

CITY OF VALLEY CENTER, KANSAS

FINANCIAL STATEMENTS

Year Ended December 31, 2025

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CITY OF VALLEY CENTER, KANSAS

FINANCIAL STATEMENTS
Year Ended December 31, 2025

Table of Contents

	<u>Page Number</u>
INTRODUCTORY SECTION	
Table of Contents	i - ii
FINANCIAL STATEMENT SECTION	
Independent Auditors' Report	1 - 3
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statement	5 - 12
REGULATORY REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE 1	
Summary of Expenditures - Actual and Budget	13
SCHEDULE 2	
Schedule of Receipts and Expenditures - Actual and Budget or Actual Only	
General Fund	14
Library Fund	15
Employee Benefits Fund	16
Emergency Equipment Fund	17
Special Highway Fund	18
Equipment Reserve Fund	19
Alcohol & Drug Safety Action Program Fund	20
Special Alcohol & Drug Fund	21
Special Parks & Recreation Fund	22
TIF Fund	23
Drug Tax Fund	24
Building Equipment Reserve Fund	25
Park Beautification Fund	26
D.A.R.E. Fund	27
Law Enforcement Block Grant Fund	28
Land Bank Reserve Fund	29
Public Safety Training Fund	30
Pool/Rec Sales Tax Fund	31
Fleet Management Fund	32
Gifts & Grants Fund	33
State/Federal Grants Fund	34
Bond and Interest Fund	35
Capital Projects Fund	36
Water Fund	37
Sewer Fund	38
Stormwater Fund	39
Solid Waste Fund	40

CITY OF VALLEY CENTER, KANSAS

FINANCIAL STATEMENTS
Year Ended December 31, 2025
Table of Contents
(Continued)

	<u>Page Number</u>
SCHEDULE 3	
Schedule of Receipts and Expenditures - Actual	
Valley Center Public Library - Related Municipal Entity	41
GOVERNMENTAL AUDIT SECTION	
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	43
Schedule of Findings and Questioned Costs	44 - 46
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	47 - 48
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; And Report on the Schedule of Expenditures Of Federal Awards Required by the Uniform Guidance	49 - 50

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Valley 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 Valley Center, Kansas, (the City), as of and for the year ended December 31, 2025 and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on Regulatory Basis of Accounting

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

Basis for Adverse and Unmodified Opinions

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

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

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

Responsibilities of Management for the Financial Statement

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

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

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2026, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Other Matter

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Valley Center, Kansas as of and for the year ended December 31, 2024 (not presented herein), and have issued our report thereon dated April 24, 2025, which contained an unmodified opinion on the basic financial statement. The 2024 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipalservices>. The 2024 actual column (2024 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2025 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2024 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2024 basic financial statement. The 2024 comparative information was subjected to the auditing procedures applied in the audit of the 2024 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 basic financial statement or to the 2024 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2024 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2024, on the basis of accounting described in Note 1.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 21, 2026

CITY OF VALLEY CENTER, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
For the Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balance	Prior Period Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Encumbrances and Accounts Payable	Ending Cash Balance
General Fund:							
General	\$ 1,690,236	\$ -	\$ 4,856,752	\$ 4,793,046	\$ 1,753,942	\$ 47,833	\$ 1,801,775
Special Purpose Funds:							
Library	858	-	361,051	361,051	858	-	858
Employee Benefits	113,560	-	1,498,466	1,563,256	48,770	551	49,321
Emergency Equipment	62,951	-	130,004	120,356	72,599	-	72,599
Special Highway	754,193	-	1,208,557	1,316,337	646,413	7,057	653,470
Equipment Reserve	417,807	-	96,825	96,830	417,802	-	417,802
Alcohol & Drug Safety							
Action Program	1,071	-	-	-	1,071	-	1,071
Special Alcohol & Drug	18,810	-	6,452	-	25,262	-	25,262
Special Parks & Recreation	43,984	-	7,766	4,843	46,907	-	46,907
TIF	978,057	-	32,723	373,008	637,772	-	637,772
Drug Tax	3,491	-	-	-	3,491	-	3,491
Building Equipment Reserve	68,456	-	2,246	34,342	36,360	-	36,360
Park Beautification	2,215	-	-	-	2,215	-	2,215
D.A.R.E.	1,678	-	-	-	1,678	-	1,678
Law Enforcement Block Grant	-	-	2,266	-	2,266	-	2,266
Land Bank Reserve	66,669	-	2,007	25,000	43,676	-	43,676
Public Safety Training	9,878	-	3,024	-	12,902	-	12,902
Pool/Rec Sales Tax	2,905,297	-	5,067,427	6,980,892	991,832	-	991,832
Fleet Management	109,343	-	1,175,196	1,064,233	220,306	-	220,306
Gifts & Grants	7,015	-	677	-	7,692	-	7,692
State/Federal Grants	438,925	-	-	438,925	-	-	-
Bond and Interest Fund:							
Bond and Interest	213,014	-	2,497,166	2,547,164	163,016	-	163,016
Capital Projects Funds:							
Capital Projects	11,342,838	-	35,086,149	43,679,015	2,749,972	1,487,445	4,237,417
Business Funds:							
Water	3,743,966	-	2,930,713	2,357,536	4,317,143	8,353	4,325,496
Sewer	1,744,283	-	1,615,900	1,581,017	1,779,166	210	1,779,376
Stormwater	367,044	-	364,070	344,965	386,149	119	386,268
Solid Waste	170,520	-	635,029	614,986	190,563	-	190,563
Total Primary Government	25,276,159	-	57,580,466	68,296,802	14,559,823	1,551,568	16,111,391
Related Municipal Entities:							
Valley Center Public Library	288,143	-	403,235	349,990	341,388	6,630	348,018
Total Reporting Entity	\$ 25,564,302	\$ -	\$ 57,983,701	\$ 68,646,792	\$ 14,901,211	\$ 1,558,198	\$ 16,459,409

Composition of Cash:

Peoples Bank	
Checking	\$ 10,725,497
Fidelity Bank	
ICS - Demand	4,433,952
Halstead Bank	
Checking	831,556
Emprise Bank	
Certificate of Deposit	120,386
Chisolm Trail State Bank	
Library Checking	20,796
Library Money Market	327,122
Library Petty Cash	100
Total Reporting Entity	<u>\$ 16,459,409</u>

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 1 - Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Valley Center (the City) is a municipal corporation governed by a mayor and eight-member council. This financial statement presents the City (the primary government) and the Valley Center Public Library (related municipal entity) for which the City is considered to be financially accountable. The related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents.

