43,928	-	43,928
Zoo Improvement	72,126	-	100,911	92,526	80,511	-	80,511
Business Funds:							
Waste Water	237,831	-	702,608	658,085	282,354	15,679	298,033
Water Utility	1,382,246	-	2,985,646	3,284,224	1,083,668	32,378	1,116,046
Electric Utility	4,098,117	-	8,039,717	7,302,893	4,834,941	56,405	4,891,346
Trust Funds:							
FSA	7,424	-	15	1,940	5,499	-	5,499
Refuse Disposal Maintenance	239,846	-	336,078	339,990	235,934	9,588	245,522
Undercover	2,590	-	-	-	2,590	-	2,590
Public Building Commission	85	-	330,572	330,550	107	-	107
Total Reporting Entity [Excluding Agency Funds]	$ 10,893,037	$ -	$ 22,334,611	$ 23,153,502	$ 10,074,146	$ 325,733	$ 10,399,879

Composition of Cash:		
	Union State Bank	
	Checking	$ 1,402,442
	Money Market	3,845,879
	United Bank & Trust	
	Checking	4,438,893
	Money Market	844,136
	Petty Cash	3,000
	Total Cash	10,534,350
	Agency Funds per Schedule 3	[134,471]
	Total	$ 10,399,879

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

CITY OF CLAY CENTER, KANSAS

Notes to the Financial Statements
December 31, 2025

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Clay Center (City) is a municipal corporation governed by a mayor and eight-member council. These financial statements present the City (the primary government) and exclude its related municipal entities, of which the City is considered financially accountable. The excluded related municipal entities of the City are as follows:

Clay Center Recreation Commission
Clay Center Public Library
Clay Center Public Housing Authority

Separate financial statements may be obtained directly from the above.

The City has included the Public Building Commission as a blended related municipal entity.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting* Guide (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

Regulatory Basis Fund Types

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

General Fund - the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory basis receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Trust Fund - funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

Agency Fund - funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, etc.).

Budgetary Information

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

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

If the City is holding a revenue neutral rate hearing, the budget timeline for the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least 10 days after all statutory notification and publication requirements have been met. Municipal budgets requiring a hearing to exceed the revenue neutral rate should be adopted on or before October 1st but may not be adopted prior to the revenue neutral rate hearing. The City did hold a revenue neutral rate hearing for this year.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no budget amendments during the year ended December 31, 2025.

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

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

NOTE 1 - Summary of Significant Accounting Policies (Continued)

A legal operating budget is not required for capital projects funds, trust funds and the following special purpose funds: Airport Improvement Fund, Street, Building, Machinery, and Equipment Fund, Cemetery Perpetual Care Fund, BASE Fund, Accelerator Grant Fund, and MIH Grant Fund.

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

NOTE 2 - Deposits

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

Investments. K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices. As of December 31, 2025, the City held no such investments.

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods." All deposits were legally secured at December 31, 2025.

As of December 31, 2025, the City's carrying amount of deposits was $10,534,350 and the bank balance was $10,585,307. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $500,000 was covered by federal depository insurance, and the remaining $10,085,307 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

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

NOTE 3 - Defined Benefit Pension Plan

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

NOTE 3 - Defined Benefit Pension Plan (Continued)

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.71% for the fiscal year ended December 31, 2025. Contributions to the pension plan from the City and the Public Utility were and $388,503 for the year ended December 31, 2025.

Net Pension Liability. As of December 31, 2025, the City's and Public Utility's proportionate share of the collective net pension liability reported by KPERS was $3,047,236. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup of KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

NOTE 4 - Long-Term Debt

During the year ended December 31, 2025, the following changes occurred in long-term liabilities:

Issue	Balance January 1, 2025	Additions	Retirements	Balance December 31, 2025	Interest Paid
General Obligation Bonds	$ 4,610,000	$ -	$ 585,000	$ 4,025,000	$ 63,026
Revenue Bonds	2,100,000	-	280,000	1,820,000	50,550
Promissory Notes	3,173,956	-	158,183	3,015,773	143,516
Revolving Loan	204,129	-	66,240	137,889	5,030
Finance Lease	836,069	-	65,433	770,636	27,277
Totals	$ 10,924,154	$ -	$ 1,154,857	$ 9,769,298	$ 289,399

General Obligation Bonds. The City issues General Obligation Bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund regulatory basis receipts. In addition, general obligation bonds have been issued to refund both general obligation and revenue bonds.

