CITY OF ST. PAUL, KANSAS

Independent Auditor's Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2025

CITY OF ST. PAUL, KANSAS
December 31, 2025

TABLE OF CONTENTS

	PAGE NUMBER
Independent Auditor's Report	1-3
Statement 1	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash - Regulatory Basis	4
Notes to the Financial Statement	5-13
SUPPLEMENTARY INFORMATION	
Schedule 1	
Summary of Expenditures – Actual and Budget Regulatory Basis - (Budgeted Funds Only)	14
Schedule 2	
Schedule of Receipts and Expenditures – Actual and Budget Regulatory Basis - (With Comparative Actual Amounts for the Prior Year)	
General Fund	15-16
Special Highway Fund	17
Parks and Recreation Fund	18
Local Sales Tax Fund	19
Capital Improvement Reserve Fund	20
Capital Equipment Reserve Fund	21
Waterline Repair Fund	22
American Rescue Plan Act Fund	23
Grocery Store Fund	24
Water Fund	25
Water Bond Reserve Fund	26
Sewer Fund	27
Sewer Reserve Fund	28
Sanitation Fund	29
Schedule 3	
Summary of Receipts and Disbursements – Agency Funds – Regulatory Basis	30

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of St. Paul, 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 St. Paul, Kansas, as of and for the year ended December 31, 2025, and the related notes to the financial statement.

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

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

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

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the City of St. Paul, Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

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

in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

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 St. Paul, Kansas as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated July 7, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the website of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual 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.

Jarred, Gilmore & Phillips, PA

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

June 25, 2026
Chanute, Kansas

CITY OF ST. PAUL, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Ending Cash Balances December 31, 2025
General	$ 279,729.04	$ 371,921.92	$ 339,866.05	$ 311,784.91	$ 11,985.52	$ 323,770.43
Special Purpose Funds:						
Special Highway	55,038.96	16,499.55	9,063.00	62,475.51	-	62,475.51
Parks and Recreation	36,270.15	630.00	-	36,900.15	-	36,900.15
Local Sales Tax	269,008.23	112,887.42	185,764.78	196,130.87	-	196,130.87
Capital Improvement Reserve	131,848.83	466,676.86	471,058.83	127,466.86	-	127,466.86
Capital Equipment Reserve	1,306.78	10,000.00	1,534.56	9,772.22	-	9,772.22
Waterline Repair	68,609.39	36,136.00	79,925.25	24,820.14	1,530.00	26,350.14
American Rescue Plan Act	25,767.83	-	25,767.83	-	-	-
Business Funds:						
Grocery Store	110,619.76	1,125,771.46	1,079,151.64	157,239.58	21,163.59	178,403.17
Water	108,833.00	214,045.94	204,433.86	118,445.08	6,452.71	124,897.79
Water Bond Reserve	31,845.80	5,000.00	-	36,845.80	-	36,845.80
Sewer	53,354.04	64,450.76	83,492.71	34,312.09	91.80	34,403.89
Sewer Reserve	33,200.87	5,000.00	-	38,200.87	-	38,200.87
Sanitation	2,772.36	47,771.37	48,543.13	2,000.60	-	2,000.60
Total Reporting Entity (Excluding Agency Funds)	$ 1,208,205.04	$ 2,476,791.28	$ 2,528,601.64	$ 1,156,394.68	$ 41,223.62	$ 1,197,618.30

Composition of Cash:	
Cash on Hand	$ 834.00
Checking Accounts	981,901.74
Investments	242,736.34
Total Cash	1,225,472.08
Agency Funds Per Schedule 3	(27,853.78)
Total Reporting Entity (Excluding Agency Funds)	$ 1,197,618.30

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of St. Paul, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from accounting principles generally accepted in the United States of America.

Financial Reporting Entity

The City of St. Paul, Kansas (the City) is a municipal corporation governed by a Mayor and elected five-member council. This financial statement presents the City of St. Paul, Kansas (the primary government) and does not include any related municipal entities.

Related Municipal Entity. A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the City has no such potential related municipal entities.

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of St. Paul, Kansas, for the year 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 receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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.)

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.).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Regulatory Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future 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.

