CITY OF YATES CENTER, KANSAS

Independent Auditor's Report and
Financial Statement with
Supplementary Information

For the Year Ended December 31, 2025

CITY OF YATES CENTER, KANSAS

December 31, 2025

TABLE OF CONTENTS

	PAGE NUMBER
FINANCIAL STATEMENT:	
Independent Auditor's Report	1-3
Statement 1	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash – Regulatory Basis	4
Notes to the Financial Statement	5-15
SUPPLEMENTARY INFORMATION:	
Schedule 1	
Summary of Expenditures – Actual and Budget (Budgeted Funds Only) – Regulatory Basis	16
Schedule 2	
Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis (with Comparative Actual Amounts for the Prior Year)	
General Fund	17-19
ARPA Fund	20
Special Highway Fund	21
Special Highway Reserve Fund	22
Library Fund	23
Library Reserve Fund	24
Recreation Commission Fund	25
Lincoln Park Memorial Fund	26
Special Law and Emergency Vehicles Fund	27
Special Parks and Recreation Fund	28
Municipal Equipment Fund	29
Multi-Year Capital Improvement Fund	30
Fire Protection Building Fund	31
Ball Field Improvements Fund	32
Economic Development Fund	33
Special Recreational Facilities Fund	34
Police Department Special Account Fund	35
Water Works Utility Fund	36
Water Reserve Fund	37
Sewer System Utility Fund	38
Sewer Debt Service Fund	39
Sewer Replacement Fund	40
Schedule 3	
Summary of Receipts and Disbursements – Agency Funds Regulatory Basis	41

JARRED, GILMORE & PHILLIPS, PA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Yates 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 Yates Center, 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 Yates Center, 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 Yates Center, 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 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, individual fund schedules of regulatory basis receipts and expenditures – actual and budget, and summary of regulatory basis receipts and disbursements-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 Yates Center, Kansas, as of the and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated July 25, 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/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 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.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

July 23, 2026
Chanute, Kansas

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

Funds	Beginning Unencumbered Cash Balances	Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balances	Add Encumbrances and Accounts Payable	Ending Cash Balances December 31, 2025
General	$ 512,995.66	$ 27,000.00	$ 1,338,632.04	$ 1,433,030.48	$ 445,597.22	$ 36,114.57	$ 481,711.79
Special Purpose Funds:							
ARPA	42,218.13	-	-	42,218.13	-	-	-
Special Highway	-	-	319,099.20	318,914.92	184.28	7,957.46	8,141.74
Special Highway Reserve	2,735.34	-	232,472.20	-	235,207.54	-	235,207.54
Library	5,999.37	-	70,290.36	70,290.36	5,999.37	-	5,999.37
Library Reserve	33,000.00	-	12,000.00	-	45,000.00	-	45,000.00
Recreation Commission	-	-	36,330.03	29,937.86	6,392.17	-	6,392.17
Lincoln Park Memorial	13,591.58	-	-	-	13,591.58	-	13,591.58
Special Law and Emergency Vehicles	178,224.54	-	93,505.17	2,694.20	269,035.51	-	269,035.51
Special Parks and Recreation	17,736.48	-	3,150.96	-	20,887.44	-	20,887.44
Municipal Equipment	188,729.35	-	-	68,328.28	120,401.07	-	120,401.07
Multi-Year Capital Improvement	513,450.46	-	72,574.43	46,098.44	539,926.45	-	539,926.45
Fire Protection Building	107,653.32	-	14,276.94	10,607.75	111,322.51	657.63	111,980.14
Ball Field Improvements	42,128.00	-	10,707.70	-	52,835.70	-	52,835.70
Economic Development	18,424.93	-	29,109.86	28,292.48	19,242.31	127.91	19,370.22
Special Recreational Facilities	56,275.01	60,000.00	26,050.15	26,267.65	116,057.51	592.03	116,649.54
Police Department Special Account	684.15	-	2.74	-	686.89	-	686.89
Business Funds:							
Water Works Utility	15,409.59	35,000.00	770,144.25	721,690.68	98,863.16	36,714.95	135,578.11
Water Reserve	391,756.87	-	22,415.61	-	414,172.48	-	414,172.48
Sewer System Utility	278,466.56	-	288,626.73	319,407.52	247,685.77	118,704.22	366,389.99
Sewer Debt Service	2,587.72	-	1,200.00	-	3,787.72	-	3,787.72
Total Reporting Entity (Excluding Agency Funds)	$ 2,422,067.06	$ 122,000.00	$ 3,340,588.37	$ 3,117,778.75	$ 2,766,876.68	$ 200,868.77	$ 2,967,745.45

Composition of Cash:	
Cash on Hand	$ 10.00
Checking Accounts	
Operating Checking Account	2,385,479.50
Water Reserve	414,172.48
Sewer Debt	3,787.72
Police	686.89
Retirement	1,343.52
Municipal Court	16,038.44
Tax Withholding	49.34
Municipal Bonds	232.00
Petty Cash	275.00
Certificates of Deposit	163,333.86
Total Cash	2,985,408.75
Less: Agency Funds Per Schedule 3	(17,663.30)
Total Reporting Entity	$ 2,967,745.45

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 Yates Center, 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 generally accepted accounting principles.

Financial Reporting Entity
The City of Yates Center, Kansas, is a municipal corporation governed by an elected six-member council and mayor. This financial statement presents the City of Yates Center.

Related Municipal Entities: 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 KMAAG. Based upon the application of these criterion, the following is a brief review of potential related municipal entities:

Yates Center Public Library
The City of Yates Center Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Separate unaudited financial statements are available at the Library.

Recreation Commission – City of Yates Center Recreation Commission oversees recreational activities. The recreation commission can sue and be sued, but acquisition of real property by the commission must be approved by the City. The City levies taxes for the recreation commission. Bond issuances must be approved by the City. The Recreation Commission funds in this financial statement only include tax levy money collected by the City and distributed to the Commission. Financial statements are available at the Commission.

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 Yates Center, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types (Continued)

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.).

