CITY OF BEL AIRE, KANSAS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2025

AND

INDEPENDENT AUDITOR'S REPORT

AGH
CPAs & ADVISORS

CITY OF BEL AIRE, KANSAS

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WITH SUPPLEMENTARY INFORMATION

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Financial Statements
with Supplementary Information

Year Ended December 31, 2025

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FINANCIAL SECTION

AGH CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members
City of Bel Aire, Kansas

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

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

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 *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 Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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 statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have issued our report dated August 17, 2026 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auding Standards* in considering the City's internal control over financial reporting and compliance.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Wichita, KS
August 17, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $53,672,554 (net position).
- The City's total net position increased during this fiscal year by $4,582,926.
- At the close of 2025, the City's governmental funds reported combined ending fund balances of $24,710,186, a decrease of $2,182,568 over the prior year.
- At the close of 2025, unassigned fund balance for the General Fund was $3,651,211 or 39% of revenues for the fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

The government-wide financial statements report functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) separately from other functions that are intended to recover all or a significant portion of costs through user fees and charges (business-type activities). Governmental activities of the City include general government, law enforcement, public works, capital improvement, community development, and parks and recreation. The City has four business-type activities which are used to account for the assets, deferred outflows of resources liabilities, deferred inflows of resources, revenues and expenses associated with water, sewer, and solid waste and storm water functions.

Fund Financial Statements

A fund is a fiscal entity with a set of self-balancing accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with legal requirements, such as state statutes or bond covenants. There are three types of funds: governmental, proprietary, and fiduciary.

Governmental Funds

Governmental fund accounting focuses on 1) cash flow and how financial assets can readily be converted to available resources, and 2) the balances left at the end of the fiscal year for future spending. The focus is on the budgetary, short-term financial picture of the reported operations rather than on the longer-term economic picture of the City as a whole.

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

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

Proprietary Funds

The City maintains proprietary funds that are used to report the same functions presented as business-type activities in the government-wide financial statements, but in more detail. The proprietary fund financial statements provide separate information for the sewer and water funds, which are considered major funds of the City.

Notes to the Basic Financial Statements

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

Other Supplementary Information

Required budgetary data related to the General Fund, Land Bank Fund, combining statements for nonmajor governmental and nonmajor enterprise funds and fund budgetary schedules are presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-Wide Financial Statements	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 51,814,694	$ 55,031,544	$ 8,381,951	$ 7,974,142	$ 60,196,645	$ 63,005,686
Capital assets	65,499,292	54,229,676	27,217,722	25,155,042	92,717,014	79,384,718
Total assets	117,313,986	109,261,220	35,599,673	33,129,184	152,913,659	142,390,404
Deferred outflows	3,470,649	3,115,574	77,155	94,824	3,547,804	3,210,398
Long-term liabilities	93,896,459	86,574,863	1,045,395	1,111,879	94,941,854	87,686,742
Other liabilities	1,425,998	3,408,217	434,532	251,838	1,860,530	3,660,055
Total liabilities	95,322,457	89,983,080	1,479,927	1,363,717	96,802,384	91,346,797
Deferred inflows	5,901,991	5,130,510	84,534	33,867	5,986,525	5,164,377
Net position						
Net investment in capital assets	(1,241,664)	(5,669,493)	26,572,803	24,441,654	25,331,139	18,772,161
Restricted	4,268,617	6,983,233	-	-	4,268,617	6,983,233
Unrestricted	16,533,234	15,949,464	7,539,564	7,384,770	24,072,798	23,334,234
Total net position	$ 19,560,187	$ 17,263,204	$ 34,112,367	$ 31,826,424	$ 53,672,554	$ 49,089,628

Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by $53,672,554 at the close of 2025.

The City's net investment in capital assets of $25,331,139 represents capital assets (e.g., land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

The City's net position that represents resources that are subject to external restrictions on how they may be used of $4,268,617. Restricted net position includes:

- Debt service: $592,330
- Public Building Commission: $24,476
- Land Bank: $3,648,158 and
- Drug forfeiture: $3,653