Pension Plan

Substantially all full-time City employees are members of the State of Kansas Public Employees Retirement System, which is a multi-employer state-wide pension plan. The City's policy is to fund all pension costs accrued. Such costs to be funded are actuarially determined annually by the State of Kansas.

Reimbursed Expenses

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under the KMAAG regulatory basis of accounting.

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a receipt source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st 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 taxes levied on or before December 20th during the year levied with the balance to be paid on or before May 10th of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for regulatory receipt recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31st, such taxes are a lien on the property.

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds that are recorded as cash receipts in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as cash receipts in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 timetable in the adoption of the legal operating budget:

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

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

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

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

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

- Capital Improvement Reserve Fund
- Capital Equipment Reserve Fund
- Waterline Repair Fund
- American Rescue Plan Act 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 governing body.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in apparent compliance with Kansas cash basis and budget laws.

The City was in apparent violation of K.S.A. 12-1608 which requires the treasurer to publish an annual statement showing the total amount received into each fund and the total amount expended from each fund and the cash balances of each fund at the beginning and close of each year. Such annual statements shall show the amount of outstanding registered warrants, temporary notes, bonds and all other obligations and liabilities of the City. The City published the required statement but did not publish within the 30-day requirement.

Management is not aware of any other material statutory violations.

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds to have a main branch 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 bank provides 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.

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.

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. All deposits were legally secured at December 31, 2025.

Deposits: At year-end, the City's carrying amount of deposits was $1,224,638.08 and the bank balance was $1,268,882.50. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, $250,000.00 was covered by federal depository insurance and $1,018,882.50 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

4. LONG-TERM DEBT

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

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Paid with Tax Levies									
Series 2008-A	4.375%	September 18, 2008	$ 285,500.00	September 18, 2048	$ 223,843.00	$ -	$ 5,446.00	$ 218,397.00	$ 9,793.13
Series 2008-B	3.625%	September 18, 2008	264,500.00	September 18, 2048	200,249.00	-	5,368.00	194,881.00	7,259.03
Total Contractual Indebtedness					$ 424,092.00	$ -	$ 10,814.00	$ 413,278.00	$ 17,052.16

4. LONG-TERM DEBT (Continued)

Current maturities of long-term liabilities and interest for the next five years and in five year increments through maturity is as follows:

Issue	2026	2027	2028	2029	2030	2031-2035
Principal						
General Obligation Bonds:						
Series 2008-A	$ 5,684.00	$ 5,933.00	$ 6,168.00	$ 6,462.00	$ 6,745.00	$ 38,394.00
Series 2008-B	5,563.00	5,764.00	5,955.00	6,189.00	6,413.00	35,711.00
Total Principal Payments	11,247.00	11,697.00	12,123.00	12,651.00	13,158.00	74,105.00
Interest						
General Obligation Bonds:						
Series 2008-A	9,554.87	9,306.19	9,046.63	8,776.78	8,494.06	37,779.96
Series 2008-B	7,064.44	6,862.78	6,653.83	6,437.96	6,213.61	27,409.38
Total Interest Payments	16,619.31	16,168.97	15,700.46	15,214.74	14,707.67	65,189.34
Total Principal and Interest	$ 27,866.31	$ 27,865.97	$ 27,823.46	$ 27,865.74	$ 27,865.67	$ 139,294.34

	2036-2040	2041-2045	2046-2048	Total
Principal				
General Obligation Bonds:				
Series 2008-A	$ 47,551.00	$ 58,930.00	$ 42,530.00	$ 218,397.00
Series 2008-B	42,663.00	50,995.00	35,628.00	194,881.00
Total Principal Payments	90,214.00	109,925.00	78,158.00	413,278.00
Interest				
General Obligation Bonds:				
Series 2008-A	28,613.90	17,258.34	3,800.57	132,631.30
Series 2008-B	20,450.34	12,134.65	3,081.69	96,308.68
Total Interest Payments	49,064.24	29,392.99	6,882.26	228,939.98
Total Principal and Interest	$ 139,278.24	$ 139,317.99	$ 85,040.26	$ 642,217.98

5. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution for the Death and Disability Program) and the statutory contribution rate was 9.71% for the fiscal year ended December 31, 2025. Contributions to the pension plan from the City were $26,420.93 for the year ended December 31, 2025.