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.

Property Taxes
In accordance with governing state statutes, property taxes levied during the current year are a regulatory 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.

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 accounting.

Special Assessments
Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds 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 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 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 not 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. During the year ended December 31, 2025, the City did not amend any funds.

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 the 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:

- ARPA Fund
- Library Reserve Fund
- Lincoln Park Memorial Fund
- Multi-Year Capital Improvement Fund
- Municipal Equipment Fund
- Police Department Special Account Fund
- Special Highway Reserve Fund

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

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

Statement 1 has been prepared in order to show compliance with the cash basis laws of Kansas. As shown in Statement 1, the City was in compliance with Kansas cash basis laws of the State of Kansas.

Schedule 1 has been prepared in order to show compliance with the budget laws of Kansas. As shown in Schedule 1 expenditures in the Special Highway Fund exceeded the adopted budget for the year ended December 31, 2025, which is a violation of K.S.A. 79-2935.

The City was in apparent violation of K.S.A. 12-1608 which requires the treasurer of second class cities to publish quarterly statements 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 quarter. Such quarterly statements shall show the amount of outstanding registered warrants, temporary notes, bonds and all other obligations and liabilities of the City. Three of the four quarterly statements were not published within the 30 day requirement.

Management is not aware of any other material statute 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 have a main branch or branch bank in the county in which the City is located, or in an adjoin 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.

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 Government 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 December 31, 2025, the City's carrying amount of deposits was $2,985,398.75 and the bank balance was $3,062,768.82. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance $295,509.52 was covered by federal depository insurance, $318,202.58 was collateralized with securities held by the pledging financial institutions' agents in the City's name, and $2,449,056.72 was secured with a bank repurchase agreement.

4. RIGHT TO USE CONTRACT

The City has entered into a number of contracts for equipment. Contractual expenditures for the year ended December 31, 2025 was $2,747.70. Under the current contract agreements, the future minimum rental payments are as follows:

2026	$ 662.16
2027	662.16
2028	662.16
2029	165.54

5. FINANCE LEASE OBLIGATIONS

The City has entered into a finance lease agreement in order to finance the construction of a sewer line replacement project. Payments are made annually, including interest at approximately 3.50%. Final maturity of the lease is July 18, 2026. Future minimum lease payments are as follows:

Year Ended December 31	Totals
2026	$ 11,565.36
	11,565.36
Less: Imputed Interest	(412.18)
Net Present Value of Minimum Lease Payments	11,153.18
Less: Current Maturities	(11,153.18)
Long-Term Finance Lease Obligations	$ 0.00

The City has entered into a finance lease agreement in order to finance the construction and renovation of the city swimming pool. Payments are made annually, including interest at approximately 4.15%. Final maturity of the lease is July 1, 2037. Future minimum lease payments are as follows:

Year Ended December 31	Totals
2026	$ 46,098.44
2027	46,098.44
2028	46,098.44
2029	46,098.44
2030	46,098.44
2031-2035	230,492.20
2036-2037	93,470.19
	554,454.59
Less: Imputed Interest	(124,000.04)
Net Present Value of Minimum Lease Payments	430,454.55
Less: Current Maturities	(28,303.26)
Long-Term Finance Lease Obligations	$ 402,151.29

5. FINANCE LEASE OBLIGATIONS (Continued)

The City has entered into a finance lease agreement in order to finance the acquisition of a Caterpillar Hydraulic Excavator. Payments are made annually, including interest at approximately 5.49%. Final maturity of the lease is June 16, 2029. Future minimum lease payments are as follows:

Year Ended December 31	Totals
2026	$ 14,261.64
2027	14,261.64
2028	14,261.64
2029	10,938.36
	53,723.28
Less: Imputed Interest	(8,745.48)
Net Present Value of Minimum Lease Payments	44,977.80
Less: Current Maturities	(10,994.77)
Long-Term Finance Lease Obligations	$ 33,983.03

6. LONG-TERM DEBT

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

Issue	Interest Issue	Date of of Issue	Amount Maturity	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Revolving Loans:									
Paid with Utility Receipts:									
Kansas Public Water Supply	3.82%	February 1, 2011	$ 576,897.24	August 1, 2030	$ 165,827.15	$ -	$ 25,090.75	$ 140,736.40	$ 6,097.25
Finance Leases:									
Sewer Line Replacement	3.50%	July 18, 2018	79,310.00	July 18, 2026	21,933.84	-	10,780.66	11,153.18	781.82
Swimming Pool	4.15%	July 1, 2020	615,000.00	July 1, 2037	457,249.55	-	26,795.00	430,454.55	19,303.44
Caterpillar Excavator	5.49%	June 16, 2023	79,808.47	June 16, 2029	69,662.02	-	24,684.22	44,977.80	3,839.06
Total Contractual Indebtedness					$ 784,893.22	$ -	$ 87,350.63	$ 627,321.93	$ 30,021.57

6. LONG-TERM DEBT (Continued)

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

Issue	2026	2027	2028	2029	2030	2031-2035	2036-2037	Total
Principal								
Revolving Loan								
Kansas Public Water Supply	$ 26,058.37	$ 27,063.31	$ 28,107.00	$ 29,190.94	$ 30,316.78	$ -	$ -	$ 140,736.40
Finance Leases:								
Sewer Line Replacement	11,153.18	-	-	-	-	-	-	11,153.18
Swimming Pool	28,303.26	29,477.84	30,701.17	31,975.27	33,302.25	188,425.28	88,269.48	430,454.55
Caterpillar Excavator	10,994.77	11,598.39	12,235.14	10,149.50	-	-	-	44,977.80
Total Principal Payments	76,509.58	68,139.54	71,043.31	71,315.71	63,619.03	188,425.28	88,269.48	627,321.93
Interest								
Revolving Loan								
Kansas Public Water Supply	5,129.63	4,124.69	3,081.00	2,523.06	345.22	-	-	15,203.60
Finance Leases:								
Sewer Line Replacement	412.18	-	-	-	-	-	-	412.18
Swimming Pool	17,795.18	16,620.60	15,397.27	14,123.17	12,796.19	42,066.92	5,200.71	124,000.04
Caterpillar Excavator	3,266.87	2,663.25	2,026.50	788.86	-	-	-	8,745.48
Total Interest Payments	26,603.86	23,408.54	20,504.77	17,435.09	13,141.41	42,066.92	5,200.71	148,361.30
Total Principal and Interest	$ 103,113.44	$ 91,548.08	$ 91,548.08	$ 88,750.80	$ 76,760.44	$ 230,492.20	$ 93,470.19	$ 775,683.23

7. 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 rate for the Death and Disability Program) and the statutory contribution rate was 9.71% for KPERS for the fiscal year ended December 31, 2025. Contributions to the pension plan from the City were $70,424.64 for KPERS 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 $477,311.00. 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 non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

8. 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.