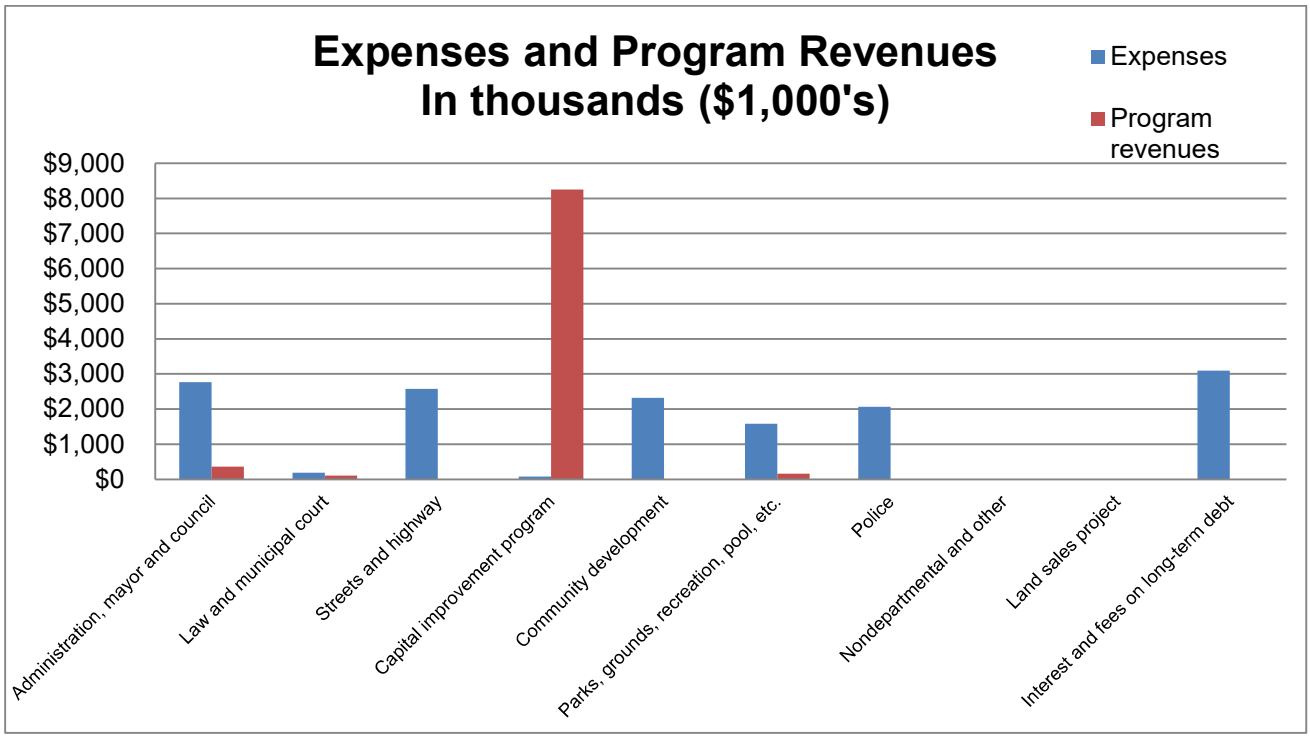
The City's total unrestricted net position is $24,072,798

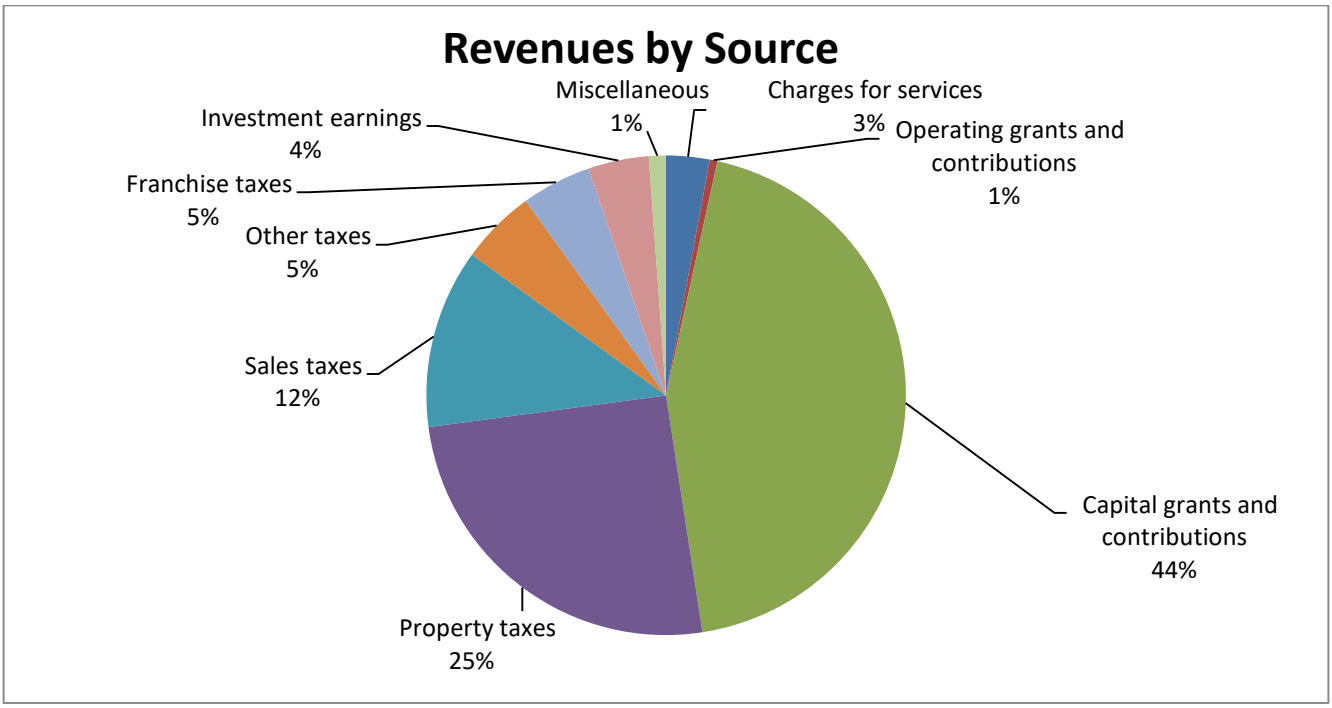
Condensed Statement of Changes in Net Position	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 543,642	$ 779,587	$ 8,015,391	$ 7,949,404	$ 8,559,033	$ 8,728,991
Operating grants and contributions	101,181	994,712	-	-	101,181	994,712
Capital grants and contributions	8,254,719	4,125,815	179,500	-	8,434,219	4,125,815
General revenues:						
Property taxes	4,734,564	4,313,394	-	-	4,734,564	4,313,394
Sales taxes	2,266,460	2,063,585	-	-	2,266,460	2,063,585
Other taxes	944,526	929,571	-	-	944,526	929,571
Franchise taxes	880,698	823,323	-	-	880,698	823,323
Investment earnings	766,498	837,439	201,357	227,952	967,855	1,065,391
Miscellaneous	215,374	130,649	17,134	38,748	232,508	169,397
Total revenues	18,707,662	14,998,075	8,413,382	8,216,104	27,121,044	23,214,179
Expenses:						
Administration, mayor and council	2,769,382	1,842,098	-	-	2,769,382	1,842,098
Law and municipal court	188,565	167,266	-	-	188,565	167,266
Streets and highway	2,573,569	279,671	-	-	2,573,569	279,671
Capital improvement program	82,321	77,004	-	-	82,321	77,004
Community development	2,318,722	2,859,071	-	-	2,318,722	2,859,071
Parks, grounds, recreation, pool, etc.	1,580,920	1,475,134	-	-	1,580,920	1,475,134
Police	2,062,632	1,775,834	-	-	2,062,632	1,775,834
Land sales project	9,648	82,661	-	-	9,648	82,661
Interest and fees on long-term debt	3,097,014	2,463,988	-	-	3,097,014	2,463,988
Water	-	-	3,895,002	3,710,516	3,895,002	3,710,516
Sewer	-	-	3,210,771	2,798,265	3,210,771	2,798,265
Solid Waste and Stormwater	-	-	749,572	626,943	749,572	626,943
Total expenses	14,682,773	11,022,727	7,855,345	7,135,724	22,538,118	18,158,451
Increase in net position before transfers	4,024,889	3,975,348	558,037	1,080,380	4,582,926	5,055,728
Transfers	(1,727,906)	(417,026)	1,727,906	417,026	-	-
Increase (decrease) in net position	2,296,983	3,558,322	2,285,943	1,497,406	4,582,926	5,055,728
Net position - beginning of year	17,263,204	13,814,775	31,826,424	30,353,447	49,089,628	44,168,222
Change in accounting principle	-	(109,893)	-	(24,429)	-	(134,322)
Net position - end of year	$ 19,560,187	$ 17,263,204	$ 34,112,367	$ 31,826,424	$ 53,672,554	$ 49,089,628