NOTE 4 - Long-Term Debt (Continued)

General Obligation Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General Obligation Bonds currently outstanding are as follows:

Issue	Interest Rate	Date of Issue	Final Maturity	Amount of Issue	Current Amount
Series 2019	2.00 - 3.00%	9/5/2019	11/1/2029	$ 875,000	$ 380,000
Series 2020	1.29%	6/4/2021	8/1/2032	6,060,000	3,645,000
					$ 4,025,000

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 595,000	$ 53,908	$ 648,908
2027	600,000	44,694	644,694
2028	605,000	36,247	641,247
2029	620,000	27,736	647,736
2030	525,000	19,028	544,028
2031 - 2032	1,080,000	17,447	1,097,447
	$ 4,025,000	$ 199,059	$ 4,224,059

Revenue Bonds. The Public Building Commission issued Series 2014 Revenue Bonds in the amount of $4,720,000 on March 25, 2014, for the construction of a new community swimming pool and associated appurtenances in the City at the site of the existing swimming pool. These bonds were refunded by Series 2021 Refunding Revenue Bonds issued in the amount of $3,120,000 on June 3, 2021. Due dates on the bonds range from September 2021 through September 2031. As a result of the refunding, the Series 2014 bonds were considered to be defeased and the liability was removed from the City's financial statements.

Revenue Bonds currently outstanding are as follows:

Issue	Interest Rate	Date of Issue	Final Maturity	Amount of Issue	Current Amount
Series 2021, Refunding	2.00 - 3.00%	6/3/2021	9/1/2031	$ 3,120,000	$ 1,820,000

Annual debt service requirements to maturity for the revenue bonds are as follows:

NOTE 4 - Long-Term Debt (Continued)

Year Ending December 31,	Principal	Interest	Total
2026	$ 285,000	$ 42,150	$ 327,150
2027	290,000	33,600	323,600
2028	300,000	24,900	324,900
2029	305,000	18,900	323,900
2030	315,000	12,800	327,800
2031	325,000	6,500	331,500
	$ 1,820,000	$ 138,850	$ 1,958,850

State Agency Loans. The City has entered into a loan agreement with the Kansas Department of Health and Environment for improving the wastewater system in Clay Center. At December 31, 2025, the outstanding principal balance for the loan is as follows:

Issue	Interest Rate	Date of Issue	Final Maturity	Amount of Issue	Current Amount
KDHE Sewer Improvements	2.68%	5/24/2006	9/1/2027	$ 896,930	$ 137,889

The following displays annual debt service requirements to maturity for loan payable to be paid from service regulatory basis receipts:

Year Ending December 31,	Principal	Interest	Total
2026	$ 68,049	$ 3,244	$ 71,292
2027	69,841	1,533	71,373
	$ 137,889	$ 4,776	$ 142,666

NOTE 4 - Long-Term Debt (Continued)

Finance Lease. On September 23, 2014, the City entered into a finance lease agreement in the amount of $600,000 for financing the acquisition of a street maintenance facility. The interest rate on the lease is 3.68% and has a final maturity of August 1, 2034. As of December 31, 2025, the balance on the lease was $352,834.

On May 19, 2021, the City entered into a finance lease agreement in the amount of $599,968 to finance the purchase of a fire truck. The interest rate on the lease is 2.99% and has a final maturity date of May 19, 2036. As of December 31, 2025, the balance on the lease was $483,235.