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

Compensated Absences
All full-time employees of the City are eligible for vacation benefits in varying annual amounts. Full time employees will be granted paid vacation time according to the following schedules:

After one year employment	5 Days
After two years of employment	10 Days
After eleven years of employment	15 Days
After twenty-one years of employment	20 Days

Police Officers

After one year employment	4 Days
After two years of employment	8 Days
After eleven years of employment	12 Days
After twenty-one years of employment	16 Days

In the event of termination employees will be compensated for unused vacation leave.

All full time employees are eligible for paid sick leave and is accrued at a rate of eight hours for each full month of service. Police department employees shall earn twelve hours of sick leave for each full month of service. Maximum accumulation of 90 days is allowed and not paid upon termination.

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 vacation benefits of $9,865.84, and not estimated a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated.

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.

9. 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.

10. INTERFUND TRANSFERS

Operating transfers were as follows:

From Fund:	To Fund:	Statutory Authority	Amount
General	Special Highway	K.S.A. 12-197	$ 163,250.00
General	Economic Development	K.S.A. 12-197	28,553.86
General	Fire Protection Building	K.S.A. 12-197	14,276.94
General	Ball Field Improvements	K.S.A. 12-197	10,707.70
General	Library Reserve	K.S.A. 12-197	12,000.00
General	Multi-Year Capital Improvement	K.S.A. 12-197	72,574.43
General	Special Law and Emergency Vehicles	K.S.A. 12-1,117	35,692.34
Water Works Utility	Water Reserve	K.S.A. 12-825d	20,400.00
Water Works Utility	Special Highway	K.S.A. 12-825d	40,000.00
Sewer System Utility	Special Highway	K.S.A. 12-825d	80,000.00
Sewer System Utility	Sewer Debt Service	K.S.A. 12-825d	1,200.00

11. RELATED PARTY

Certain officials, employees, or members of the governing body may have business relationships with organizations that transact business with the City in the ordinary course of operations. Transactions with related parties, if any, are conducted in accordance with applicable Kansas statutes, City purchasing policies, and conflict-of-interest requirements.

During the year ended December 31, 2025, the City engaged in the following related party transactions:

- Green Acre Lawn Care, owned by council member Kelly Shaffer, was paid a total of $22,700.00 for mowing services.
- Bison Aerotac, LLC, owned by council member John Atkin, was reimbursed $26,731.65 for fire department equipment.
- Bison Aviation, LLC, owned by council member John Atkin, was reimbursed $4,696.85 for fire department equipment.
- John Atkin, council member, was reimbursed $22,172.04 for fire department equipment.

Management represents that all such transactions were approved in accordance with applicable laws and policies and were conducted at amounts believed to approximate fair value.

12. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent to year-end through the date the financial statements were available to be issued. Subsequent to year-end, the City entered into a settlement agreement related to litigation involving work performed on the interior and exterior of the City's water tower. The settlement required the City to make a payment of $78,000.00 paid out of current cash reserves. Management has determined that this represents a subsequent event requiring disclosure; however, no adjustment to the accompanying financial statements was considered necessary because the event occurred subsequent to the financial statement date.

SUPPLEMENTARY INFORMATION

CITY OF YATES CENTER, KANSAS

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

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Charged to Current Year Budget	Variance - Over (Under)
General	$ 1,993,251.00	$ 85,913.90	$ 2,079,164.90	$ 1,433,030.48	$ (646,134.42)
Special Purpose Funds:					
Special Highway	318,693.00	115.50	318,808.50	318,914.92	106.42
Library	71,617.00	-	71,617.00	70,290.36	(1,326.64)
Recreation Commission	36,613.00	-	36,613.00	29,937.86	(6,675.14)
Special Law and Emergency Vehicles	234,419.00	-	234,419.00	2,694.20	(231,724.80)
Special Parks and Recreation	20,279.00	-	20,279.00	-	(20,279.00)
Fire Protection Building	120,956.00	-	120,956.00	10,607.75	(110,348.25)
Ball Field Improvements	49,814.00	-	49,814.00	-	(49,814.00)
Economic Development	60,603.00	-	60,603.00	28,292.48	(32,310.52)
Special Recreational Facilities	144,632.00	11,600.59	156,232.59	26,267.65	(129,964.94)
Business Funds:					
Water Works Utility	864,972.00	-	864,972.00	721,690.68	(143,281.32)
Sewer System Utility	668,878.00	-	668,878.00	319,407.52	(349,470.48)