Analysis of Changes in Net Position

The City's net position increased during the fiscal year by a total of $4,582,926 including these changes:

- Charges for services decreased $169,958 mostly due to a decrease in water services provided of $127,878.
- Capital grants and contributions increased by $4,308,404 primarily due to an increase BASE grant funds.
- General revenues increased $661,950 due to increases in property taxes and sales taxes of $421,170 and $202,875 due to increases in property valuation and an increase in area sales.
- Expenses of governmental activities increased by $3,660,046 due primarily to an increase in street repair costs within the streets and highway category in the current year. There was also an increase in administrative expenses of $927,284 due to an increase in salaries and benefits as well as an increase in engineering and legal expenses. Interest increased by $633,026 primarily due to capitalized interest on CIP projects. These increases were offset by a decrease of $540,349 in community development primarily due to fewer non-capital project expenditures.
- Expenses of business-type activities increased $719,621 due mainly to increases in repair and maintenance costs in the Sewer fund.





The charts above illustrate the City's governmental expenses and program revenues by function, and revenues by source. The interest on long-term debt represents the largest portion of 2025 expenses followed by administration, mayor and council and streets and highways expenses.

For governmental activities overall, capital grants and contributions are the largest source of revenue followed by property tax revenues. Other revenues and expense functions fall within anticipated ranges.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

At the end of 2025, the City's governmental funds reported combined ending fund balances of $24,710,186 including:

- Nonspendable: $573,071;
- Restricted by external requirements and laws: $17,130,855;
- Assigned to capital projects or other uses: $3,355,049; and
- Unassigned funds available for use at the City's discretion: $3,651,211.

The General Fund is the primary operating fund for the City. At the end of 2025, total fund balance of the General Fund was $3,743,909. The fund balance decreased by $220,923 during the fiscal year mostly due to increases of salary expenditures offset by a small increase in property tax revenue.

The Bond and Interest Fund had an increase in fund balance of $332,719 due to an increase in special assessment revenue.

The Capital Projects Fund had an increase in fund balance of $940,277 due to intergovernmental revenue offset by capital outlay expenditures.

The Public Building Commission remained comparable to the prior year with an increase in fund balance of $15,087.

The Land Bank had a decrease in fund balance of $2,557,435 due to transfers out of the fund.

Nonmajor government had a combined decrease in fund balance of $692,293 due to a decrease in intergovernmental revenue related to ARPA revenue recognition in the prior year and an increase in capital outlay activity.

The Water Fund had an increase in net position of $777,334 mostly due to an increase in water purchased and a decrease in other operating expenses.

The Sewer Fund had an increase in net position of $1,286,559 due to an increase in capital contributions.