Annual lease payment requirements to maturity for the finance leases are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ 67,643	$ 25,067	$ 92,710
2027	69,929	22,781	92,710
2028	72,236	20,474	92,710
2029	74,735	17,975	92,710
2030	77,263	15,447	92,710
2031 - 2035	384,158	36,768	420,926
2036	24,670	373	25,043
	$ 770,636	$ 138,885	$ 909,520

Promissory Notes. On January 15, 2015, the Clay Center Public Utility signed a promissory note with Union State Bank in the amount of $436,342 for the construction of the water line to Morganville. The interest rate on the note is 3.95% with a final maturity of January 15, 2035. As of December 31, 2025, the balance on the note was $236,670.

On March 4, 2019, the Clay Center Public Utility signed a promissory note with Union State Bank in the amount of $3,500,000 for the construction of a pump station. The interest rate on the note is 4.69% with a final maturity of January 25, 2040. As of December 31, 2025, the balance on the note was $2,779,103.

The annual payments required to maturity for the promissory notes payable are as follows:

NOTE 4 - Long-Term Debt (Continued)

Year Ending December 31,	Principal	Interest	Total
2026	$ 165,274	$ 136,426	$ 301,700
2027	173,021	128,679	301,700
2028	180,783	120,916	301,700
2029	189,608	112,091	301,700
2030	198,500	103,200	301,700
2031 - 2035	1,107,344	368,045	1,475,390
2036 - 2040	1,001,242	101,051	1,102,293
	$ 3,015,773	$ 1,070,407	$ 4,086,180

NOTE 5 - Compensated Absences

It is the City's policy to pay employees' accrued vacation and personal leave pay upon termination of employment. As of December 31, 2025, the City's liability for accrued vacation pay was $89,385 and accrued personal leave pay was $10,983.

It is the Public Utility's policy to pay employees' accrued vacation leave pay upon termination of employment. As of December 31, 2025, the Public Utility's liability for accrued vacation pay was $114,558.

NOTE 6 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - Commitments and Contingencies

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

NOTE 8 - Interfund Transfers

A reconciliation of transfers by fund type for 2025 follows:

From	To	Amount	Regulatory Authority
General	Street, Building, Machinery & Equipment	$ 455,000	K.S.A 12-1,117
General	Airport	127,500	K.S.A 12-197
General	Airport Improvement	80,000	K.S.A 12-1,118
Pool Sales Tax	Public Building Commission	330,550	Bond covenant
		993,050	
Transfer from Public Utility Recorded As:			
Transfer In - General Fund		186,677	K.S.A. 12-825d
Charges for Services - Waste Water Fund		702,608	K.S.A. 12-825d
Charges for Services - Refuse Disposal Maintenance Fund		335,933	K.S.A. 12-825d
		1,225,217	
Total transfers		$ 2,218,267	

NOTE 9 - Other Long-Term Obligations from Operations

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and Disability Other Post-Employment Benefits. As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2025.

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

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance-Over [Under]
General Funds:					
General Fund	$ 5,170,807	$ -	$ 5,170,807	$ 4,713,598	$ [457,209]
Special Purpose Funds:					
Airport	182,500	-	182,500	63,624	[118,876]
Connecting Link Improvement	1,200,000	-	1,200,000	633,128	[566,872]
Industrial	35,000	-	35,000	35,000	-
Library	243,933	-	243,933	243,933	-
Public Recreation	135,200	-	135,200	92,404	[42,796]
Special Highway	458,421	-	458,421	75,038	[383,383]
Special Improvement	29,791	-	29,791	-	[29,791]
Sales Tax	1,133,686	-	1,133,686	513,804	[619,882]
Special Parks and Recreation	29,124	-	29,124	22,000	[7,124]
Pool Sales Tax	430,550	-	430,550	369,033	[61,517]
Bond and Interest	151,200	-	151,200	101,200	[50,000]
Business Funds:					
Waste Water	683,294	-	683,294	658,085	[25,209]
Water Utility	4,149,000	-	4,149,000	3,284,224	[864,776]
Electric Utility	11,935,500	-	11,935,500	7,302,893	[4,632,607]
Refuse Disposal Maintenance	516,950	-	516,950	339,990	[176,960]