CITY OF YATES CENTER, 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 Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Tax	$ 293,143.21	$ 292,587.18	$ 309,304.00	$ (16,716.82)
Delinquent Tax	15,812.64	17,288.80	6,065.00	11,223.80
Motor Vehicle Tax	56,151.94	48,301.92	46,251.00	2,050.92
Recreational Vehicle Tax	1,024.46	841.53	876.00	(34.47)
16 & 20M Truck Tax	661.38	1,202.00	605.00	597.00
Commercial Vehicle Tax	5,595.22	4,858.39	4,066.00	792.39
Neighborhood Revitalization	-	(94.46)	-	(94.46)
Mineral Tax	3.58	3.23	4.00	(0.77)
Special Assessments	50.00	-	-	-
Local Sales Tax	487,914.02	517,061.37	528,540.00	(11,478.63)
County Sales Tax	109,306.47	124,826.03	119,347.00	5,479.03
Franchise Tax	73,167.38	73,581.83	74,111.00	(529.17)
Intergovernmental				
Federal Grant	4,289.85	6,947.70	-	6,947.70
Local Alcoholic Liquor Tax	3,622.16	3,150.96	3,082.00	68.96
Charges for Services				
Licenses and Permits	2,938.00	6,100.50	6,098.00	2.50
Swimming Pool	6,197.18	4,734.10	7,724.00	(2,989.90)
Impound Fees	2,610.00	280.00	25.00	255.00
Technology Assistance	6,420.00	5,280.00	3,330.00	1,950.00
Fines, Forfeitures and Penalties				
Fines	110,256.69	86,035.91	146,623.00	(60,587.09)
Use of Money and Property				
Interest	46,181.31	54,791.01	43,719.00	11,072.01
Dividends and Refunds	11,406.28	11,359.66	15,000.00	(3,640.34)
Other Receipts				
Donations	955.00	120.00	-	120.00
Reimbursed Expense	74,593.31	78,966.20	15,000.00	63,966.20
Miscellaneous	2,191.16	408.18	-	408.18
Operating Transfer From				
Sewer System Utility Fund	100.00	-	-	-
Total Receipts	1,314,591.24	1,338,632.04	$ 1,329,770.00	$ 8,862.04

CITY OF YATES CENTER, 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 Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance - Over (Under)
Expenditures				
General Government				
Personal Services	$ 118,809.74	$ 109,730.02	$ 130,881.00	$ (21,150.98)
Contractual Services	101,198.65	130,644.28	130,000.00	644.28
Commodities	26,001.50	15,386.18	18,500.00	(3,113.82)
Capital Outlay	24,421.86	8,501.84	552,826.00	(544,324.16)
Employee Benefits				
Workmen's Compensation	27,430.00	22,893.00	27,271.00	(4,378.00)
Retirement Contributions	57,862.54	70,454.14	57,458.00	12,996.14
FICA Payments	49,554.29	58,733.92	50,725.00	8,008.92
Unemployment Contributions	637.14	755.88	8,400.00	(7,644.12)
Fire Department				
Personal Services	20,273.68	24,875.00	17,908.00	6,967.00
Contractual Services	17,681.44	22,337.14	16,820.00	5,517.14
Commodities	13,793.60	34,501.10	50,000.00	(15,498.90)
Capital Outlay	28,235.27	1,462.00	10,000.00	(8,538.00)
Law Enforcement				
Personal Services	295,332.53	300,302.38	306,459.00	(6,156.62)
Contractual Services	72,966.06	120,048.33	65,000.00	55,048.33
Commodities	20,181.21	19,059.74	25,000.00	(5,940.26)
Capital Outlay	7,175.40	9,225.96	7,500.00	1,725.96
Utilities Services				
Contractual Services	45,728.80	46,382.99	60,000.00	(13,617.01)
Swimming Pool				
Personal Services	28,157.90	25,000.66	23,436.00	1,564.66
Contractual Services	9,130.35	8,431.33	15,000.00	(6,568.67)
Commodities	14,386.77	10,047.15	17,000.00	(6,952.85)
Capital Outlay	-	10,787.41	-	10,787.41
Parks Department				
Personal Services	7,843.84	734.69	5,670.00	(4,935.31)
Contractual Services	22,684.01	28,344.81	32,000.00	(3,655.19)
Commodities	1,779.35	2,323.26	2,500.00	(176.74)
Capital Outlay	2,288.13	8,012.00	3,000.00	5,012.00
Airport				
Contractual Services	-	7,000.00	5,000.00	2,000.00
Commodities	-	-	5,000.00	(5,000.00)
Capital Outlay	-	-	5,000.00	(5,000.00)

CITY OF YATES CENTER, 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 Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Expenditures (Continued)				
Operating Transfers to:				
Special Highway Fund	$ 77,566.68	$ 163,250.00	$ 163,250.00	$ -
Economic Development Fund	27,566.68	28,553.86	33,250.00	(4,696.14)
Special Law and Emergency Vehicles Fund	34,458.35	35,692.34	41,563.00	(5,870.66)
Multi-Year Capital Improvement Fund	85,065.31	72,574.43	65,740.00	6,834.43
Library Reserve Fund	-	12,000.00	12,000.00	-
Fire Protection Building Fund	18,329.35	14,276.94	16,625.00	(2,348.06)
Ball Field Improvements Fund	10,337.50	10,707.70	12,469.00	(1,761.30)
Total Certified Budget			1,993,251.00	(560,220.52)
Adjustments for Qualifying Budget Credits			85,913.90	(85,913.90)
Total Expenditures	1,266,877.93	1,433,030.48	$ 2,079,164.90	$ (646,134.42)
Receipts Over(Under) Expenditures	47,713.31	(94,398.44)		
Unencumbered Cash, Beginning	465,282.35	512,995.66		
Cancelled Encumbrances	-	27,000.00		
Unencumbered Cash, Ending	$ 512,995.66	$ 445,597.22		

CITY OF YATES CENTER, KANSAS
ARPA FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
Federal Grant - ARPA	$ -	$ -
Total Receipts	-	-
Expenditures		
General Government		
Capital Outlay	3,248.57	42,218.13
Total Expenditures	3,248.57	42,218.13
Receipts Over(Under) Expenditures	(3,248.57)	(42,218.13)
Unencumbered Cash, Beginning	45,466.70	42,218.13
Unencumbered Cash, Ending	$ 42,218.13	$ -