Nonmajor proprietary funds had increases in net position of $222,050 primarily due to grant proceeds received.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. Majority of revenues were comparable to budgeted amounts for 2025. Overall budgeted expenditures were comparable to actual results.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, was $92,717,014 as of December 31, 2025. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Land	$ 4,395,801	$ 4,395,801	$ 609,783	$ 534,040	$ 5,005,584	$ 4,929,841
Land project	1,390,152	1,390,152	-	-	1,390,152	1,390,152
Construction in progress	7,890,886	5,518,627	2,129,095	1,557,514	10,019,981	7,076,141
City Hall	1,515,319	1,581,700	-	-	1,515,319	1,581,700
Swimming pool	341,897	367,540	-	-	341,897	367,540
Other structures and equipment	1,757,387	1,817,744	24,478,844	23,063,488	26,236,231	24,881,232
Infrastructure	47,753,502	38,553,572	-	-	47,753,502	38,553,572
SBITA right-to-use	454,348	604,540	-	-	454,348	604,540
Total	$ 65,499,292	$ 54,229,676	$ 27,217,722	$ 25,155,042	$ 92,717,014	$ 79,384,718

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

Long-Term Debt

At December 31, 2025, the City had total long-term bonds outstanding of $87,525,000. This amount included $50,065,000 of general obligation bonds backed by the full faith and credit of the City, $26,370,000 in temporary notes which will be repaid with an issuance of general obligation bonds and $11,090,000 in revenue bonds with the Public Building Commission.

Total long-term bonds payable increased by $6,510,000 during the fiscal year due to bond issuances being more than the repayment of debt made during the year.

The City had $644,919 of outstanding revolving loan funds for Water and Sewer Fund projects.

Standard and Poor's rated the City's most recent bond issue AA and affirmed this rating for all existing debt.

Kansas statutes limit the amount of general obligation debt a governmental entity may issue to 30% of its total assessed valuation. After subtracting deductions allowed by the statutes, the current debt limit for the City is $43,234,289 and debt outstanding subject to the limit is $28,772,663, leaving $14,461,626 in legal debt margin.

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

Outstanding Bonds
General Obligation and Revenue Bonds

	Governmental Activities	
	2025	**2024**
General obligation bonds	$ 50,065,000	$ 43,765,000
Temporary notes	26,370,000	24,915,000
Revenue bonds -		
Public Building Commission	11,090,000	12,335,000
Total	$ 87,525,000	$ 81,015,000

Economic Factors

Property tax collections increased 9.8% over 2024 and the positive trend has continued into the first half of 2026. The assessed valuation increased 15.4% in 2025.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the City's finances for all interested parties. Questions concerning any of the information provided in the report or requests for additional information should be directed to the Finance Director, City of Bel Aire, 7651 E. Central Park Ave., Bel Aire, KS 67226.

BASIC FINANCIAL STATEMENTS

City of Bel Aire, Kansas
Statement of Net Position
December 31, 2025

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash, including investments	$ 24,460,036	$ 7,361,991	$ 31,822,027
Receivables, net	26,874,285	1,019,960	27,894,245
Property held for resale	480,373	-	480,373
Capital assets:			
Land and construction in progress	13,676,839	2,738,878	16,415,717
Other capital assets, net of depreciation	51,822,453	24,478,844	76,301,297
Total assets	117,313,986	35,599,673	152,913,659
Deferred outflows of resources:			
Deferred refunding	1,519,238	-	1,519,238
Deferred outflows - OPEB	85,252	-	85,252
Deferred outflows - pensions	1,866,159	77,155	1,943,314
Total deferred outflows of resources	3,470,649	77,155	3,547,804
Liabilities:			
Accounts payable	895,815	369,713	1,265,528
Accrued wages	70,504	64,819	135,323
Interest payable	459,679	-	459,679
Long-term liabilities			
Due within one year	11,383,854	92,146	11,476,000
Due in more than one year	82,512,605	953,249	83,465,854
Total liabilities	95,322,457	1,479,927	96,802,384
Deferred inflows of resources:			
Deferred property tax receivable	5,329,752	-	5,329,752
Deferred inflows - OPEB	148,883	-	148,883
Deferred inflows - pensions	423,356	84,534	507,890
Total deferred inflows of resources	5,901,991	84,534	5,986,525
Net position:			
Net investment in capital assets	(1,241,664)	26,572,803	25,331,139
Restricted for:			
Debt service	592,330	-	592,330
Public Building Commission	24,476	-	24,476
Land Bank	3,648,158	-	3,648,158
Drug forfeiture	3,653	-	3,653
Unrestricted	16,533,234	7,539,564	24,072,798
Total net position	$ 19,560,187	$ 34,112,367	$ 53,672,554

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

Statement of Activities

For the Year ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Total Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Total Business-Type Activities	Total
Governmental activities:							
Administration, mayor and council	$ 2,769,382	$ 263,154	101,181	$ -	$ (2,405,047)	$ -	$ (2,405,047)
Law and municipal court	188,565	111,007	-	-	(77,558)	-	(77,558)
Streets and highway	2,573,569	-	-	-	(2,573,569)	-	(2,573,569)
Community development	2,318,722	11,460	-	-	(2,307,262)	-	(2,307,262)
Parks, grounds, recreation, pool, etc.	1,580,920	158,021	-	-	(1,422,899)	-	(1,422,899)
Police	2,062,632	-	-	-	(2,062,632)	-	(2,062,632)
Land sales project	9,648	-	-	-	(9,648)	-	(9,648)
Capital improvement program	82,321	-	-	8,254,719	8,172,398	-	8,172,398
Interest and fees on long-term debt	3,097,014	-	-	-	(3,097,014)	-	(3,097,014)
Total governmental activities	14,682,773	543,642	101,181	8,254,719	(5,783,231)	-	(5,783,231)
Business-type activities:							
Water	3,895,002	3,592,003	-	-	-	(302,999)	(302,999)
Sewer	3,210,771	3,548,166	-	-	-	337,395	337,395
Nonmajor business-type funds	749,572	875,222	-	179,500	-	305,150	305,150
Total business-type activities	7,855,345	8,015,391	-	179,500	-	339,546	339,546
Total	$ 22,538,118	$ 8,559,033	$ 101,181	$ 8,434,219	(5,783,231)	339,546	(5,443,685)
General revenues:							
Property taxes					4,734,564	-	4,734,564
Sales taxes					2,266,460	-	2,266,460
Other taxes					944,526	-	944,526
Franchise fees					880,698	-	880,698
Investment earnings					766,498	201,357	967,855
Miscellaneous					215,374	17,134	232,508
Transfers					(1,727,906)	1,727,906	-
Total general revenues					8,080,214	1,946,397	10,026,611
Change in net position					2,296,983	2,285,943	4,582,926
Net position, beginning of year					17,263,204	31,826,424	49,089,628
Net position, end of year					$ 19,560,187	$ 34,112,367	$ 53,672,554