SCHEDULE 2 - 1

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Taxes and shared revenue				
Property taxes	$ 2,067,813	$ 2,090,661	$ 2,071,180	$ 19,481
Alcohol tax	9,310	9,720	11,433	[1,713]
Franchise tax	133,492	149,238	200,000	[50,762]
Sales tax	1,531,187	1,489,609	1,500,000	[10,391]
Licenses and permits	45,347	41,891	64,000	[22,109]
Fines and fees	34,422	39,507	259,000	[219,493]
Charges for services	122,609	112,513	150,500	[37,987]
Reimbursed expenses	1,902	2,393	200	2,193
Miscellaneous	600	1,323	3,500	[2,177]
Transfer in	186,753	186,677	-	186,677
Use of money and property	192,318	183,371	100,000	83,371
Total Receipts	4,325,753	4,306,903	$ 4,359,813	$ [52,910]
Expenditures				
General government	728,013	740,409	$ 1,023,700	$ [283,291]
Police department	827,707	941,887	973,557	[31,670]
Fire department	756,858	808,795	978,500	[169,705]
Highway department	653,174	568,409	898,500	[330,091]
Parks department	415,660	436,884	546,000	[109,116]
Pool department	197,153	222,680	219,100	3,580
Cemetery department	224,022	224,110	287,000	[62,890]
Municipal court	130,306	107,924	180,450	[72,526]
Life center	-	-	64,000	[64,000]
Transfers out	575,000	662,500	-	662,500
Total Expenditures	4,507,893	4,713,598	$ 5,170,807	$ [457,209]
Receipts Over [Under] Expenditures	[182,140]	[406,695]		
Unencumbered Cash, Beginning	1,131,576	949,436		
Unencumbered Cash, Ending	$ 949,436	$ 542,741		

See independent auditor's report on the financial statements.

CITY OF CLAY CENTER, KANSAS
Airport Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Use of money and property	$ 13,076	$ 12,530	$ 15,000	$ [2,470]
Miscellaneous	11,774	9,850	25,000	[15,150]
Transfer in	60,000	127,500	127,500	-
Total Receipts	84,850	149,880	$ 167,500	$ [17,620]
Expenditures				
Contractual services	32,627	33,665	$ 140,500	$ [106,835]
Commodities	34,667	29,959	42,000	[12,041]
Total Expenditures	67,294	63,624	$ 182,500	$ [118,876]
Receipts Over [Under] Expenditures	17,556	86,256		
Unencumbered Cash, Beginning	2,367	19,923		
Unencumbered Cash, Ending	$ 19,923	$ 106,179		

CITY OF CLAY CENTER, KANSAS
Connecting Link Improvement Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Intergovernmental	$ 780,396	$ 560,635	$ 1,005,626	$ [444,991]
Total Receipts	780,396	560,635	$ 1,005,626	$ [444,991]
Expenditures				
Capital outlay	819,089	633,128	$ 1,200,000	$ [566,872]
Total Expenditures	819,089	633,128	$ 1,200,000	$ [566,872]
Receipts Over [Under] Expenditures	[38,693]	[72,493]		
Unencumbered Cash, Beginning	184,374	145,681		
Unencumbered Cash, Ending	$ 145,681	$ 73,188		

CITY OF CLAY CENTER, KANSAS
Industrial Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Taxes	$ 35,286	$ 34,742	$ 34,679	$ 63
Total Receipts	35,286	34,742	$ 34,679	$ 63
Expenditures				
Appropriations	35,000	35,000	$ 35,000	$ -
Total Expenditures	35,000	35,000	$ 35,000	$ -
Receipts Over [Under] Expenditures	286	[258]		
Unencumbered Cash, Beginning	350	636		
Unencumbered Cash, Ending	$ 636	$ 378		

SCHEDULE 2 - 5

CITY OF CLAY CENTER, KANSAS
Library Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Taxes	$ 236,748	$ 245,859	$ 244,356	$ 1,503
Total Receipts	236,748	245,859	$ 244,356	$ 1,503
Expenditures				
Appropriations	235,000	243,933	$ 243,933	$ -
Total Expenditures	235,000	243,933	$ 243,933	$ -
Receipts Over [Under] Expenditures	1,748	1,926		
Unencumbered Cash, Beginning	-	1,748		
Unencumbered Cash, Ending	$ 1,748	$ 3,674		

See independent auditor's report on the financial statements.