Library Board - Valley Center Public Library Board operates the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City.

Basis of Accounting

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

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

Regulatory Basis Fund Types

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

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

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

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

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

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

Budgetary Information

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

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

If the City is holding a revenue neutral rate hearing, the budget timeline for the public hearing is adjusted to no sooner than August 20th and no later than September 20th, but at least 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. The budget for the year ended December 31, 2025 was not amended.

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 statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal operating budget is not required for capital project funds and certain special purpose funds including: Equipment Reserve, Alcohol and Drug Safety Action Program, Drug Tax, Building Equipment Reserve, Park Beautification, D.A.R.E., Land Bank Reserve, Public Safety Training, Fleet Management, Gifts & Grants and State/Federal Grants funds.

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.

NOTE 2 - Deposits and Investments

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

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

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 2 - Deposits and Investments (Continued)

State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has no designated "peak periods." All deposits were legally secured as of December 31, 2025.

As of December 31, 2025, the City's and Library's carrying amounts of deposits were \$16,111,391 and \$348,018, respectively, and the bank balances were \$16,689,081 and \$349,609, respectively. The City's bank balances were held by three banks and the Library's bank balances was held by one bank, resulting in a concentration of credit risk. Of the City's bank balance, \$870,386 was covered by federal depository insurance and the remaining balance of \$15,818,695 was collateralized with securities held by the pledging financial institutions' agents in the City's name. Of the Library's bank balance, \$250,000 was covered by federal depository insurance and the remaining balance of \$99,609 was collateralized with securities held by the pledging financial institution's agents in the Library's name.

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

NOTE 3 - Defined Benefit Pension

Plan 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 www.kspers.gov or by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. 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. K.S.A. 74-4975 establishes KP&F member-employee contribution rate 7.15% of covered salary. 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, KPERs 3 and KP&F 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 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate 9.71% for KPERs and 24.67% for KP&F for the fiscal year ended December 31, 2025. Contributions to the pension plan from the City were \$206,581 for KPERs and \$352,993 for KP&F for the year ended December 31, 2025.

Net Pension Liability. As of December 31, 2025, the City's proportionate share of the collective net pension liability reported by KPERs was \$1,582,673 and \$2,703,429 for KP&F. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERs, relative to the total employer and non-employer contributions of the Local subgroup of KPERs. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 4 - Long-Term Debt

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

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Interest Paid
Paid by Taxes:					
General Obligation Bonds	\$ 22,190,000	\$ 25,730,000	\$ 1,525,000	\$ 46,395,000	\$ 822,700
General Obligation Temporary Notes	46,365,000	-	28,775,000	17,590,000	2,028,936
Finance Leases	31,859	730,536	32,704	729,691	1,223
	<u>68,586,859</u>	<u>26,460,536</u>	<u>30,332,704</u>	<u>64,714,691</u>	<u>2,852,859</u>
Paid by Utility Revenues:					
KDHE Revolving Loan	789,361	4,169,959	190,019	4,769,301	32,196
Total	<u>\$ 69,376,220</u>	<u>\$ 30,630,495</u>	<u>\$ 30,522,723</u>	<u>\$ 69,483,992</u>	<u>\$ 2,885,055</u>

General Obligation Bonds. Following is a detailed listing of the City's outstanding general obligation debt:

Description	Interest Rates	Date of Issuance	Final Maturity	Original Amount	Amount Outstanding
Paid by taxes					
G.O. Bonds issued:					
Series 2016-1	2.00% - 3.00%	6/1/2016	12/1/2036	\$ 4,490,000	\$ 2,770,000
Series 2017-1	2.00% - 3.35%	11/1/2017	12/1/2032	3,030,000	1,055,000
Series 2018-1	2.65% - 3.65%	8/23/2018	12/1/2038	1,470,000	1,200,000
Series 2019-1	3.00% - 4.00%	5/23/2019	12/1/2039	3,980,000	3,070,000
Series 2020-1	2.00% - 4.00%	2/6/2020	12/1/2044	4,510,000	3,880,000
Series 2020-2	1.00% - 2.00%	9/24/2020	12/1/2033	6,540,000	3,095,000
Series 2024-1	4.00% - 5.00%	5/2/2024	12/1/2044	5,635,000	5,595,000
Series 2025-1	4.125% - 5.00%	11/20/2025	12/1/2046	24,845,000	24,845,000
Series 2025-2	4.40% - 6.00%	11/20/2025	12/1/2041	885,000	885,000
					<u>\$ 46,395,000</u>

On November 20, 2025, the City issued General Obligation Bonds, Series 2025-1, in the amount of \$28,845,000. Proceeds will be used to finance certain improvements throughout the City. The bonds carry interest rates ranging from 4.125% to 5.00% and are scheduled to mature on December 1, 2046.

On November 20, 2025, the City issued General Obligation Bonds, Series 2025-2, in the amount of \$885,000. Proceeds will be used to finance certain improvements throughout the City. The bonds carry interest rates ranging from 4.40% to 6.00% and are scheduled to mature on December 1, 2041.