Net Pension Liability

At December 31, 2025, the City's proportionate share of the collective net pension liability reported by KPERS was $203,531.00. 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 nonemployer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

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.

6. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS (Continued)

Compensated Absences:
All full-time officers and employees of the City are eligible for vacation benefits in varying annual amounts. Full-time employees will be granted paid vacation time as follows:

- From the date of employment to December 31 of that year, considered first calendar year, one week (5 working days) will be earned for vacation.
- After second calendar year of employment, two weeks (10 working days) will be earned for vacation.
- After ten calendar years of employment, three weeks (15 working days) will be earned for vacation.

Annual leave shall be paid at the employee's regular salary rate during each annual leave period. All requests for annual leave shall be submitted to the Supervisor.

Sick leave accrues to all employees that are scheduled to work 20 hours or more per pay period for each quarter of service and shall be paid at the employee's regular rate during any such leave period, except that the term 'sick leave' as herein used may include necessary absence from duty caused by injury sustained on the job, but does not include absence from work after the employee becomes eligible for worker's compensation disability benefits. Employees scheduled to work 25 hours per pay period shall earn one (1) day (8) hours of sick leave for each quarter of service worked. Employees scheduled to work 20 hours or more per pay period shall earn ½ day (4 hours) of sick leave for each quarter of service worked. The sick leave provisions herein granted shall be accumulated from year to year, but no officer or employee shall be credited with more than two hundred (200) hours of accumulated sick leave. The council may require satisfactory evidence of any illness or absence from duty at the time any payroll is approved.

The City has no policy regarding compensatory time, however it is accumulated.

The City estimates a liability for compensated absences when the following conditions are met:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has estimated a liability for annual leave and compensatory time, which has been earned, but not taken, by City employees. The estimated liability at December 31, 2025, was $21,449.58.

Other Post-Employment Benefits:
As provided by K.S.A. 12-5040, the local government 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. There is no cost to the City under this program.

7. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

8. INTERFUND TRANSFERS

Operating transfers were as follows:

From Fund:	To Fund:	Statutory Authority	Amount
General	Capital Equipment Reserve	K.S.A. 12-1,117	$ 10,000.00
Local Sales Tax	Capital Improvement Reserve	K.S.A. 12-1,118	38,036.86
Water Utility	Water Bond Reserve	K.S.A. 12-825d	5,000.00
Sewer Utility	Sewer Reserve	K.S.A. 12-825d	5,000.00

9. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year end, and there were no subsequent events requiring recognition or disclosure in the financial statement. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTARY INFORMATION

Schedule 1

CITY OF ST. PAUL, KANSAS

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Certified Budget	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General Fund	$ 649,737.00	$ 339,866.05	$ (309,870.95)
Special Purpose Funds:			
Special Highway	73,612.00	9,063.00	(64,549.00)
Parks and Recreation	37,796.00	-	(37,796.00)
Local Sales Tax	362,377.00	185,764.78	(176,612.22)
Business Funds:			
Grocery Store	1,079,799.00	1,079,151.64	(647.36)
Water	322,730.00	204,433.86	(118,296.14)
Sewer	121,077.00	83,492.71	(37,584.29)
Sanitation	56,222.00	48,543.13	(7,678.87)