CITY OF CLAY CENTER, KANSAS
Public Recreation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Taxes	$ 70,288	$ 81,389	$ 81,907	$ [518]
Charges for services	41,448	41,817	35,660	6,157
Miscellaneous	1,000	8	4,500	[4,492]
Total Receipts	112,736	123,214	$ 122,067	$ 1,147
Expenditures				
Personal services	13,608	22,982	$ 30,000	$ [7,018]
Contractual services	3,442	5,073	96,000	[90,927]
Commodities	86,542	63,972	-	63,972
Capital outlay	-	377	9,200	[8,823]
Total Expenditures	103,592	92,404	$ 135,200	$ [42,796]
Receipts Over [Under] Expenditures	9,144	30,810		
Unencumbered Cash, Beginning	6,363	15,507		
Unencumbered Cash, Ending	$ 15,507	$ 46,317		

See independent auditor's report on the financial statements.

SCHEDULE 2 - 7

CITY OF CLAY CENTER, KANSAS
Special Highway Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Intergovernmental	$ 111,658	$ 110,429	$ 107,770	$ 2,659
Reimbursed expenses	-	8,807	-	8,807
Total Receipts	111,658	119,236	$ 107,770	$ 11,466
Expenditures				
Commodities	106,565	75,038	$ 458,421	$ [383,383]
Total Expenditures	106,565	75,038	$ 458,421	$ [383,383]
Receipts Over [Under] Expenditures	5,093	44,198		
Unencumbered Cash, Beginning	257,791	262,884		
Unencumbered Cash, Ending	$ 262,884	$ 307,082		

See independent auditor's report on the financial statements.

CITY OF CLAY CENTER, KANSAS
Special Improvement Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance-Over [Under]
Receipts				
Reimbursements	$ -	$ -	$ -	$ -
Total Receipts	-	-	$ -	$ -
Expenditures				
Capital outlay	-	-	$ 29,791	$ [29,791]
Total Expenditures	-	-	$ 29,791	$ [29,791]
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	29,791	29,791		
Unencumbered Cash, Ending	$ 29,791	$ 29,791		

CITY OF CLAY CENTER, KANSAS
Sales Tax Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Sales tax	$ 613,469	$ 592,913	$ 700,000	$ [107,087]
Total Receipts	613,469	592,913	$ 700,000	$ [107,087]
Expenditures				
Capital outlay	595,937	513,804	$ 1,133,686	$ [619,882]
Total Expenditures	595,937	513,804	$ 1,133,686	$ [619,882]
Receipts Over [Under] Expenditures	17,532	79,109		
Unencumbered Cash, Beginning	283,686	301,218		
Unencumbered Cash, Ending	$ 301,218	$ 380,327		

CITY OF CLAY CENTER, KANSAS
Special Parks and Recreation Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Intergovernmental	$ 9,310	$ 9,720	$ 11,433	$ [1,713]
Total Receipts	9,310	9,720	$ 11,433	$ [1,713]
Expenditures				
Commodities	5,100	22,000	$ 29,124	$ [7,124]
Total Expenditures	5,100	22,000	$ 29,124	$ [7,124]
Receipts Over [Under] Expenditures	4,210	[12,280]		
Unencumbered Cash, Beginning	16,379	20,589		
Unencumbered Cash, Ending	$ 20,589	$ 8,309		

See independent auditor's report on the financial statements.