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

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 4 - Long-Term Debt (Continued)

Year Ending December 31,	Principal	Interest	Totals
2026	\$ 1,660,000	\$ 631,560	\$ 2,291,560
2027	2,140,000	1,071,387	3,211,387
2028	3,057,500	776,263	3,833,763
2029	3,132,500	727,505	3,860,005
2030	3,277,500	682,350	3,959,850
2031 - 2035	17,257,500	2,664,170	19,921,670
2036 - 2040	9,360,000	1,420,523	10,780,523
2041 - 2045	5,770,000	458,845	6,228,845
2046	740,000	13,200	753,200
Total	<u>\$ 46,395,000</u>	<u>\$ 8,445,803</u>	<u>\$ 54,840,803</u>

Revolving Loans. Following is a listing of the City's revolving loans:

Description	Interest Rate	Date of Issue	Final Maturity	Original Amount	Amount Outstanding
KDHE Project No. C20 1740 01 WWTP	2.510%	3/7/2007	9/1/2028	\$ 3,299,868	\$ 599,342
KDHE Project No. 3202 WTP	2.780%	8/16/2024	8/1/2057	19,000,000	4,169,959
				<u>\$ 22,299,868</u>	<u>\$ 4,769,301</u>

On August 16, 2024, the City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) to finance the construction of a water treatment plant. The loan is for a maximum principal of \$19,000,000, carries a gross interest rate of 2.78%, and is payable in semi-annual installments. \$4,169,959 was drawn against the agreement as of December 31, 2025. Annual debt service requirements to maturity are not available as the loan was not finalized as of December 31, 2025.

The debt service requirements to the maturity date for the WWTP revolving loan are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 194,819	\$ 12,451	\$ 207,270
2027	199,739	8,021	207,760
2028	204,784	3,478	208,262
Total	<u>\$ 599,342</u>	<u>\$ 23,950</u>	<u>\$ 623,292</u>

Finance Leases. The City has entered into lease agreements as lessee for financing the acquisition of equipment. The following is information regarding these leases:

Description	Interest Rate	Date of Issue	Final Maturity	Original Amount	Amount Outstanding
2025 Chevrolet Tahoe	4.500%	11/3/2025	12/1/2030	\$ 56,281	\$ 55,436
Vehicle Lease #1	4.500%	12/17/2025	2/1/2030	467,726	467,726
Vehicle Lease #2	4.500%	12/17/2025	2/1/2029	136,620	136,620
Vehicle Lease #3	4.500%	12/17/2025	2/1/2028	69,909	69,909
				<u>\$ 730,536</u>	<u>\$ 729,691</u>

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 4 - Long-Term Debt (Continued)

The debt service requirements to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 196,945	\$ 28,776	\$ 225,721
2027	206,095	19,626	225,721
2028	178,430	10,685	189,115
2029	137,515	3,699	141,214
2030	10,706	390	11,096
Total	<u>\$ 729,691</u>	<u>\$ 63,176</u>	<u>\$ 792,867</u>

On November 3, 2025, the City entered into a lease agreement for a 2025 Chevrolet Tahoe in the amount of \$56,281. The lease carries a 4.50% interest rate and is scheduled to mature on December 1, 2030.

On December 17, 2025, the City entered into a lease agreement for multiple City use vehicles in the amount of \$467,726. The lease carries a 4.50% interest rate and is scheduled to mature on February 1, 2030. Also on December 17, 2025, the City entered into a lease agreement for multiple City use vehicles in the amount of \$136,620. The lease carries a 4.50% interest rate and is scheduled to mature on February 1, 2029. On December 17, 2025, the City entered into another lease agreement for multiple City use vehicles in the amount of \$69,909. The lease carries a 4.50% interest rate and is scheduled to mature on February 1, 2028.

Temporary Notes. Following is a listing of the City's outstanding temporary notes:

Description	Interest Rate	Date of Issue	Final Maturity	Original Amount	Amount Outstanding
G.O. Temporary Notes Series 2024-1	3.00% - 6.00%	10/10/2024	12/1/2027	<u>\$ 19,140,000</u>	<u>\$ 17,590,000</u>

Annual debt service requirements to maturity for the temporary notes are as follows:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 3,285,000	\$ 586,288	\$ 3,871,288
2027	14,305,000	429,150	14,734,150
Total	<u>\$ 17,590,000</u>	<u>\$ 1,015,438</u>	<u>\$ 18,605,438</u>

Special Assessments. As provided by Kansas statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond and Interest Fund. Special assessments paid prior to the issuance of bonds are recorded as regulatory receipts in the appropriate project. Special assessments received after the issuance of bonds are recorded as regulatory receipts in the Bond and Interest Fund. The special assessments receivable are not recorded as regulatory receipts when levied against the respective property owners as such amounts are not available to finance current year operations. The special assessment debt is a contingent liability of the City's to the extent of property owner defaults which have historically been immaterial.

NOTE 5 - Commitments and Contingencies

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

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 6 - Risk Management

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

NOTE 7 - Compensated Absences

It is the City's policy to pay employees' accrued vacation pay upon termination of employment, subject to the maximum hours of accumulation authorized in the following schedule:

Years of Continuous Service	Hours Earned per Pay period	Annual Accrued Hours	Maximum Accrued
0 - 1	3.08	80	104
1 - 5	4.62	120	160
5 - 10	5.54	144	184
10 - 15	6.15	160	200
15 - 20	7.07	184	224
20 - 25	7.99	208	248
25 +	8.6	224	264

As of December 31, 2025, the liability for earned vacation pay was \$149,313.

Full-time employees are eligible to receive up to a maximum of \$15,000 of payout for any accrued unused sick leave upon termination of employment after a minimum of ten (10) years of continued service as shown below:

- 10 Years - 25% payout
- 15 Years - 50% payout
- 20+ Years - 75% payout

As of December 31, 2025, the liability for earned sick pay was \$60,062.

NOTE 8 - Medical Self Insurance Plan

The City has established a program to pay medical claims of covered current and former City employees and additional health insurance premiums. Liabilities are reported when it is probable that claims have been incurred and the amount of the liability can be reasonably estimated. An excess coverage insurance policy covers individual claims over a certain amount. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated by the plan administrator and are expected to be liquidated with expendable available financial resources.