CITY OF YATES 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 Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
Motor Fuel Tax	$ 36,160.89	$ 35,733.70	$ 35,740.00	$ (6.30)
Other Receipts				
Reimbursed Expense	1,555.39	115.50	-	115.50
Miscellaneous	328.50	-	-	-
Operating Transfers from:				
General Fund	77,566.68	163,250.00	163,250.00	-
Water Works Utility Fund	40,000.00	40,000.00	-	40,000.00
Sewer System Utility Fund	80,000.00	80,000.00	80,000.00	-
Total Receipts	235,611.46	319,099.20	$ 278,990.00	$ 40,109.20
Expenditures				
General Government				
Personal Services	114,063.69	146,457.31	$ 109,435.00	$ 37,022.31
Contractual Services	50,679.06	62,079.66	40,000.00	22,079.66
Commodities	62,942.99	78,677.96	130,000.00	(51,322.04)
Capital Outlay	59,454.87	31,699.99	39,258.00	(7,558.01)
Debt Service				
Principal	10,146.45	-	-	-
Interest	4,115.19	-	-	-
Total Certified Budget			318,693.00	221.92
Adjustments for Qualifying Budget Credits			115.50	(115.50)
Total Expenditures	301,402.25	318,914.92	$ 318,808.50	$ 106.42
Receipts Over(Under) Expenditures	(65,790.79)	184.28		
Unencumbered Cash, Beginning	65,790.79	-		
Unencumbered Cash, Ending	$ -	$ 184.28		

CITY OF YATES CENTER, KANSAS
SPECIAL HIGHWAY RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Intergovernmental		
KDOT - Connecting Links	$ 40,217.66	$ 40,162.31
State Grant	-	192,309.89
Total Receipts	40,217.66	232,472.20
Expenditures		
General Government		
Capital Outlay	180,917.07	-
Total Expenditures	180,917.07	-
Receipts Over(Under) Expenditures	(140,699.41)	232,472.20
Unencumbered Cash, Beginning	143,434.75	2,735.34
Unencumbered Cash, Ending	$ 2,735.34	$ 235,207.54

CITY OF YATES CENTER, KANSAS
LIBRARY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Taxes	$ 55,439.66	$ 56,984.75	$ 60,237.00	$ (3,252.25)
Delinquent Taxes	2,254.46	3,035.24	1,181.00	1,854.24
Motor Vehicle Taxes	9,925.75	9,001.03	8,747.00	254.03
Recreational Vehicle Taxes	181.09	157.07	166.00	(8.93)
16/20M Truck Taxes	116.20	212.47	114.00	98.47
Commercial Vehicle Taxes	989.04	917.57	769.00	148.57
Neighborhood Revitalization	-	(18.40)	-	(18.40)
Mineral Tax	0.68	0.63	-	0.63
Total Receipts	68,906.88	70,290.36	$ 71,214.00	$ (923.64)
Expenditures				
General Government				
Personal Services	1.37	-	$ -	$ -
Culture and Recreation				
Appropriation to Library Board	67,913.93	70,290.36	71,617.00	(1,326.64)
Total Expenditures	67,915.30	70,290.36	$ 71,617.00	$ (1,326.64)
Receipts Over(Under) Expenditures	991.58	-		
Unencumbered Cash, Beginning	5,007.79	5,999.37		
Unencumbered Cash, Ending	$ 5,999.37	$ 5,999.37		

CITY OF YATES CENTER, KANSAS
LIBRARY RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from General Fund	$ -	$ 12,000.00
Total Receipts	-	12,000.00
Expenditures		
Culture and Recreation		
Contractual Services	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	12,000.00
Unencumbered Cash, Beginning	33,000.00	33,000.00
Unencumbered Cash, Ending	$ 33,000.00	$ 45,000.00

CITY OF YATES CENTER, KANSAS
RECREATION COMMISSION FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Taxes	$ 30,954.19	$ 29,462.70	$ 31,143.00	$ (1,680.30)
Delinquent Taxes	890.30	1,413.75	611.00	802.75
Motor Vehicle Taxes	3,800.62	4,689.66	4,884.00	(194.34)
Recreational Vehicle Taxes	69.35	82.56	93.00	(10.44)
16/20M Truck Taxes	44.51	81.35	64.00	17.35
Commercial Vehicle Taxes	378.70	509.19	429.00	80.19
Neighborhood Revitalization	-	(9.51)	-	(9.51)
Mineral Tax	0.38	0.33	-	0.33
Other Receipts				
Donations	-	100.00	-	100.00
Total Receipts	36,138.05	36,330.03	$ 37,224.00	$ (893.97)
Expenditures				
General Government				
Personal Services	17,331.77	20,115.00	$ 21,310.00	$ (1,195.00)
Contractual Services	4,871.04	6,596.62	-	6,596.62
Culture and Recreation				
Golf Course Allocation	421.24	-	2,000.00	(2,000.00)
Appropriation to Recreation Commission Board	13,514.00	3,226.24	13,303.00	(10,076.76)
Total Expenditures	36,138.05	29,937.86	$ 36,613.00	$ (6,675.14)
Receipts Over(Under) Expenditures	-	6,392.17		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	$ -	$ 6,392.17		

CITY OF YATES CENTER, KANSAS
LINCOLN PARK MEMORIAL FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Other Receipts		
Donations	$ -	$ -
Total Receipts	-	-
Expenditures		
Culture and Recreation		
Commodities	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	-	-
Unencumbered Cash, Beginning	13,591.58	13,591.58
Unencumbered Cash, Ending	$ 13,591.58	$ 13,591.58