CITY OF ST. PAUL, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 143,504.25	$ 151,922.63	$ 159,473.00	$ (7,550.37)
Delinquent Tax	5,169.18	16,297.09	6,649.00	9,648.09
Motor Vehicle Tax	33,855.45	29,911.08	34,200.00	(4,288.92)
Recreational Vehicle Tax	257.45	255.45	306.00	(50.55)
16 & 20M Truck Tax	358.08	471.50	334.00	137.50
Commercial Vehicle Tax	7,516.61	3,197.49	7,640.00	(4,442.51)
Watercraft Tax	-	-	203.00	(203.00)
General Sales Tax	49,477.17	55,556.25	42,000.00	13,556.25
Local Alcoholic Liquor Tax	80.09	-	100.00	(100.00)
Franchise Tax	39,938.38	42,535.06	44,000.00	(1,464.94)
Intergovernmental				
State Grants	10,851.76	9,974.00	-	9,974.00
Licenses and Permits				
Fees, Licenses & Permits	470.00	434.00	750.00	(316.00)
Reinstate Fees	813.00	59.00	600.00	(541.00)
Fines, Forfeitures and Penalties				
Diversions	1,650.00	3,531.00	3,000.00	531.00
Fines and Forfeitures	22,017.95	25,665.05	35,000.00	(9,334.95)
Charges for Services				
Service Fees	-	-	200.00	(200.00)
Fire Protection Services	6,000.00	6,000.00	7,500.00	(1,500.00)
Use of Money and Property				
Interest	10,182.39	11,523.60	7,500.00	4,023.60
Other Receipts				
Reimbursed Expenses	6,222.26	14,588.72	4,500.00	10,088.72
Insurance Rebate	2,766.29	-	4,500.00	(4,500.00)
Grants and Donations	308.64	-	10,000.00	(10,000.00)
Total Receipts	341,438.95	371,921.92	$ 368,455.00	$ 3,466.92
Expenditures				
General Government				
Personal Services	121,569.44	145,886.14	$ 175,000.00	$ (29,113.86)
Contractual Services	62,214.67	55,113.00	150,000.00	(94,887.00)
Commodities	6,726.19	9,040.43	18,278.00	(9,237.57)

CITY OF ST. PAUL, KANSAS
GENERAL FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Fire				
Personal Services	$ 4,725.82	$ 5,310.12	$ 4,200.00	$ 1,110.12
Contractual Services	34,024.81	24,790.97	25,000.00	(209.03)
Commodities	685.00	5,096.17	1,000.00	4,096.17
Municipal Court				
Personal Services	648.46	710.17	600.00	110.17
Contractual Services	19,062.00	18,433.00	22,500.00	(4,067.00)
Streets				
Personal Services	53,982.39	61,966.76	24,000.00	37,966.76
Contractual Services	940.00	-	2,000.00	(2,000.00)
Capital Outlay	-	3,253.75	-	3,253.75
Parks and Recreation				
Personal Services	1,076.50	-	900.00	(900.00)
Contractual Services	-	265.54	-	265.54
Cash Reserve	-	-	206,259.00	(206,259.00)
Operating Transfers to:				
Capital Improvement Reserve Fund	-	-	15,000.00	(15,000.00)
Capital Equipment Reserve Fund	-	10,000.00	5,000.00	5,000.00
Total Expenditures	305,655.28	339,866.05	$ 649,737.00	$ (309,870.95)
Receipts Over(Under) Expenditures	35,783.67	32,055.87		
Unencumbered Cash, Beginning	243,945.37	279,729.04		
Unencumbered Cash, Ending	$ 279,729.04	$ 311,784.91		

CITY OF ST. PAUL, KANSAS
SPECIAL HIGHWAY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Motor Fuel Tax	$ 16,403.44	$ 16,499.55	$ 16,270.00	$ 229.55
Total Receipts	16,403.44	16,499.55	$ 16,270.00	$ 229.55
Expenditures				
General Government				
Contractual Services	-	9,063.00	$ 38,504.00	$ (29,441.00)
Commodities	22,556.18	-	35,108.00	(35,108.00)
Total Expenditures	22,556.18	9,063.00	$ 73,612.00	$ (64,549.00)
Receipts Over(Under) Expenditures	(6,152.74)	7,436.55		
Unencumbered Cash, Beginning	61,191.70	55,038.96		
Unencumbered Cash, Ending	$ 55,038.96	$ 62,475.51		

CITY OF ST. PAUL, KANSAS
PARKS AND RECREATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Local Alcoholic Liquor Tax	$ 80.09	$ -	$ 83.00	$ (83.00)
Licenses and Permits				
Fees, Licenses & Permits	160.00	630.00	760.00	(130.00)
Total Receipts	240.09	630.00	$ 843.00	$ (213.00)
Expenditures				
Culture and Recreation				
Contractual Services	-	-	$ 10,000.00	$ (10,000.00)
Commodities	155.63	-	10,000.00	(10,000.00)
Capital Outlay	-	-	17,796.00	(17,796.00)
Total Expenditures	155.63	-	$ 37,796.00	$ (37,796.00)
Receipts Over(Under) Expenditures	84.46	630.00		
Unencumbered Cash, Beginning	36,185.69	36,270.15		
Unencumbered Cash, Ending	$ 36,270.15	$ 36,900.15		