The below table summarizes activity for the years ended December 31, 2024 and 2025:

	<u>2024</u>	<u>2025</u>
Unpaid claims, January 1	\$ 383,411	\$ 133,134
Incurred claims (including IBNRs)	63,212	641,737
Claim payments	<u>[313,489]</u>	<u>[696,816]</u>
Unpaid claims, December 31	<u>\$ 133,134</u>	<u>\$ 78,056</u>

CITY OF VALLEY CENTER, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2025

NOTE 9 - Interfund Transfers

A reconciliation of transfers by fund type for 2025 follows:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Regulatory Authority</u>
General	Fleet Management	\$ 58,000	Council Resolution
General	Employee Benefits	160,000	K.S.A. 12-16,102
Special Highway	Fleet Management	36,000	Council Resolution
Water	Employee Benefits	130,000	K.S.A. 12-825d
Water	Bond & Interest	278,000	K.S.A. 12-825d
Water	Equipment Reserve	50,000	K.S.A. 12-825d
Water	Fleet Management	35,000	K.S.A. 12-825d
Stormwater	Bond & Interest	175,000	K.S.A. 12-825d
Stormwater	Equipment Reserve	20,000	K.S.A. 12-825d
Sewer	Employee Benefits	90,000	K.S.A. 12-825d
Sewer	Bond & Interest	279,550	K.S.A. 12-825d
Sewer	Equipment Reserve	10,000	K.S.A. 12-825d
Sewer	Fleet Management	35,000	K.S.A. 12-825d
State/Federal Grants	Pool/Rec Sales Tax	438,925	Grant Agreement
Capital Projects	Pool/Rec Sales Tax	<u>1,866,051</u>	K.S.A. 12-1118
		<u>\$ 3,661,526</u>	

NOTE 10 - Other Long-Term Obligations from Operations

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

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.

Note 11 - Stewardship, Compliance, and Accountability

Expenditures in the Employee Benefits, Special Highway, and Solid Waste funds exceeded the adopted budget for the year ended December 31, 2025, which is a violation of K.S.A. 79-2935.

CITY OF VALLEY CENTER, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
For the Year Ended December 31, 2025

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over [Under]</u>
General Funds:					
General	\$ 5,516,349	\$ -	\$ 5,516,349	\$ 4,793,046	\$ [723,303]
Special Purpose Funds:					
Library	365,000	-	365,000	361,051	[3,949]
Employee Benefits	1,439,211	25,704	1,464,915	1,563,256	98,341
Emergency Equipment	193,152	-	193,152	120,356	[72,796]
Special Highway	1,315,477	303	1,315,780	1,316,337	557
Special Alcohol & Drug	1,000	-	1,000	-	[1,000]
Special Parks & Recreation	15,000	-	15,000	4,843	[10,157]
TIF	1,698,994	-	1,698,994	373,008	[1,325,986]
Pool/Rec Sales Tax	19,176,281	-	19,176,281	6,980,892	[12,195,389]
Bond and Interest Funds:					
Bond and Interest	3,603,056	-	3,603,056	2,547,164	[1,055,892]
Business Funds:					
Water	2,365,027	1,250	2,366,277	2,357,536	[8,741]
Sewer	1,562,240	231,567	1,793,807	1,581,017	[212,790]
Stormwater	352,700	-	352,700	344,965	[7,735]
Solid Waste	600,596	-	600,596	614,986	14,390

See independent auditor's report on the financial statements.