CITY OF CLAY CENTER, KANSAS
Airport Improvement Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Intergovernmental	$ 380,848	$ 624,617
Transfers in	80,000	70,000
Total Receipts	460,848	694,617
Expenditures		
Contractual services	1,013,734	661,622
Total Expenditures	1,013,734	661,622
Receipts Over [Under] Expenditures	[552,886]	32,995
Unencumbered Cash, Beginning	56,108	23,113
Unencumbered Cash, Ending	$ [496,778]	$ 56,108

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Street, Building, Machinery and Equipment Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Sale of equipment	$ 17,400	$ -
Donations	-	4,413
Transfer in	455,000	445,000
Total Receipts	472,400	449,413
Expenditures		
Capital outlay	472,238	27,413
Commodities	37,641	70,673
Total Expenditures	509,879	98,086
Receipts Over [Under] Expenditures	[37,479]	351,327
Unencumbered Cash, Beginning	1,169,835	818,508
Unencumbered Cash, Ending	$ 1,132,356	$ 1,169,835

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Cemetery Perpetual Care Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Perpetual care payments	$ 840	$ 1,505
Total Receipts	840	1,505
Expenditures		
Contractual services	-	18,567
Total Expenditures	-	18,567
Receipts Over [Under] Expenditures	840	[17,062]
Unencumbered Cash, Beginning	130,435	147,497
Unencumbered Cash, Ending	$ 131,275	$ 130,435

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Pool Sales Tax Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Sales tax	$ 613,469	$ 592,913	$ 700,000	$ [107,087]
Total Receipts	613,469	592,913	$ 700,000	$ [107,087]
Expenditures				
Transfer out	328,650	330,550	$ 330,550	$ -
Contractual services	4,510	38,483	100,000	[61,517]
Total Expenditures	333,160	369,033	$ 430,550	$ [61,517]
Receipts Over [Under] Expenditures	280,309	223,880		
Unencumbered Cash, Beginning	1,172,680	1,452,989		
Unencumbered Cash, Ending	$ 1,452,989	$ 1,676,869		

CITY OF CLAY CENTER, KANSAS
BASE Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Intergovernmental	$ -	$ 717,991
Total Receipts	-	717,991
Expenditures		
Contractual services	189,587	460,575
Total Expenditures	189,587	460,575
Receipts Over [Under] Expenditures	[189,587]	257,416
Unencumbered Cash, Beginning	189,587	[67,829]
Unencumbered Cash, Ending	$ -	$ 189,587

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Accelerator Grant Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Intergovernmental	$ 1,726,236	$ 105,741
Total Receipts	1,726,236	105,741
Expenditures		
Contractual services	2,195,665	94,313
Capital outlay	42,222	-
Total Expenditures	2,237,887	94,313
Receipts Over [Under] Expenditures	[511,651]	11,428
Unencumbered Cash, Beginning	11,428	-
Unencumbered Cash, Ending	$ [500,223]	$ 11,428

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
MIH Grant Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Intergovernmental	$ 329,445	$ 156,667
Total Receipts	329,445	156,667
Expenditures		
Contractual services	329,445	156,667
Total Expenditures	329,445	156,667
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Unencumbered Cash, Ending	$ -	$ -

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Taxes	$ 89,729	$ 113,280	$ 112,810	$ 470
Total Receipts	89,729	113,280	$ 112,810	$ 470
Expenditures				
Bond principal	85,000	90,000	$ 90,000	$ -
Interest	13,750	11,200	11,200	-
Cash reserves	-	-	50,000	[50,000]
Total Expenditures	98,750	101,200	$ 151,200	$ [50,000]
Receipts Over [Under] Expenditures	[9,021]	12,080		
Unencumbered Cash, Beginning	60,070	51,049		
Unencumbered Cash, Ending	$ 51,049	$ 63,129		

See independent auditor's report on the financial statements.

CITY OF CLAY CENTER, KANSAS
Pool Project Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Contributions	$ -	$ -
Total Receipts	-	-
Expenditures		
Contractual services	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	43,928	43,928
Unencumbered Cash, Ending	$ 43,928	$ 43,928

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Zoo Improvement Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Donations and sales	$ 100,911	$ 223,501
Total Receipts	100,911	223,501
Expenditures		
Miscellaneous	92,526	347,656
Total Expenditures	92,526	347,656
Receipts Over [Under] Expenditures	8,385	[124,155]
Unencumbered Cash, Beginning	72,126	196,281
Unencumbered Cash, Ending	$ 80,511	$ 72,126

* This fund is not required to be budgeted.