CITY OF ST. PAUL, KANSAS
LOCAL SALES TAX FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
General Sales Tax	$ 113,361.51	$ 112,887.42	$ 102,000.00	$ 10,887.42
Other Receipts				
Reimbursed Expenses	1,796.80	-	-	-
Total Receipts	115,158.31	112,887.42	$ 102,000.00	$ 10,887.42
Expenditures				
Economic Development				
Contractual Services	54,836.99	49,386.00	$ 30,000.00	$ 19,386.00
Commodities	-	-	87,377.00	(87,377.00)
Capital Outlay	-	-	85,000.00	(85,000.00)
Grocery Store				
Contractual Services	28,500.31	98,341.92	70,000.00	28,341.92
Water Utility				
Contractual Services	11,709.22	-	90,000.00	(90,000.00)
Operating Transfers to				
Capital Improvement Reserve Fund	-	38,036.86	-	38,036.86
Total Expenditures	95,046.52	185,764.78	$ 362,377.00	$ (176,612.22)
Receipts Over(Under) Expenditures	20,111.79	(72,877.36)		
Unencumbered Cash, Beginning	248,896.44	269,008.23		
Unencumbered Cash, Ending	$ 269,008.23	$ 196,130.87		

CITY OF ST. PAUL, KANSAS
CAPITAL IMPROVEMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
State Grants	$ 76,360.00	$ 428,640.00
Operating Transfer from		
Local Sales Tax Fund	-	38,036.86
Total Receipts	76,360.00	466,676.86
Expenditures		
Capital Outlay	128,431.29	471,058.83
Total Expenditures	128,431.29	471,058.83
Receipts Over(Under) Expenditures	(52,071.29)	(4,381.97)
Unencumbered Cash, Beginning	183,920.12	131,848.83
Unencumbered Cash, Ending	$ 131,848.83	$ 127,466.86

CITY OF ST. PAUL, KANSAS
CAPITAL EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from General Fund	$ -	$ 10,000.00
Total Receipts	-	10,000.00
Expenditures		
Capital Outlay	8,919.50	1,534.56
Total Expenditures	8,919.50	1,534.56
Receipts Over(Under) Expenditures	(8,919.50)	8,465.44
Unencumbered Cash, Beginning	10,226.28	1,306.78
Unencumbered Cash, Ending	$ 1,306.78	$ 9,772.22

CITY OF ST. PAUL, KANSAS
WATERLINE REPAIR FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Charges for Services		
Waterline Repair Charge	$ 26,144.00	$ 36,136.00
Total Receipts	26,144.00	36,136.00
Expenditures		
Waterline Repair		
Capital Outlay	30,614.56	79,925.25
Total Expenditures	30,614.56	79,925.25
Receipts Over(Under) Expenditures	(4,470.56)	(43,789.25)
Unencumbered Cash, Beginning	73,079.95	68,609.39
Unencumbered Cash, Ending	$ 68,609.39	$ 24,820.14

CITY OF ST. PAUL, KANSAS
AMERICAN RESCUE PLAN ACT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grants	$ -	$ -
Total Receipts	-	-
Expenditures		
Contractual Services	33,639.62	25,767.83
Total Expenditures	33,639.62	25,767.83
Receipts Over(Under) Expenditures	(33,639.62)	(25,767.83)
Unencumbered Cash, Beginning	59,407.45	25,767.83
Unencumbered Cash, Ending	$ 25,767.83	$ -

CITY OF ST. PAUL, KANSAS
GROCERY STORE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Grocery Store Receipts	$ 1,079,153.27	$ 1,124,227.39	$ 980,000.00	$ 144,227.39
Use of Money and Property				
Interest	46.10	94.94	-	94.94
Other Receipts				
Reimbursed Expenses	-	1,449.13	3,000.00	(1,550.87)
Total Receipts	1,079,199.37	1,125,771.46	$ 983,000.00	$ 142,771.46
Expenditures				
Grocery Store				
Personal Services	153,085.96	161,274.90	$ 185,000.00	$ (23,725.10)
Contractual Services	99,408.23	87,281.92	94,799.00	(7,517.08)
Commodities	812,464.30	830,594.82	800,000.00	30,594.82
Total Expenditures	1,064,958.49	1,079,151.64	$ 1,079,799.00	$ (647.36)
Receipts Over(Under) Expenditures	14,240.88	46,619.82		
Unencumbered Cash, Beginning	96,378.88	110,619.76		
Unencumbered Cash, Ending	$ 110,619.76	$ 157,239.58		