CITY OF VALLEY 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		Variance Over [Under]
		Actual	Budget	
Receipts				
Taxes	\$ 2,216,947	\$ 2,459,792	\$ 2,530,582	\$ [70,790]
Intergovernmental	854,372	899,561	826,000	73,561
Licenses and permits	617,523	651,353	238,196	413,157
Fines and fees	124,514	179,290	331,860	[152,570]
Use of money and property	147,215	120,881	50,000	70,881
Charges for services	1,030	2,030	26,090	[24,060]
Reimbursement	186,542	220,609	68,000	152,609
Miscellaneous	150,641	323,236	1,000	322,236
Total Receipts	<u>4,298,784</u>	<u>4,856,752</u>	<u>\$ 4,071,728</u>	<u>\$ 785,024</u>
Expenditures				
General Government:				
Administration	988,145	1,257,712	\$ 892,152	\$ 365,560
Public Works:				
Community development	294,632	332,081	275,282	56,799
Public Safety:				
Police department	1,449,753	1,507,557	1,544,203	[36,646]
Fire department	559,569	567,152	563,950	3,202
Legal and municipal court	165,714	188,818	173,895	14,923
Culture and Recreation:				
Parks	639,352	617,476	672,250	[54,774]
Senior services	-	104,250	-	104,250
Transfers out	52,000	218,000	58,000	160,000
Cash reserve	-	-	1,336,617	[1,336,617]
Total Expenditures	<u>4,149,165</u>	<u>4,793,046</u>	<u>\$ 5,516,349</u>	<u>\$ [723,303]</u>
Receipts Over [Under] Expenditures	149,619	63,706		
Unencumbered Cash, Beginning	<u>1,540,617</u>	<u>1,690,236</u>		
Unencumbered Cash, Ending	<u>\$ 1,690,236</u>	<u>\$ 1,753,942</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY 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)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 333,080	\$ 361,051	\$ 363,666	\$ [2,615]
Miscellaneous	<u>-</u>	<u>-</u>	<u>1,334</u>	<u>[1,334]</u>
Total Receipts	<u>333,080</u>	<u>361,051</u>	<u>\$ 365,000</u>	<u>\$ [3,949]</u>
Expenditures				
Library appropriation	<u>333,080</u>	<u>361,051</u>	<u>\$ 365,000</u>	<u>\$ [3,949]</u>
Total Expenditures	<u>333,080</u>	<u>361,051</u>	<u>\$ 365,000</u>	<u>\$ [3,949]</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>858</u>	<u>858</u>		
Unencumbered Cash, Ending	<u>\$ 858</u>	<u>\$ 858</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 EMPLOYEE BENEFITS 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 <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 995,028	\$ 1,079,861	\$ 1,090,760	\$ [10,899]
Use of money and property	25,882	12,901	95,000	[82,099]
Reimbursements	13,403	25,704	48,000	[22,296]
Transfers in	-	380,000	-	380,000
Total Receipts	<u>1,034,313</u>	<u>1,498,466</u>	<u>\$ 1,233,760</u>	<u>\$ 264,706</u>
Expenditures				
Personal services	799,719	1,045,025	\$ 1,385,700	\$ [340,675]
Contractual services	-	15,221	-	15,221
Insurance claims	527,607	503,010	-	503,010
Adjustment for qualifying budget credits	-	-	25,704	[25,704]
Cash reserve	-	-	53,511	[53,511]
Total Expenditures	<u>1,327,326</u>	<u>1,563,256</u>	<u>\$ 1,464,915</u>	<u>\$ 98,341</u>
Receipts Over [Under] Expenditures	[293,013]	[64,790]		
Unencumbered Cash, Beginning	<u>406,573</u>	<u>113,560</u>		
Unencumbered Cash, Ending	<u>\$ 113,560</u>	<u>\$ 48,770</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
EMERGENCY EQUIPMENT 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 <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 74,058	\$ 80,213	\$ 57,795	\$ 22,418
Use of money and property	6,036	2,392	-	2,392
Reimbursements	556	40,500	-	40,500
Fines & fees	<u>7,648</u>	<u>6,899</u>	<u>5,000</u>	<u>1,899</u>
Total Receipts	<u>88,298</u>	<u>130,004</u>	<u>\$ 62,795</u>	<u>\$ 67,209</u>
Expenditures				
Capital outlay	99,505	120,356	\$ 25,000	\$ 95,356
Transfers out	48,000	-	48,000	[48,000]
Cash reserve	<u>-</u>	<u>-</u>	<u>120,152</u>	<u>[120,152]</u>
Total Expenditures	<u>147,505</u>	<u>120,356</u>	<u>\$ 193,152</u>	<u>\$ [72,796]</u>
Receipts Over [Under] Expenditures	[59,207]	9,648		
Unencumbered Cash, Beginning	<u>122,158</u>	<u>62,951</u>		
Unencumbered Cash, Ending	<u>\$ 62,951</u>	<u>\$ 72,599</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY 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)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 199,715	\$ 199,763	\$ 87,460	\$ 112,303
Intergovernmental	932,153	979,955	998,200	[18,245]
Licenses and permits	75	700	-	700
Use of money and property	28,207	27,554	-	27,554
Reimbursements	4,212	303	-	303
Miscellaneous	-	282	-	282
Total Receipts	<u>1,164,362</u>	<u>1,208,557</u>	<u>\$ 1,085,660</u>	<u>\$ 122,897</u>
Expenditures				
Personal services	374,846	460,537	\$ 509,067	\$ [48,530]
Contractual services	92,515	149,954	76,610	73,344
Commodities	66,644	102,245	72,800	29,445
Capital outlay	516,670	567,601	521,000	46,601
Transfers out	36,000	36,000	36,000	-
Adjustment for qualifying budget credits	-	-	303	[303]
Cash reserve	-	-	100,000	[100,000]
Total Expenditures	<u>1,086,675</u>	<u>1,316,337</u>	<u>\$ 1,315,780</u>	<u>\$ 557</u>
Receipts Over [Under] Expenditures	77,687	[107,780]		
Unencumbered Cash, Beginning	<u>676,506</u>	<u>754,193</u>		
Unencumbered Cash, Ending	<u>\$ 754,193</u>	<u>\$ 646,413</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
EQUIPMENT RESERVE FUND*
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Transfers in	\$ 38,000	\$ 80,000
Use of money and property	<u>16,854</u>	<u>16,825</u>
Total Receipts	<u>54,854</u>	<u>96,825</u>
Expenditures		
Capital outlay	<u>41,438</u>	<u>96,830</u>
Total Expenditures	<u>41,438</u>	<u>96,830</u>
Receipts Over [Under] Expenditures	13,416	[5]
Unencumbered Cash, Beginning	<u>404,391</u>	<u>417,807</u>
Unencumbered Cash, Ending	<u>\$ 417,807</u>	<u>\$ 417,802</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 ALCOHOL & DRUG SAFETY ACTION PROGRAM FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Miscellaneous	\$ -	\$ -
Total Receipts	-	-
Expenditures		
Capital outlay	-	-
Total Expenditures	-	-
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>1,071</u>	<u>1,071</u>
Unencumbered Cash, Ending	<u>\$ 1,071</u>	<u>\$ 1,071</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
SPECIAL ALCOHOL & DRUG 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		Variance Over [Under]
		Actual	Budget	
Receipts				
Use of money and property	\$ 422	\$ 141	\$ -	\$ 141
Intergovernmental	<u>7,828</u>	<u>6,311</u>	<u>6,000</u>	<u>311</u>
Total Receipts	<u>8,250</u>	<u>6,452</u>	<u>\$ 6,000</u>	<u>\$ 452</u>
Expenditures				
Contractual services	<u>128</u>	<u>-</u>	<u>\$ 1,000</u>	<u>\$ [1,000]</u>
Total Expenditures	<u>128</u>	<u>-</u>	<u>\$ 1,000</u>	<u>\$ [1,000]</u>
Receipts Over [Under] Expenditures	8,122	6,452		
Unencumbered Cash, Beginning	<u>10,688</u>	<u>18,810</u>		
Unencumbered Cash, Ending	<u>\$ 18,810</u>	<u>\$ 25,262</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 SPECIAL PARKS & 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)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Intergovernmental	\$ 8,362	\$ 6,311	\$ 6,000	\$ 311
Use of money and property	<u>1,510</u>	<u>1,455</u>	<u>-</u>	<u>1,455</u>
Total Receipts	<u>9,872</u>	<u>7,766</u>	<u>\$ 6,000</u>	<u>\$ 1,766</u>
Expenditures				
Capital outlay	-	-	\$ 15,000	\$ [15,000]
Contractual services	-	4,843	-	4,843
Miscellaneous	<u>5,361</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>5,361</u>	<u>4,843</u>	<u>\$ 15,000</u>	<u>\$ [10,157]</u>
Receipts Over [Under] Expenditures	4,511	2,923		
Unencumbered Cash, Beginning	<u>39,473</u>	<u>43,984</u>		
Unencumbered Cash, Ending	<u>\$ 43,984</u>	<u>\$ 46,907</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
TIF 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 <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Taxes	\$ 3,183	\$ 6,445	\$ 3,341	\$ 3,104
Temporary note proceeds	4,921,759	-	-	-
Miscellaneous	-	15	-	15
Use of money and property	<u>88,939</u>	<u>26,263</u>	<u>-</u>	<u>26,263</u>
Total Receipts	<u>5,013,881</u>	<u>32,723</u>	<u>\$ 3,341</u>	<u>\$ 29,382</u>
Expenditures				
Contractual services	170,130	-	\$ -	\$ -
Capital outlay	1,864,024	958	1,407,694	[1,406,736]
Debt service				
Interest	<u>4,603,499</u>	<u>372,050</u>	<u>291,300</u>	<u>80,750</u>
Total Expenditures	<u>6,637,653</u>	<u>373,008</u>	<u>\$ 1,698,994</u>	<u>\$ [1,325,986]</u>
Receipts Over [Under] Expenditures	[1,623,772]	[340,285]		
Unencumbered Cash, Beginning	<u>2,601,829</u>	<u>978,057</u>		
Unencumbered Cash, Ending	<u>\$ 978,057</u>	<u>\$ 637,772</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 DRUG TAX FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Miscellaneous	\$ -	\$ -
 Total Receipts	-	-
Expenditures		
Capital outlay	-	-
 Total Expenditures	-	-
 Receipts Over [Under] Expenditures	-	-
 Unencumbered Cash, Beginning	3,491	3,491
 Unencumbered Cash, Ending	\$ 3,491	\$ 3,491