CITY OF YATES CENTER, KANSAS
SPECIAL LAW AND EMERGENCY VEHICLES FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Taxes and Shared Receipts				
Ad Valorem Property Taxes	$ 13,917.48	$ 15,433.27	$ 16,313.00	$ (879.73)
Delinquent Taxes	529.12	737.44	320.00	417.44
Motor Vehicle Taxes	2,328.18	2,228.07	2,196.00	32.07
Recreational Vehicle Taxes	42.47	38.96	42.00	(3.04)
16/20M Truck Taxes	27.25	49.84	29.00	20.84
Commercial Vehicle Taxes	232.00	230.06	193.00	37.06
Neighborhood Revitalization	-	(4.98)	-	(4.98)
Mineral Tax	0.17	0.17	-	0.17
Intergovernmental				
State Grant	-	38,100.00	-	38,100.00
Other Receipts				
Insurance Proceeds	51,231.89	-	-	-
Reimbursed Expense	-	1,000.00	-	1,000.00
Operating Transfer from				
General Fund	34,458.35	35,692.34	41,563.00	(5,870.66)
Total Receipts	102,766.91	93,505.17	$ 60,656.00	$ 32,849.17
Expenditures				
Public Safety				
Capital Outlay	113,164.66	2,694.20	$ 234,419.00	$ (231,724.80)
Total Expenditures	113,164.66	2,694.20	$ 234,419.00	$ (231,724.80)
Receipts Over(Under) Expenditures	(10,397.75)	90,810.97		
Unencumbered Cash, Beginning	188,622.29	178,224.54		
Unencumbered Cash, Ending	$ 178,224.54	$ 269,035.51		

CITY OF YATES 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 Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
Local Alcoholic Liquor Tax	$ 3,622.15	$ 3,150.96	$ 3,082.00	$ 68.96
Total Receipts	3,622.15	3,150.96	$ 3,082.00	$ 68.96
Expenditures				
General Government				
Contractual Services	-	-	$ 20,279.00	$ (20,279.00)
Total Expenditures	-	-	$ 20,279.00	$ (20,279.00)
Receipts Over(Under) Expenditures	3,622.15	3,150.96		
Unencumbered Cash, Beginning	14,114.33	17,736.48		
Unencumbered Cash, Ending	$ 17,736.48	$ 20,887.44		

CITY OF YATES CENTER, KANSAS
MUNICIPAL EQUIPMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from		
Special Highway Fund	$ -	$ -
Total Receipts	-	-
Expenditures		
Operating Expenditures		
Capital Outlay	-	39,805.00
Debt Service		
Principal	10,146.45	24,684.22
Interest	4,115.19	3,839.06
Total Expenditures	-	68,328.28
Receipts Over(Under) Expenditures	-	(68,328.28)
Unencumbered Cash, Beginning	188,729.35	188,729.35
Unencumbered Cash, Ending	$ 188,729.35	$ 120,401.07

CITY OF YATES CENTER, KANSAS
MULTI-YEAR CAPITAL IMPROVEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Taxes and Shared Receipts		
Delinquent Tax	$ 2.77	$ -
Operating Transfer from		
General Fund	85,065.31	72,574.43
Total Receipts	85,068.08	72,574.43
Expenditures		
General Government		
Capital Outlay	1,000.00	-
Debt Service		
Principal	25,504.17	26,795.00
Interest	20,594.27	19,303.44
Total Expenditures	47,098.44	46,098.44
Receipts Over(Under) Expenditures	37,969.64	26,475.99
Unencumbered Cash, Beginning	475,480.82	513,450.46
Unencumbered Cash, Ending	$ 513,450.46	$ 539,926.45

CITY OF YATES CENTER, KANSAS
FIRE PROTECTION BUILDING FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Operating Transfer from				
General Fund	$ 18,329.35	$ 14,276.94	$ 16,625.00	$ (2,348.06)
Total Receipts	18,329.35	14,276.94	$ 16,625.00	$ (2,348.06)
Expenditures				
Fire Fighting Equipment				
Contractual Services	7,166.40	9,251.62	$ 7,000.00	$ 2,251.62
Commodities	2,367.49	-	4,300.00	(4,300.00)
Capital Outlay	4,700.00	1,356.13	109,656.00	(108,299.87)
Total Expenditures	14,233.89	10,607.75	$ 120,956.00	$ (110,348.25)
Receipts Over(Under) Expenditures	4,095.46	3,669.19		
Unencumbered Cash, Beginning	103,557.86	107,653.32		
Unencumbered Cash, Ending	$ 107,653.32	$ 111,322.51		

CITY OF YATES CENTER, KANSAS
BALL FIELD IMPROVEMENTS FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Operating Transfer from General Fund	$ 10,337.50	$ 10,707.70	$ 12,469.00	$ (1,761.30)
Total Receipts	10,337.50	10,707.70	$ 12,469.00	$ (1,761.30)
Expenditures				
General Government				
Capital Outlay	-	-	$ 49,814.00	$ (49,814.00)
Total Expenditures	-	-	$ 49,814.00	$ (49,814.00)
Receipts Over(Under) Expenditures	10,337.50	10,707.70		
Unencumbered Cash, Beginning	31,790.50	42,128.00		
Unencumbered Cash, Ending	$ 42,128.00	$ 52,835.70		

CITY OF YATES CENTER, KANSAS
ECONOMIC DEVELOPMENT FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Other Receipts				
Miscellaneous	$ -	$ 556.00	$ -	$ 556.00
Operating Transfer from				
General Fund	27,566.68	28,553.86	33,250.00	(4,696.14)
Total Receipts	27,566.68	29,109.86	$ 33,250.00	$ (4,140.14)
Expenditures				
General Government				
Contractual Services	27,240.08	8,164.57	$ 40,603.00	$ (32,438.43)
Commodities	-	127.91	-	127.91
Capital Outlay	747.00	-	-	-
Culture and Recreation				
Allocation to Chamber	20,000.00	20,000.00	20,000.00	-
Total Expenditures	47,987.08	28,292.48	$ 60,603.00	$ (32,310.52)
Receipts Over(Under) Expenditures	(20,420.40)	817.38		
Unencumbered Cash, Beginning	38,845.33	18,424.93		
Unencumbered Cash, Ending	$ 18,424.93	$ 19,242.31		