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Charges for services	$ 671,692	$ 702,608	$ 597,000	$ 105,608
Reimbursements	50	-	-	-
Total Receipts	671,742	702,608	$ 597,000	$ 105,608
Expenditures				
Personal services	324,152	378,053	$ 338,500	$ 39,553
Commodities	116,632	105,735	120,000	[14,265]
Contractual services	68,125	103,027	73,500	29,527
Capital outlay	-	-	80,000	[80,000]
Debt service	71,270	71,270	71,294	[24]
Total Expenditures	580,179	658,085	$ 683,294	$ [25,209]
Receipts Over [Under] Expenditures	91,563	44,523		
Unencumbered Cash, Beginning	146,268	237,831		
Unencumbered Cash, Ending	$ 237,831	$ 282,354		

See independent auditor's report on the financial statements.

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

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Charges for services	$ 2,765,836	$ 2,800,696	$ 4,043,500	$ [1,242,804]
Use of money and property	55,731	41,409	70,000	[28,591]
Miscellaneous	39,636	51,195	75,000	[23,805]
Transfers in	347,656	92,346	-	92,346
Total Receipts	3,208,859	2,985,646	$ 4,188,500	$ [1,202,854]
Expenditures				
Personal services	593,937	671,202	$ 890,016	$ [218,814]
Contractual services	67,456	103,335	99,598	3,737
Capital outlay	449,336	170,784	600,000	[429,216]
Commodities	636,406	643,283	900,386	[257,103]
Debt service	554,711	603,538	610,000	[6,462]
Transfer out	1,009,154	1,092,082	1,049,000	43,082
Total Expenditures	3,311,000	3,284,224	$ 4,149,000	$ [864,776]
Receipts Over [Under] Expenditures	[102,141]	[298,578]		
Unencumbered Cash, Beginning	1,484,387	1,382,246		
Unencumbered Cash, Ending	$ 1,382,246	$ 1,083,668		

CITY OF CLAY CENTER, KANSAS
Electric Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Charges for services	$ 6,897,865	$ 7,161,915	$ 10,797,500	$[3,635,585]
Taxes	206,428	206,479	400,000	[193,521]
Use of money and property	131,034	96,078	125,000	[28,922]
Miscellaneous	73,560	173,125	150,000	23,125
Transfer in	82,525	402,120	-	402,120
Total Receipts	7,391,412	8,039,717	$ 11,472,500	$[3,432,783]
Expenditures				
Personal services	2,183,116	2,149,425	$ 3,012,346	$ [862,921]
Contractual services	322,942	88,539	392,691	[304,152]
Capital outlay	136,328	214,029	750,000	[535,971]
Commodities	4,268,715	3,872,328	6,649,963	[2,777,635]
Debt service	270,102	270,102	270,500	[398]
Sales tax	-	175,380	400,000	[224,620]
Transfer out	216,136	533,090	460,000	73,090
Total Expenditures	7,397,339	7,302,893	$ 11,935,500	$[4,632,607]
Receipts Over [Under] Expenditures	[5,927]	736,824		
Unencumbered Cash, Beginning	4,104,044	4,098,117		
Unencumbered Cash, Ending	$ 4,098,117	$ 4,834,941		

CITY OF CLAY CENTER, KANSAS
FSA Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Use of money and property	$ 15	$ 17
Transfer in	-	2,680
Total Receipts	15	2,697
Expenditures		
Miscellaneous	1,940	-
Total Expenditures	1,940	-
Receipts Over [Under] Expenditures	[1,925]	2,697
Unencumbered Cash, Beginning	7,424	4,727
Unencumbered Cash, Ending	$ 5,499	$ 7,424