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

Balance Sheet
Governmental Funds
December 31, 2025

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash, including investments	$ 3,215,554	$ 1,052,009	$ 13,133,802	$ 27,129	$ 3,648,158	$ 3,383,384	$ 24,460,036
Receivables (net of allowance for uncollectibles)							
Property taxes	5,329,752	-	-	-	-	-	5,329,752
Special assessments	-	20,808,437	-	-	-	-	20,808,437
Motor vehicle and RV tax	36,492	-	-	-	-	-	36,492
Real estate mortgage note receivable	92,698	-	-	-	-	-	92,698
Sales tax	433,077	-	-	-	-	-	433,077
Franchise taxes and fees	65,115	-	-	-	-	-	65,115
Other	97,528	-	-	-	-	11,186	108,714
Property held for resale	-	-	-	-	480,373	-	480,373
Total assets	$ 9,270,216	$ 21,860,446	$ 13,133,802	$ 27,129	$ 4,128,531	$ 3,394,570	$ 51,814,694
Liabilities:							
Accounts payable	$ 129,377	$ -	$ 731,243	$ 2,653	$ -	$ 32,542	$ 895,815
Accrued liabilities	67,178	-	-	-	-	3,326	70,504
Total liabilities	196,555	-	731,243	2,653	-	35,868	966,319
Deferred inflows of resources:							
Deferred property tax receivable	5,329,752	-	-	-	-	-	5,329,752
Unavailable revenue - special assessments	-	20,808,437	-	-	-	-	20,808,437
Total deferred inflows of resources	5,329,752	20,808,437	-	-	-	-	26,138,189
Fund balance:							
Nonspendable	92,698	-	-	-	480,373	-	573,071
Restricted	-	1,052,009	12,402,559	24,476	3,648,158	3,653	17,130,855
Assigned	-	-	-	-	-	3,355,049	3,355,049
Unassigned	3,651,211	-	-	-	-	-	3,651,211
Total fund balance	3,743,909	1,052,009	12,402,559	24,476	4,128,531	3,358,702	24,710,186
Total liabilities, deferred inflows of resources and fund balance	$ 9,270,216	$ 21,860,446	$ 13,133,802	$ 27,129	$ 4,128,531	$ 3,394,570	$ 51,814,694

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

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

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balance - governmental funds		$ 24,710,186
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	$ 93,712,014	
Accumulated depreciation	(28,212,722)	65,499,292
Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable in the fund statements		20,808,437
Deferred outflows of resources are not available and payable in the current period and, therefore, are not reported in the funds.		
Deferred outflows - deferred refunding		1,519,238
Deferred outflows - OPEB		85,252
Deferred outflows - pensions		1,866,159
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Accrued interest payable	(459,679)	
General obligation bonds payable	(50,065,000)	
Temporary notes	(26,370,000)	
Revenue bonds - Public Building Commission	(11,090,000)	
Premiums	(2,323,545)	
Discounts	39,273	
Net pension liability	(3,368,598)	
Total OPEB liability	(25,559)	
Subscription liability	(343,481)	
Compensated absences	(349,549)	(94,356,138)
Other deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred inflows - OPEB		(148,883)
Deferred inflows - pensions		(423,356)
Total net position - governmental activities		$ 19,560,187