CITY OF YATES CENTER, KANSAS
SPECIAL RECREATIONAL FACILITIES FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Intergovernmental				
State Grant	$ 13,418.50	$ 11,600.59	$ -	$ 11,600.59
Charges for Services				
Program Fees	20,917.59	10,789.33	31,258.00	(20,468.67)
Use of Money and Property				
Rental	5,720.48	2,196.30	3,183.00	(986.70)
Other Receipts				
Donations	1,710.00	1,425.00	1,140.00	285.00
Reimbursed Expense	-	38.93	-	38.93
Total Receipts	41,766.57	26,050.15	$ 35,581.00	$ (9,530.85)
Expenditures				
General Government				
Contractual Services	4,249.55	3,046.77	$ 5,700.00	$ (2,653.23)
Commodities	11,491.72	18,120.88	12,500.00	5,620.88
Capital Outlay	79,986.21	5,100.00	126,432.00	(121,332.00)
Total Certified Budget			144,632.00	(118,364.35)
Adjustments for Qualifying Budget Credits			11,600.59	(11,600.59)
Total Expenditures	95,727.48	26,267.65	$ 156,232.59	$ (129,964.94)
Receipts Over(Under) Expenditures	(53,960.91)	(217.50)		
Unencumbered Cash, Beginning	110,235.92	56,275.01		
Cancelled Encumbrances	-	60,000.00		
Unencumbered Cash, Ending	$ 56,275.01	$ 116,057.51		

CITY OF YATES CENTER, KANSAS
POLICE DEPARTMENT SPECIAL ACCOUNT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest	$ 227.17	$ 2.74
Total Receipts	227.17	2.74
Expenditures		
Public Safety		
Commodities	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	227.17	2.74
Unencumbered Cash, Beginning	456.98	684.15
Unencumbered Cash, Ending	$ 684.15	$ 686.89

CITY OF YATES CENTER, KANSAS
WATER WORKS UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Water Receipts	$ 654,184.45	$ 708,778.55	$ 665,000.00	$ 43,778.55
Service Charges	22,698.76	22,404.83	23,930.00	(1,525.17)
Connection Fees	3,419.00	2,665.00	3,861.00	(1,196.00)
Other Charges	1,016.75	770.27	1,002.00	(231.73)
Use of Money and Property				
Interest	20,502.00	25,664.97	-	25,664.97
Crane Receipts	450.98	7,758.88	-	7,758.88
Other Receipts				
State Set-off Program	1,757.04	2,041.75	1,212.00	829.75
Reimbursed Expense	1,234.41	-	-	-
Miscellaneous	535.28	60.00	17,837.00	(17,777.00)
Total Receipts	705,798.67	770,144.25	$ 712,842.00	$ 57,302.25
Expenditures				
Operating Expenditures				
Personal Services	181,995.30	210,682.05	$ 194,262.00	$ 16,420.05
Contractual Services	150,186.19	219,916.28	152,456.00	67,460.28
Commodities	148,794.76	139,094.11	107,990.00	31,104.11
Capital Outlay	125,955.68	60,410.24	358,676.00	(298,265.76)
Debt Service				
Principal	24,159.06	25,090.75	25,091.00	(0.25)
Interest	7,028.94	6,097.25	6,097.00	0.25
Operating Transfers to:				
Sewer System Utility Fund	48,000.00	-	-	-
Special Highway Fund	40,000.00	40,000.00	-	40,000.00
Water Reserve Fund	20,400.00	20,400.00	20,400.00	-
Total Expenditures	746,519.93	721,690.68	$ 864,972.00	$ (143,281.32)
Receipts Over(Under) Expenditures	(40,721.26)	48,453.57		
Unencumbered Cash, Beginning	56,130.85	15,409.59		
Cancelled Encumbrances	-	35,000.00		
Unencumbered Cash, Ending	$ 15,409.59	$ 98,863.16		

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest	$ 2,060.14	$ 2,015.61
Operating Transfer from		
Water Works Utility Fund	20,400.00	20,400.00
Total Receipts	22,460.14	22,415.61
Expenditures		
Operating Expenditures		
Contractual Services	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	22,460.14	22,415.61
Unencumbered Cash, Beginning	369,296.73	391,756.87
Unencumbered Cash, Ending	$ 391,756.87	$ 414,172.48

CITY OF YATES CENTER, KANSAS
SEWER SYSTEM UTILITY FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Charges for Services				
Sewer Receipts	$ 260,330.97	$ 245,925.50	$ 272,308.00	$ (26,382.50)
Service Charges	41,194.80	40,624.50	41,320.00	(695.50)
Other Receipts				
State Set-off Program	1,756.99	2,041.73	1,212.00	829.73
Miscellaneous	34.60	35.00	-	35.00
Residual Transfer from:				
Sewer Replacement Fund	87,785.19	-	-	-
Operating Transfer from				
Water Works Utility Fund	48,000.00	-	-	-
Total Receipts	439,102.55	288,626.73	$ 314,840.00	$ (26,213.27)
Expenditures				
Operating Expenditures				
Personal Services	-	6,228.20	$ 20,000.00	$ (13,771.80)
Contractual Services	84,589.17	134,249.26	90,000.00	44,249.26
Commodities	16,077.14	23,927.20	20,000.00	3,927.20
Capital Outlay	200,360.65	62,240.38	447,315.00	(385,074.62)
Debt Service - Sewer Line Replacement				
Principal	10,408.11	10,780.66	10,784.00	(3.34)
Interest	1,154.37	781.82	779.00	2.82
Operating Transfers to:				
General Fund	100.00	-	-	-
Special Highway Fund	80,000.00	80,000.00	80,000.00	-
Sewer Debt Service Fund	800.00	1,200.00	-	1,200.00
Total Expenditures	393,489.44	319,407.52	$ 668,878.00	$ (349,470.48)
Receipts Over(Under) Expenditures	45,613.11	(30,780.79)		
Unencumbered Cash, Beginning	232,853.45	278,466.56		
Unencumbered Cash, Ending	$ 278,466.56	$ 247,685.77		

CITY OF YATES CENTER, KANSAS
SEWER DEBT SERVICE FUND
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Receipts				
Operating Transfer from Sewer System Utility Fund	$ 800.00	$ 1,200.00	$ -	$ 1,200.00
Total Receipts	800.00	1,200.00	$ -	$ 1,200.00
Expenditures				
Operating Transfer to Sewer System Utility Fund	-	-	$ -	$ -
Total Expenditures	-	-	$ -	$ -
Receipts Over(Under) Expenditures	800.00	1,200.00		
Unencumbered Cash, Beginning	1,787.72	2,587.72		
Unencumbered Cash, Ending	$ 2,587.72	$ 3,787.72		