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Refuse Disposal Maintenance Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Totals for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance-Over [Under]
Receipts				
Charges for services	$ 278,908	$ 335,933	$ 293,000	$ 42,933
Miscellaneous	220	145	-	145
Total Receipts	279,128	336,078	$ 293,000	$ 43,078
Expenditures				
Personal services	223,919	241,850	$ 246,750	$ [4,900]
Contractual services	65,049	65,254	80,200	[14,946]
Commodities	17,672	21,400	37,000	[15,600]
Capital outlay	-	11,486	153,000	[141,514]
Total Expenditures	306,640	339,990	$ 516,950	$ [176,960]
Receipts Over [Under] Expenditures	[27,512]	[3,912]		
Unencumbered Cash, Beginning	267,358	239,846		
Unencumbered Cash, Ending	$ 239,846	$ 235,934		

CITY OF CLAY CENTER, KANSAS
Undercover Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Miscellaneous	$ -	$ -
Total Receipts	-	-
Expenditures		
Operational equipment	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	2,590	2,590
Unencumbered Cash, Ending	$ 2,590	$ 2,590

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Public Building Commission Fund*
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025 and 2024

	2025	2024
Receipts		
Transfer in	$ 330,550	$ 328,650
Use of money and property	22	25
Total Receipts	330,572	328,675
Expenditures		
Bond principal	280,000	270,000
Interest	50,550	58,650
Total Expenditures	330,550	328,650
Receipts Over [Under] Expenditures	22	25
Unencumbered Cash, Beginning	85	60
Unencumbered Cash, Ending	$ 107	$ 85

* This fund is not required to be budgeted.

CITY OF CLAY CENTER, KANSAS
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2025

Fund	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Employee Health Insurance	$ 134,364	$ -	$ -	$ 134,364
Crime Stoppers	107	-	-	107
Total Agency Funds	$ 134,471	$ -	$ -	$ 134,471

CITY OF CLAY CENTER, KANSAS
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN Number	Expenditures
U.S. Department of the Treasury		
Passed Through Kansas Department of Commerce:		
Coronavirus State & Local Fiscal Recovery Funds	21.027	$ 189,586
Passed Through Kansas Children's Cabinet & Trust Fund:		
Coronavirus Capital Projects Fund	21.029	2,237,887
Total U.S. Department of the Treasury		2,427,473
U.S. Department of Transportation		
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	1,013,734
U.S. Department of Transportation		1,013,734
Total Expenditures of Federal Awards		$ 3,441,207

The accompanying notes are an integral part of this schedule.

CITY OF CLAY CENTER, KANSAS
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

1. Organization

The City of Clay Center, Kansas, (the City), is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City and is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position as of December 31, 2025.

5. Outstanding Loans

The City did not have any outstanding loans under any federal grants as of December 31, 2025.

6. Pass Through Numbers

Pass through numbers have not been assigned to pass through grants on the Schedule of Expenditures of Federal Awards.

CITY OF CLAY CENTER, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified (Regulatory Basis) Adverse (GAAP)		
Internal control over financial reporting:			
Material weakness(es) identified?	____ Yes	X No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported	
Noncompliance material to financial statements noted?	____ Yes	X No	

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	____ Yes	X No	
Significant deficiency(ies) identified that are not considered to be material weaknesses?	____ Yes	X None reported	
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?	____ Yes	X No	

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
21.029	Coronavirus Capital Projects Fund

Dollar threshold used to distinguish between type A and type B programs:	$1,000,000
Auditee qualified as low-risk auditee?	____ Yes X No

CITY OF CLAY CENTER, KANSAS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2025

Section II - Financial Statement Findings

Current Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted.

CITY OF CLAY CENTER, KANSAS
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2025

Section II - Financial Statement Findings

Prior Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Prior Year Findings

None Noted.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH "GOVERNMENT AUDITING STANDARDS"

Mayor and City Council
City of Clay Center, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of the City of Clay Center, 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, and have issued our report thereon dated April 14, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal controls exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 14, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Council
City of Clay Center, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of the City of Clay Center, Kansas (the City), with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2025. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirement referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grants agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion of the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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

- identify and assess the risks of material noncompliance, 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 Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies, and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in the internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the City as of and for the year ended December 31, 2025, and have issued our report thereon dated April 14, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 14, 2026