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

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

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes and shared revenues	$ 7,562,538	$ -	$ -	$ -	$ -	$ 383,012	$ 7,945,550
Intergovernmental revenues	101,181	-	4,760,624	-	-	-	4,861,805
Franchise fees	880,698	-	-	-	-	-	880,698
Court fines	111,007	-	-	-	-	-	111,007
Licenses, permits and fees	421,175	-	-	-	-	-	421,175
Rents and sales	11,460	-	-	-	-	-	11,460
Special assessments	-	2,930,817	-	-	-	-	2,930,817
Other	283,994	66,037	308,924	55,706	115,368	151,844	981,873
Total revenues	9,372,053	2,996,854	5,069,548	55,706	115,368	534,856	18,144,385
Expenditures:							
Current:							
Administration, mayor and council	2,529,370	-	-	-	41	-	2,529,411
Law and municipal court	182,668	-	-	-	-	-	182,668
Streets and highway	-	-	-	-	-	2,489,804	2,489,804
Community development	205,994	-	-	-	-	-	205,994
Parks, grounds, recreation, pool, etc.	1,468,756	-	-	-	-	-	1,468,756
Police	1,877,198	-	-	-	-	-	1,877,198
Nondepartmental and other	-	-	-	5,317	-	-	5,317
Land project	9,483	-	-	-	165	-	9,648
Capital outlay/projects	-	-	15,686,216	-	-	502,345	16,188,561
Debt service:							
Principal retirement	108,019	2,686,017	9,085,000	1,245,000	-	-	13,124,036
Interest and other	11,693	1,060,704	1,233,365	274,362	-	-	2,580,124
Debt issuance costs	-	-	356,277	-	-		356,277
Total expenditures	6,393,181	3,746,721	26,360,858	1,524,679	206	2,992,149	41,017,794
Excess (deficiency) of revenues over (under) expenditures	2,978,872	(749,867)	(21,291,310)	(1,468,973)	115,162	(2,457,293)	(22,873,409)
Other financing sources (uses):							
Premium on issuance of general obligation bonds	-	-	455,841	-	-	-	455,841
Proceeds from issuance of general obligation bonds	391,851	-	19,103,149	-	-	-	19,495,000
Transfers in	2,672,597	1,082,586	2,672,597	1,484,060	-	1,765,000	9,676,840
Transfers out	(6,264,243)	-	-	-	(2,672,597)	-	(8,936,840)
Total other financing sources (uses)	(3,199,795)	1,082,586	22,231,587	1,484,060	(2,672,597)	1,765,000	20,690,841
Net change in fund balance	(220,923)	332,719	940,277	15,087	(2,557,435)	(692,293)	(2,182,568)
Fund balance, beginning of year	3,964,832	719,290	11,462,282	9,389	6,685,966	4,050,995	26,892,754
Fund balance, end of year	$ 3,743,909	$ 1,052,009	$ 12,402,559	$ 24,476	$ 4,128,531	$ 3,358,702	$ 24,710,186

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2025

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance -- total governmental funds		$ (2,182,568)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Depreciation expense	$ (2,188,882)	
Capital assets capitalized	13,458,498	11,269,616
Payments received on certain assets are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized when earned.		563,278
Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities.		(296,349)
Payment of OPEB contributions is an expenditure in the governmental funds, but reduces the total OPEB liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for OPEB are only recorded in the statement of activities.		(1,657)
Bond and loan proceeds and premiums provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
General obligation bonds	(8,955,000)	
Temporary notes	(10,540,000)	
Premiums	(455,841)	(19,950,841)
Repayment of bond principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bonds	2,655,000	
Temporary notes	9,085,000	
Revenue bond - Public Building Commission	1,245,000	
Subscription liability	108,019	
Rail loan	31,017	13,124,036
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(160,355)
The amortization of bond premiums and deferred refundings affect long-term assets and liabilities on the statement of net position, but does not provide or use current financial resources to governmental funds.		(259)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the following difference was noted:		
Compensated absences earned exceeded benefits paid		(67,918)
Change in net position of governmental activities		$ 2,296,983

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Statement of Net Position
Proprietary Funds
December 31, 2025

	Water	Sewer	Nonmajor Proprietary Funds	Total
Assets:				
Current assets:				
Cash, including investments	$ 2,232,422	$ 4,613,235	$ 516,334	$ 7,361,991
Receivables, net	382,498	360,285	277,177	1,019,960
Total current assets	2,614,920	4,973,520	793,511	8,381,951
Noncurrent assets:				
Capital assets:				
Land and construction in progress	1,177,319	1,561,559	-	2,738,878
Other capital assets, net of depreciation	10,371,042	13,728,348	379,454	24,478,844
Total noncurrent assets	11,548,361	15,289,907	379,454	27,217,722
Total assets	14,163,281	20,263,427	1,172,965	35,599,673
Deferred outflows of resources:				
Pension related items	47,851	29,304	-	77,155
Liabilities:				
Current liabilities:				
Accounts payable	164,874	151,839	53,000	369,713
Accrued payroll	11,134	53,685	-	64,819
Revolving loan - current	44,491	27,748	-	72,239
Compensated absences	10,512	9,395	-	19,907
Total current liabilities	231,011	242,667	53,000	526,678
Noncurrent liabilities:				
Revolving loan	355,127	217,553	-	572,680
Net pension liability	196,952	120,608	-	317,560
Compensated absences	33,601	29,408	-	63,009
Total noncurrent liabilities	585,680	367,569	-	953,249
Total liabilities	816,691	610,236	53,000	1,479,927
Deferred inflows of resources:				
Pension related items	52,428	32,106	-	84,534
Net position:				
Net investment in capital assets	11,148,743	15,044,606	379,454	26,572,803
Unrestricted	2,193,270	4,605,783	740,511	7,539,564
Total net position	$ 13,342,013	$ 19,650,389	$ 1,119,965	$ 34,112,367

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2025

	Water	Sewer	Nonmajor Proprietary Funds	Total
Operating revenues:				
Charges for services	$ 3,592,003	$ 3,548,166	$ 875,222	$ 8,015,391
Operating expenses:				
Personnel	423,369	447,221	-	870,590
Contractual services	232,271	142,488	744,769	1,119,528
Water purchases	472,520	3,321	-	475,841
Operations and maintenance - CCUA	598,159	509,195	-	1,107,354
Debt service - CCUA	342,804	1,226,439	-	1,569,243
Payment in lieu of franchise fees	100,000	100,000	-	200,000
Other operating expenses	1,304,595	165,563	-	1,470,158
Depreciation	421,284	616,544	4,803	1,042,631
Total operating expenses	3,895,002	3,210,771	749,572	7,855,345
Operating income	(302,999)	337,395	125,650	160,046
Nonoperating revenues and expenses:				
Interest and other	89,512	112,079	16,900	218,491
Intergovernmental revenue	-	-	179,500	179,500
Capital contributions	1,300,821	1,167,085	-	2,467,906
Total nonoperating revenue	1,390,333	1,279,164	196,400	2,865,897
Income before transfers	1,087,334	1,616,559	322,050	3,025,943
Transfers out	(310,000)	(330,000)	(100,000)	(740,000)
Change in net position	777,334	1,286,559	222,050	2,285,943
Net position, beginning of year	12,564,679	18,363,830	897,915	31,826,424
Net position, end of year	$ 13,342,013	$ 19,650,389	$ 1,119,965	$ 34,112,367

The accompanying notes are an integral part of the basic financial statements.