CITY OF ST. PAUL, KANSAS
WATER FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Sales	$ 215,743.51	$ 213,645.94	$ 213,000.00	$ 645.94
Utility Meter Connection	-	-	80.00	(80.00)
Utility Service Charges	450.00	400.00	600.00	(200.00)
Total Receipts	216,193.51	214,045.94	$ 213,680.00	$ 365.94
Expenditures				
Water				
Personal Services	36,523.28	26,102.85	$ 88,000.00	$ (61,897.15)
Contractual Services	64,379.46	89,987.96	75,000.00	14,987.96
Commodities	50,487.96	55,476.89	60,000.00	(4,523.11)
Capital Outlay	-	-	65,064.00	(65,064.00)
Debt Service				
Series 2008B Principal	5,161.00	7,259.03	5,368.00	1,891.03
Series 2008A Principal	5,191.00	5,446.00	5,446.00	-
Series 2003 Principal	35,000.00	-	-	-
Series 2008B Interest	7,446.11	9,793.13	7,259.00	2,534.13
Series 2008A Interest	10,020.24	5,368.00	9,793.00	(4,425.00)
Series 2003 Interest	1,750.00	-	-	-
Operating Transfer to				
Water Reserve Fund	-	5,000.00	6,800.00	(1,800.00)
Total Expenditures	215,959.05	204,433.86	$ 322,730.00	$ (118,296.14)
Receipts Over(Under) Expenditures	234.46	9,612.08		
Unencumbered Cash, Beginning	108,598.54	108,833.00		
Unencumbered Cash, Ending	$ 108,833.00	$ 118,445.08		

CITY OF ST. PAUL, KANSAS
WATER BOND RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Water Fund	$ -	$ 5,000.00
Total Receipts	-	5,000.00
Expenditures		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	5,000.00
Unencumbered Cash, Beginning	31,845.80	31,845.80
Unencumbered Cash, Ending	$ 31,845.80	$ 36,845.80

CITY OF ST. PAUL, KANSAS
SEWER FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sewer Sales	$ 64,376.31	$ 64,450.76	$ 64,500.00	$ (49.24)
Total Receipts	64,376.31	64,450.76	$ 64,500.00	$ (49.24)
Expenditures				
Sewer				
Personal Services	50,943.64	64,831.00	$ 75,000.00	$ (10,169.00)
Contractual Services	5,170.96	8,617.76	5,000.00	3,617.76
Commodities	2,835.66	5,043.95	5,389.00	(345.05)
Capital Outlay	-	-	25,688.00	(25,688.00)
Operating Transfer to				
Sewer Reserve Fund	-	5,000.00	10,000.00	(5,000.00)
Total Expenditures	58,950.26	83,492.71	$ 121,077.00	$ (37,584.29)
Receipts Over(Under) Expenditures	5,426.05	(19,041.95)		
Unencumbered Cash, Beginning	47,927.99	53,354.04		
Unencumbered Cash, Ending	$ 53,354.04	$ 34,312.09		

CITY OF ST. PAUL, KANSAS
SEWER RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Sewer Fund	$ -	$ 5,000.00
Total Receipts	-	5,000.00
Expenditures		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	5,000.00
Unencumbered Cash, Beginning	33,200.87	33,200.87
Unencumbered Cash, Ending	$ 33,200.87	$ 38,200.87

CITY OF ST. PAUL, KANSAS
SANITATION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Prior Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sanitation Sales	$ 47,962.22	$ 47,771.37	$ 48,364.00	$ (592.63)
Total Receipts	47,962.22	47,771.37	$ 48,364.00	$ (592.63)
Expenditures				
Trash				
Contractual Services	53,048.00	48,543.13	$ 56,222.00	$ (7,678.87)
Total Expenditures	53,048.00	48,543.13	$ 56,222.00	$ (7,678.87)
Receipts Over(Under) Expenditures	(5,085.78)	(771.76)		
Unencumbered Cash, Beginning	7,858.14	2,772.36		
Unencumbered Cash, Ending	$ 2,772.36	$ 2,000.60		