CITY OF YATES CENTER, KANSAS
SEWER REPLACEMENT FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended December 31, 2025
(With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year Actual
Receipts		
Operating Transfer from Sewer System Utility Fund	$ -	$ -
Total Receipts	-	-
Expenditures		
Residual Transfer to Sewer System Utility Fund	87,785.19	-
Total Expenditures	87,785.19	-
Receipts Over(Under) Expenditures	(87,785.19)	-
Unencumbered Cash, Beginning	87,785.19	-
Unencumbered Cash, Ending	$ -	$ -

Schedule 3

CITY OF YATES CENTER, KANSAS
AGENCY FUNDS
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2025

Funds	Beginning Cash Balances	Receipts	Disbursements	Ending Cash Balances
Municipal Court	$ 9,624.38	$ 108,100.10	$ 101,686.04	$ 16,038.44
Municipal Court Bonds	232.00	-	-	232.00
Tax Withholding	79.27	172,413.96	172,443.89	49.34
Retirement Withholding	1,178.28	110,789.28	110,624.04	1,343.52
Total Agency Funds	$ 11,113.93	$ 391,303.34	$ 384,753.97	$ 17,663.30

Jarred Gilmore Phillips

The Honorable Mayor, City Council, and Management
City of Yates Center, Kansas

In planning and performing our audit of the financial statement of the City of Yates Center, 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 Yates Center ,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 the City of Yates Center, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Yates Center, 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 and material weaknesses.

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, misstatements 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 misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control to be material weaknesses:

Bank Reconciliations

During our fieldwork, we noted that the City's bank reconciliations did not agree to the corresponding cash balances recorded in the general ledger. As a result, the accounting records did not accurately reflect the City's reconciled cash position, and management was unable to demonstrate that the recorded cash balances were complete and accurate.

Bank reconciliations are a fundamental internal control designed to verify that cash balances recorded in the general ledger agree to financial institution records. When bank reconciliations do not reconcile to the general ledger, there is an increased risk that errors, omissions, duplicate transactions, unauthorized transactions, or other misstatements will not be identified or corrected. Consequently, management cannot rely on the general ledger cash balances to prepare accurate financial reports or to monitor the City's cash position.

This deficiency represents a failure in the design and operation of internal controls over cash and could result in material misstatements remaining undetected. Accordingly, we consider this deficiency to be a material weakness in internal control.

We recommend that all bank accounts be reconciled to the general ledger each month and that reconciliations be completed promptly following receipt of the monthly bank statements. Reconciling items should be adequately documented, investigated, and resolved in a timely manner. In addition, reconciliations should be reviewed by an individual independent of the preparer whenever practical. Establishing these procedures will strengthen internal controls over cash and improve the accuracy and reliability of the City's accounting records and financial reporting.

Utility Billings and Cash Receipts

During our testing of utility billing and cash receipt transactions, we noted deficiencies in the City's internal controls over utility collections and customer account maintenance. Specifically, of the 25 daily utility collection deposits tested, three deposit reports did not agree to the amounts deposited with the financial institution. In addition, one of the 25 customer accounts tested was established using residential utility rates when the customer should have been billed at the commercial rate.

Accurate utility billing records and the timely reconciliation of daily collections to bank deposits are essential internal controls to ensure all utility receipts are properly billed, collected, deposited, and recorded. Differences between daily collection reports and bank deposits increase the risk that errors or irregularities in cash receipts may not be detected in a timely manner. Likewise, inaccurate customer rate classifications may result in customers being billed incorrectly, causing utility receipts to be misstated and creating inequitable treatment among utility customers.

We recommend the City strengthen its internal controls over utility billing and cash receipts by ensuring that daily utility collection reports are reconciled to validated bank deposits and any differences are investigated and resolved promptly. In addition, customer utility rate classifications should be periodically reviewed to verify that each account is assigned the appropriate rate in accordance with the City's approved utility rate ordinance. These procedures will help ensure utility receipts are accurately billed, collected, deposited, and recorded.

Credit Card Usage

During our testing of credit card transactions and supporting documentation, we noted that two purchases charged to a City's credit card were personal in nature and did not represent allowable City expenditures. The transactions were paid with City funds. After the matter was brought to management's attention during the audit, the employee reimbursed the City for the full amount of the noted personal purchases and indicated the charges resulted from inadvertently using the City credit card instead of a personal credit card.

The use of City credit cards should be limited exclusively to authorized business-related expenditures. Personal purchases, regardless of whether reimbursement is subsequently made, indicate that existing internal controls over credit card use and review are not operating effectively. Such transactions increase the risk of unauthorized expenditures, misuse of public funds, and noncompliance with the City's credit card policies.

We recommend the City strengthen its internal controls over credit card usage by requiring all credit card statements to be supported by detailed receipts, reviewed for propriety before payment, and approved by an individual independent of the cardholder. In addition, the City should reinforce its policy that City credit cards are to be used solely for authorized City business and that any exceptions be promptly documented, reported to the governing body when appropriate, and reimbursed immediately upon discovery.

Additionally, employees should be prohibited from using City-established purchasing accounts, such as Amazon Business or other vendor accounts maintained in the City's name, to make personal purchases, regardless of the method of payment. Restricting City purchasing accounts to official City business helps prevent inadvertent personal purchases, protects the integrity of the City's purchasing records, and reduces the risk of unauthorized use of public resources. This practice also helps ensure that employees do not improperly benefit from the City's tax-exempt purchasing status by avoiding sales tax on personal purchases, which could expose the City to legal, tax compliance, and reputational risks.

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.

This communication is intended solely for the information and use of management, the Mayor, City Council, and others within the City of Yates Center, 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
July 23, 2026