City of Bel Aire, Kansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2025

	Water	Sewer	Nonmajor Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	$ 3,490,067	$ 3,431,037	$ 660,646	$ 7,581,750
Payments to suppliers for goods and services	(2,973,535)	(2,043,515)	(739,726)	(5,756,776)
Payments to employees for salaries and benefits	(352,943)	(449,980)	-	(802,923)
Net cash flow from operating activities	163,589	937,542	(79,080)	1,022,051
Cash flows from non-capital financing activities:				
Transfers to other funds	(310,000)	(330,000)	(100,000)	(740,000)
Net cash flow from non-capital financing activities	(310,000)	(330,000)	(100,000)	(740,000)
Cash flows from capital and related financing activities:				
Revolving loan payments	(42,395)	(26,074)	-	(68,469)
Acquisition of capital assets	(64,102)	(189,046)	(384,257)	(637,405)
Intergovernmental revenue	-	-	179,500	179,500
Net cash flow from capital and related financing activities	(106,497)	(215,120)	(204,757)	(526,374)
Cash flows from investing activities:				
Interest on investments	89,512	112,079	16,900	218,491
Net cash flow from investing activities	89,512	112,079	16,900	218,491
Net increase in cash and cash equivalents	(163,396)	504,501	(366,937)	(25,832)
Cash and cash equivalents, beginning of the year	2,395,818	4,108,734	883,271	7,387,823
Cash and cash equivalents, end of the year	$ 2,232,422	$ 4,613,235	$ 516,334	$ 7,361,991
Reconciliation of operating income to net cash flow from operating activities:				
Operating income	$ (302,999)	$ 337,395	$ 125,650	$ 160,046
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	421,284	616,544	4,803	1,042,631
Change in net pension liability	22,700	(53,863)	-	(31,163)
Change in deferred outflows - pensions	(470)	18,139	-	17,669
Change in deferred inflows - pensions	35,506	15,161	-	50,667
Change in accounts receivable	(101,936)	(117,129)	(214,576)	(433,641)
Change in accounts payable	76,814	103,491	5,043	185,348
Change in accrued liabilities	12,690	17,804	-	30,494
Net cash flow from operating activities	$ 163,589	$ 937,542	$ (79,080)	$ 1,022,051
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	$ 1,300,821	$ 1,167,085	$ -	$ 2,467,906

The accompanying notes are an integral part of the basic financial statements.

NOTES TO THE FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bel Aire, Kansas (City) is incorporated under the laws of the State of Kansas. The City adopted a Council-Manager form of City government in January 2010, consisting of an elected Mayor and Council and an appointed City Manager to oversee the daily operations.

The City provides services to the citizens in the areas of streets, water service, wastewater service, community development, public safety, planning and zoning, parks and recreation, public works and general administrative services.

The more significant accounting and reporting policies and practices employed by the City are as follows:

A. Reporting Entity

Generally accepted accounting principles require that the basic financial statements present the City (the primary government) and its component units. Component units are required to be included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Blended Component Unit - The statements include the financial data of the Public Building Commission (PBC). The PBC was formed several years ago in order to finance and build the 1) City Hall, 2) the swimming pool 3) an effluent line for the sale of "gray water" to Willowbend and 4) to finance the industrial park of the land project. The PBC issued debt instruments (revenue bonds) to finance the projects and leases the City Hall and swimming pool to the City. All revenues from City Hall rents, gray water sales and pool operations are pledged for debt service on the respective PBC revenue bonds.

Although the PBC is a legally separate organization, the City is financially accountable for the component unit in accordance with Governmental Accounting Standards Board (GASB) standards. The PBC's governing body is substantially the same as the governing body of the City; therefore, the PBC is "blended" with the City's financial statements. For financial reporting, the activities of the PBC are accounted for within the special revenue funds within the City's financial statements.

Separate audited financial statements are not prepared for the PBC.

On August 4, 2015, the City established the Bel Aire Land Bank (Land Bank) in conformance with K.S.A. 12-5901 et seq. Although the Land Bank is a legally separate organization, the City is financially accountable for the component unit in accordance with GASB standards. The Land Bank's governing body is substantially the same as the governing body of the City; therefore, the Land Bank is "blended" with the City's financial statements. For financial reporting, the activities of the Land Bank are accounted for within the special revenue funds within the City's financial statements.

Separate audited financial statements are not prepared for the Land Bank.