CITY OF ST. PAUL, 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
Payroll Clearing	$ 7,568.27	$ 409,654.87	$ 404,107.44	$ 13,115.70
Sales Tax Clearing	6,737.88	40,749.92	38,266.48	9,221.32
Deposit Clearing	1,908.53	12,104.78	10,710.30	3,303.01
Penalty Clearing	370.15	4,258.22	4,258.22	370.15
Mission Township	10,171.00	20,317.49	28,644.89	1,843.60
	$ 26,755.83	$ 487,085.28	$ 485,987.33	$ 27,853.78

Jarred Gilmore Phillips

The Honorable Mayor, City Council, and Management
City of St. Paul, Kansas

In planning and performing our audit of the financial statement of the City of St. Paul, Kansas as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the City of St. Paul, Kansas' system of 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 opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of City of St. Paul, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of St. Paul, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 misstatement on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatements of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 charged with governance. We consider the following deficiencies in internal control to be significant deficiencies:

Preparation of Financial Statement

Professional standards require management to accept responsibility for the preparation and fair presentation of the financial statement, including related note disclosures. The City engages the auditor to assist in drafting the financial statement in accordance with the Kansas Municipal Audit and Accounting Guide. The City does not have personnel with specialized training in governmental financial reporting necessary to independently prepare the complete financial statement and related disclosures. Accordingly, management relies on the auditor for preparation of the financial statement. While this condition is common among smaller governmental entities and does not reflect on management's integrity or oversight, it represents a deficiency in internal control over financial reporting because the preparation of the financial statement is not performed by individuals independent of the audit process.

Management has reviewed and approved the financial statement and has accepted responsibility for them. We encourage management and the Council to continue their oversight of the financial reporting process and to remain informed of reporting requirements.

Segregation of Duties

Due to the limited number of personnel, complete segregation of duties is not achievable. As a result, certain internal control functions are necessarily performed by the same individual. Under auditing standards generally accepted in the United States, this condition represents a significant deficiency in internal control, as it increases the risk that errors or irregularities could occur and not be detected on a timely basis.

This comment is provided as a reminder to those charged with governance of their fiduciary oversight responsibilities, rather than as a recommendation for corrective action. Management and the governing body are aware of these circumstances and have determined that the costs associated with additional staffing or restructuring would outweigh the related benefits at this time.

Accordingly, the governing body should continue to exercise diligent financial oversight, including active involvement in the review of financial information, approval of disbursements, and periodic review of internal control procedures, to mitigate the risks inherent in these conditions.

Bank Reconciliations

During our audit procedures over bank reconciliations and cash receipt classifications, we noted numerous errors in the recording and classification of cash receipts. These errors included duplicate recorded deposits, forced reconciliation entries, incorrect amounts entered, customer payment issues, sales tax posting matters, and receipts recorded to incorrect funds or receipt codes. We also proposed audit adjustments to reclassify certain receipts among receipt categories and funds, including items related to sales tax, reimbursed expenses, motor fuel tax, grocery store receipts, grants, parks and recreation fees, and other receipts.

We discussed the adjustments with management and the outside consultant assisting with bank reconciliations. Based on our review and those discussions, the adjustments appeared to relate to valid City transactions and correction of reconciliation, posting, and classification errors. No improper or unauthorized activity was noted based on the procedures performed.

Although the adjustments appear to relate to valid transactions, the number, nature, and dollar amount of the adjustments indicate that controls over cash receipt posting, receipt coding, and bank reconciliation review could be strengthened. We recommend the City continue to review bank reconciliations timely, investigate and document reconciling items before adjustment entries are posted, and review significant or unusual adjustments for proper fund and receipt classification. We also recommend that someone independent of the initial posting process review material receipt adjustments and receipt reclassifications when possible.

This communication is intended solely for the information and use of management, the Mayor, City Council, and others within the City of St. Paul, Kansas, and is not intended to be and should not be used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

Chanute, Kansas
June 25, 2026