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 BUILDING EQUIPMENT RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Use of money and property	\$ 2,824	\$ 2,246
Total Receipts	<u>2,824</u>	<u>2,246</u>
Expenditures		
Capital outlay	<u>-</u>	<u>34,342</u>
Total Expenditures	<u>-</u>	<u>34,342</u>
Receipts Over [Under] Expenditures	2,824	[32,096]
Unencumbered Cash, Beginning	<u>65,632</u>	<u>68,456</u>
Unencumbered Cash, Ending	<u>\$ 68,456</u>	<u>\$ 36,360</u>

* - This is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 PARK BEAUTIFICATION FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Contributions	\$ 556	\$ -
Total Receipts	<u>556</u>	<u>-</u>
Expenditures		
Capital outlay	<u>556</u>	<u>-</u>
Total Expenditures	<u>556</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>2,215</u>	<u>2,215</u>
Unencumbered Cash, Ending	<u>\$ 2,215</u>	<u>\$ 2,215</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 D.A.R.E. FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Miscellaneous	\$ 20	\$ -
Total Receipts	<u>20</u>	<u>-</u>
Expenditures		
Commodities	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	20	-
Unencumbered Cash, Beginning	<u>1,658</u>	<u>1,678</u>
Unencumbered Cash, Ending	<u>\$ 1,678</u>	<u>\$ 1,678</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 LAW ENFORCEMENT BLOCK GRANT*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Grants	\$ <u> </u> -	\$ <u> </u> 2,266
Total Receipts	<u> </u> -	<u> </u> 2,266
Expenditures		
Commodities	<u> </u> -	<u> </u> -
Total Expenditures	<u> </u> -	<u> </u> -
Receipts Over [Under] Expenditures	-	2,266
Unencumbered Cash, Beginning	<u> </u> -	<u> </u> -
Unencumbered Cash, Ending	<u><u> </u></u> -	<u><u> </u></u> 2,266

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 LAND BANK RESERVE FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Use of money and property	\$ 3,302	\$ 2,007
Total Receipts	<u>3,302</u>	<u>2,007</u>
Expenditures		
Contractual services	<u>18,492</u>	<u>25,000</u>
Total Expenditures	<u>18,492</u>	<u>25,000</u>
Receipts Over [Under] Expenditures	[15,190]	[22,993]
Unencumbered Cash, Beginning	<u>81,859</u>	<u>66,669</u>
Unencumbered Cash, Ending	<u>\$ 66,669</u>	<u>\$ 43,676</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 PUBLIC SAFETY TRAINING FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Fines and fees	\$ 2,835	\$ 3,024
 Total Receipts	<u>2,835</u>	<u>3,024</u>
Expenditures		
Contractual services	-	-
 Total Expenditures	<u>-</u>	<u>-</u>
 Receipts Over [Under] Expenditures	 2,835	 3,024
Unencumbered Cash, Beginning	<u>7,043</u>	<u>9,878</u>
Unencumbered Cash, Ending	<u>\$ 9,878</u>	<u>\$ 12,902</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 POOL/REC SALES TAX FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	<u>Current Year</u>		
		<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Receipts				
Taxes	\$ 916,092	\$ 1,009,935	\$ 1,365,000	\$ [355,065]
Use of money and property	545,688	39,255	312,000	[272,745]
Temporary note proceeds	-	-	17,500,000	[17,500,000]
Miscellaneous	-	1,713,261	-	1,713,261
Transfers in	<u>410,000</u>	<u>2,304,976</u>	<u>-</u>	<u>2,304,976</u>
Total Receipts	<u>1,871,780</u>	<u>5,067,427</u>	<u>\$ 19,177,000</u>	<u>\$ [14,109,573]</u>
Expenditures				
Contractual services	25,350	5,376,289	\$ 60,000	\$ 5,316,289
Capital outlay	13,983,486	1,203,962	19,116,281	[17,912,319]
Debt service				
Interest	-	400,641	-	400,641
Cost of issuance	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>14,010,336</u>	<u>6,980,892</u>	<u>\$ 19,176,281</u>	<u>\$ [12,195,389]</u>
Receipts Over [Under] Expenditures	[12,138,556]	[1,913,465]		
Unencumbered Cash, Beginning	<u>15,043,853</u>	<u>2,905,297</u>		
Unencumbered Cash, Ending	<u>\$ 2,905,297</u>	<u>\$ 991,832</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 FLEET MANAGEMENT FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Use of money and property	\$ 4,249	\$ 4,938
Reimbursement	-	22,331
Miscellaneous	-	253,391
Lease proceeds	-	730,536
Transfers in	<u>206,000</u>	<u>164,000</u>
 Total Receipts	 <u>210,249</u>	 <u>1,175,196</u>
Expenditures		
Contractual services	272,830	1,045,367
Capital outlay	<u>-</u>	<u>18,866</u>
 Total Expenditures	 <u>272,830</u>	 <u>1,064,233</u>
 Receipts Over [Under] Expenditures	 [62,581]	 110,963
 Unencumbered Cash, Beginning	 <u>171,924</u>	 <u>109,343</u>
 Unencumbered Cash, Ending	 <u>\$ 109,343</u>	 <u>\$ 220,306</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 GIFTS & GRANTS FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Miscellaneous	\$ 747	\$ 677
Total Receipts	<u>747</u>	<u>677</u>
Expenditures		
Capital outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	747	677
Unencumbered Cash, Beginning	<u>6,268</u>	<u>7,015</u>
Unencumbered Cash, Ending	<u>\$ 7,015</u>	<u>\$ 7,692</u>

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 STATE/FEDERAL GRANTS FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts		
Use of money and property	\$ 24,672	\$ -
Total Receipts	24,672	-
Expenditures		
Transfers out	-	438,925
Total Expenditures	-	438,925
Receipts Over [Under] Expenditures	24,672	[438,925]
Unencumbered Cash, Beginning	414,253	438,925
Unencumbered Cash, Ending	\$ 438,925	\$ -

* - This fund is not required to be budgeted.

CITY OF VALLEY CENTER, KANSAS
 BOND AND INTEREST FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 REGULATORY BASIS
 For the Year Ended December 31, 2025
 (With Comparative Actual Amounts for the Year Ended December 31, 2024)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Receipts				
Taxes	\$ 1,084,101	\$ 1,138,350	\$ 1,149,012	\$ [10,662]
Special assessment	425,541	579,873	598,906	[19,033]
Use of money and property	63,025	46,393	5,000	41,393
Reimbursement	78,003	-	-	-
Transfers in	<u>732,550</u>	<u>732,550</u>	<u>732,550</u>	<u>-</u>
Total Receipts	<u>2,383,220</u>	<u>2,497,166</u>	<u>\$ 2,485,468</u>	<u>\$ 11,698</u>
Expenditures				
Debt service				
Principal	1,585,000	1,525,000	\$ 1,731,490	\$ [206,490]
Interest	1,734,081	822,700	616,210	206,490
Contractual services	-	199,464	-	199,464
Miscellaneous	9	-	-	-
Cash reserve	<u>-</u>	<u>-</u>	<u>1,255,356</u>	<u>[1,255,356]</u>
Total Expenditures	<u>3,319,090</u>	<u>2,547,164</u>	<u>\$ 3,603,056</u>	<u>\$ [1,055,892]</u>
Receipts Over [Under] Expenditures	[935,870]	[49,998]		
Unencumbered Cash, Beginning	<u>1,148,884</u>	<u>213,014</u>		
Unencumbered Cash, Ending	<u>\$ 213,014</u>	<u>\$ 163,016</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 CAPITAL PROJECTS FUND*
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Years Ended December 31, 2025 and 2024

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Receipts		
Bond proceeds	\$ 20,323,079	\$ 30,518,578
Use of money and property	137,999	397,612
Reimbursement	<u>-</u>	<u>4,169,959</u>
 Total Receipts	 <u>20,461,078</u>	 <u>35,086,149</u>
 Expenditures		
Contractual services	4,276,756	10,573,804
Capital outlay	-	64,114
Debt service		
Principal	6,000,000	29,439,028
Interest	178,767	1,269,814
Cost of issuance	463,493	466,204
Transfers out	<u>-</u>	<u>1,866,051</u>
 Total Expenditures	 <u>10,919,016</u>	 <u>43,679,015</u>
 Receipts Over [Under] Expenditures	 9,542,062	 [8,592,866]
 Unencumbered Cash, Beginning	 <u>1,800,776</u>	 <u>11,342,838</u>
 Unencumbered Cash, Ending	 <u>\$ 11,342,838</u>	 <u>\$ 2,749,972</u>

* - This fund is not required to be budgeted.

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

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Receipts				
Charges to customers	\$ 2,312,300	\$ 2,678,751	\$ 2,363,179	\$ 315,572
Use of money and property	170,374	211,343	-	211,343
Reimbursements	9,876	1,250	-	1,250
Miscellaneous	<u>30,607</u>	<u>39,369</u>	-	<u>39,369</u>
Total Receipts	<u>2,523,157</u>	<u>2,930,713</u>	<u>\$ 2,363,179</u>	<u>\$ 567,534</u>
Expenditures				
Personnel services	270,357	366,300	\$ 462,709	\$ [96,409]
Contractual services	1,280,774	1,243,354	1,130,168	113,186
Commodities	44,293	81,755	40,150	41,605
Capital outlay	116,733	173,127	144,000	29,127
Transfers out	523,000	493,000	588,000	[95,000]
Adjustment for qualifying budget credits	<u>-</u>	<u>-</u>	<u>1,250</u>	<u>[1,250]</u>
Total Expenditures	<u>2,235,157</u>	<u>2,357,536</u>	<u>\$ 2,366,277</u>	<u>\$ [8,741]</u>
Receipts Over [Under] Expenditures	288,000	573,177		
Unencumbered Cash, Beginning	<u>3,455,966</u>	<u>3,743,966</u>		
Unencumbered Cash, Ending	<u>\$ 3,743,966</u>	<u>\$ 4,317,143</u>		

See independent auditor's report on the financial statements.

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

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges to customers	\$ 1,455,648	\$ 1,511,983	\$ 1,464,579	\$ 47,404
Use of money and property	89,586	103,321	12,360	90,961
Miscellaneous	<u>3,654</u>	<u>596</u>	<u>-</u>	<u>596</u>
Total Receipts	<u>1,548,888</u>	<u>1,615,900</u>	<u>\$ 1,476,939</u>	<u>\$ 138,961</u>
Expenditures				
Personnel services	248,162	370,310	\$ 405,767	\$ [35,457]
Contractual services	399,305	469,074	466,623	2,451
Commodities	25,143	37,316	19,800	17,516
Capital outlay	39,122	81,120	135,500	[54,380]
Debt service	206,326	206,792	-	206,792
Miscellaneous	2,322	1,855	-	1,855
Transfers out	534,550	414,550	534,550	[120,000]
Reserve funds not subject to budget	<u>-</u>	<u>-</u>	<u>231,567</u>	<u>[231,567]</u>
Total Expenditures	<u>1,454,930</u>	<u>1,581,017</u>	<u>\$ 1,793,807</u>	<u>\$ [212,790]</u>
Receipts Over [Under] Expenditures	93,958	34,883		
Unencumbered Cash, Beginning	<u>1,650,325</u>	<u>1,744,283</u>		
Unencumbered Cash, Ending	<u>\$ 1,744,283</u>	<u>\$ 1,779,166</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 STORMWATER 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		Variance Over [Under]
		Actual	Budget	
Receipts				
Charges to customers	\$ 330,196	\$ 340,018	\$ 325,000	\$ 15,018
Use of money and property	<u>16,930</u>	<u>24,052</u>	<u>-</u>	<u>24,052</u>
Total Receipts	<u>347,126</u>	<u>364,070</u>	<u>\$ 325,000</u>	<u>\$ 39,070</u>
Expenditures				
Contractual services	32,510	32,219	\$ 27,900	\$ 4,319
Commodities	1,853	1,692	5,000	[3,308]
Capital outlay	70,163	116,054	124,800	[8,746]
Transfers out	<u>193,000</u>	<u>195,000</u>	<u>195,000</u>	<u>-</u>
Total Expenditures	<u>297,526</u>	<u>344,965</u>	<u>\$ 352,700</u>	<u>\$ [7,735]</u>
Receipts Over [Under] Expenditures	49,600	19,105		
Unencumbered Cash, Beginning	<u>317,444</u>	<u>367,044</u>		
Unencumbered Cash, Ending	<u>\$ 367,044</u>	<u>\$ 386,149</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 SOLID WASTE 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 <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Receipts				
Charges to customers	\$ 599,618	\$ 624,624	\$ 589,026	\$ 35,598
Franchise fee	-	-	5,000	[5,000]
Use of money and property	6,509	8,320	1,600	6,720
Miscellaneous	<u>31,361</u>	<u>2,085</u>	<u>16,000</u>	<u>[13,915]</u>
Total Receipts	<u>637,488</u>	<u>635,029</u>	<u>\$ 611,626</u>	<u>\$ 23,403</u>
Expenditures				
Contractual services	579,211	602,149	\$ 597,536	\$ 4,613
Capital outlay	<u>-</u>	<u>12,837</u>	<u>3,060</u>	<u>9,777</u>
Total Expenditures	<u>579,211</u>	<u>614,986</u>	<u>\$ 600,596</u>	<u>\$ 14,390</u>
Receipts Over [Under] Expenditures	58,277	20,043		
Unencumbered Cash, Beginning	<u>112,243</u>	<u>170,520</u>		
Unencumbered Cash, Ending	<u>\$ 170,520</u>	<u>\$ 190,563</u>		

See independent auditor's report on the financial statements.

CITY OF VALLEY CENTER, KANSAS
 VALLEY CENTER PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY
 GENERAL FUND
 SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL
 REGULATORY BASIS
 For the Year Ended December 31, 2025

Receipts	
State of Kansas	\$ 3,550
NEKL Association	31,078
City appropriation	341,101
Use of money and property	15,929
Donations and sales	1,170
Grants	8,648
Miscellaneous	<u>1,759</u>
 Total Receipts	 <u>403,235</u>
Expenditures	
Salary and payroll taxes	237,229
Books, periodicals and film	27,806
Supplies	23,738
Utilities	14,691
Contractual services	21,042
Maintenance	15,134
Miscellaneous	<u>10,350</u>
 Total Expenditures	 <u>349,990</u>
 Receipts Over [Under] Expenditures	 53,245
 Unencumbered Cash, Beginning	 <u>288,143</u>
 Unencumbered Cash, Ending	 <u>\$ 341,388</u>

See independent auditor's report on the financial statements.

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

Federal Grantor/Pass-Through Grantor/Program Title	Federal ALN Number	<u>Expenditures</u>
<u>U.S. Environmental Protection Agency</u> Drinking Water State Revolving Funds	66.468	<u>\$ 5,643,835</u>
Total U.S. Environmental Protection Agency		<u>5,643,835</u>
Total Expenditures of Federal Awards		<u>\$ 5,643,835</u>

The accompanying notes are an integral part of this schedule.

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

1. Organization

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

2. Basis of Presentation

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

3. Local Government Contributions

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

4. Additional Audits

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

5. Outstanding Loans

The City had the following loan balances outstanding as of December 31, 2025. Loans made during the year are included as federal expenditures included in the Schedule of Expenditures of Federal Awards.

Program Title – Drinking Water State Revolving Fund
Federal ALN – 66.468
Outstanding Amount - \$4,169,959

6. Pass Through Numbers

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

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

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified (Regulatory Basis)
Adverse (GAAP)

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X None reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified that are not considered to be material weaknesses?

_____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?

_____ Yes X No

Identification of major programs:

ALN Number(s)

Name of Federal Program or Cluster

66.468

Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

_____ \$1,000,000 _____

Auditee qualified as low-risk auditee?

_____ Yes X No

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

Section II - Financial Statement Findings

Current Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted.

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

Section II - Financial Statement Findings

Prior Year Findings

None Noted.

Section III - Federal Award Findings and Questioned Costs

Prior Year Findings

None Noted.

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

Mayor and City Council
City of Valley Center, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of the City of Valley Center, Kansas (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 21, 2026.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 21, 2026

AUDITING ACCOUNTING CONSULTING

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

Mayor and City Council
City of Valley Center, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

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

Report on Internal Control Over Compliance

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

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

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

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

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

We have audited the financial statements of the City as of and for the year ended December 31, 2025, and have issued our report thereon dated April 21, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Gordon CPA LLC

Certified Public Accountant
Lawrence, Kansas

April 21, 2026