Related Organizations - The Chisholm Creek Utility Authority (Authority) is a quasi-municipal governmental entity formed in 2001 in accordance with Kansas Statutes 12-2901 through 2909, referred to as the Kansas Interlocal Cooperation Act. It was formed through the joint action of the Cities of Park City and Bel Aire, Kansas, for the purpose of providing "wholesale" water, wastewater and utility services to the cities.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Authority's purpose is to serve the two cities and the function of the cities is to ensure that the expenses of the Authority related to the water and wastewater operations of the project constructed by the revenue bonds are paid. The cities forming the Authority have planned that the Authority shall not create surplus cash balances from the use of City funds.

The Authority does not meet GASB requirements to be reported as a component unit but does meet the criteria as joint venture in the City's financial statements; however, no asset will be recorded as the City does not have an equity interest. Payments made by the City for debt service and subsidizing operating costs will be recorded as operating expenses of the City. See also Note IV.D.

Audited financial statements are available for the Chisholm Creek Utility Authority at the office of the City of Park City, 6110 N. Hydraulic, Park City, Kansas 67219.

B. Basis of Presentation

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Eliminations of interfund charges and balances have been made in these statements to minimize the double-counting of internal activities.

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

The City's net position is reported in three parts - net investment in capital assets; restricted net position; and unrestricted net position. The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The major governmental funds of the City are described below:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Bond and Interest Fund* is used to pay the general obligation and revenue bond debt service requirements of the City.

The *Capital Projects Fund* is used to account for temporary debt issued funds that are used to finance specific projects in the short-term.

The *Public Building Commission* is used to finance and pay for certain projects using revenue bonds.

The *Land Bank Fund* is used to account for maintaining and selling real property located within the City.

The major proprietary funds of the City are the *Water Fund* and the *Sewer Fund* and are used to account for revenues and expenses of those activities.

C. Measurement Focus and Basis of Accounting and Fund Financial Statement Presentation

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities associated with the operation of the City are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the budget year for which they are levied. Special assessments are recognized when levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state fuel tax, and franchise taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by merchants and/or the state at year-end on behalf of the City are recognized as revenue. Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Unrestricted aid is reported as revenue in the fiscal year during which the entitlement is received.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer funds are charges to customers for sales and services. Operating expenses include the cost of sales and service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

1. Deposits and 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. Investments are reported at fair value based on quoted market prices.

For the purposes of the statement of cash flows, the City considers deposits and highly liquid investments with an original maturity of three months or less to be cash equivalents.

The investments of proceeds of long-term debt are governed by specific statutes and authorize the City to invest in the following:

Investments authorized by K.S.A. 12-1675
Direct obligations of the U.S. government or any other agency thereof
Money market funds comprised entirely of obligations of the U.S. Treasury and agencies thereof
Obligations of any municipality of Kansas
Investment agreements with a financial institution rated in the three highest rating categories by Moody's or Standard and Poor's

The City pools temporarily idle cash from all funds for investments purposes. Each fund's portion of the pool is shown on the Statement of Net Position as cash, including investments. Deposits during the year included cash in interest bearing and demand bank accounts. Interest is allocated to each fund based on the respective invested balance.

The City follows GASB 72, *Fair Value Measurement and Application,* which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

At December 31, 2025, investments consisted of funds invested in the Kansas Municipal Investment Pool (KMIP). The KMIP is an external investment pool not SEC (Securities and Exchange Commission) registered, which is regulated by the state and is valued at cost.

2. Receivables

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

Special Assessment Receivable - As required by state 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. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest Fund to finance delinquent special assessments.

The City's special assessment taxes are levied over a 15 to 20-year term of the bonds and the annual installments are due and payable with annual ad valorem property taxes. Liens may be foreclosed against the property benefited by the special assessments when delinquent assessments are two years in arrears. At December 31, 2025, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Bond and Interest Fund with a corresponding amount recorded as deferred inflows of resources in the fund financial statements.

Real Estate Mortgage Note Receivable - The note receivable is from the sale of the previous City Hall. The note was entered into on June 1, 2004, for $495,000, with an initial interest rate of 4.5%, for a period not to exceed 24.5 years. At December 31, 2025, the note balance was $92,698.

3. Property Held for Resale

The City has transferred property to the Land Bank Fund. The purpose of the fund is to maintain and sell real property located within the City. The properties have been included as property held for resale in the Land Bank Fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net position. Capital assets used by proprietary funds are reported in both the proprietary activities column of the government-wide statement of net position and in the individual proprietary funds. Donated assets are recorded at acquisition value as of the date of the donation.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Capital assets in the proprietary funds are accounted for in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets.

The City follows the policy of capitalizing assets with unit costs of $2,500 or more. Depreciation of capital assets is computed and recorded by the straight-line method and is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements/infrastructure	20-40 years
Equipment	5-10 years
SBITA right-to-use assets	5-7 years
Water System	35-40 years
Sewer System	40 years

5. Accrued Compensated Absences

The City's policy regarding vacation permits employees with 0 to 1 year of continuous service to earn 12 days vacation pay, 1 to 5 years continuous service to earn 15 days vacation pay, 5 to 10 years continuous service to earn 18 days vacation pay, 10 to 15 years continuous service to earn 20 days vacation pay, 15 to 20 years continuous service to earn 23 days vacation pay, 20 to 25 years continuous service to earn 26 days vacation pay, and for 25 or more years continuous service to earn 28 days vacation pay. Maximum carryovers are 12 days, 20 days, 23 days, 25 days, 28 days, 31 days, and 33 days, respectively, for each of the years of service categories noted above. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

The sick leave policy of the City provides that all regular employees who regularly work 40 hours per week accrue sick leave benefits at the rate of 3.7 hours per pay period, up to a maximum accumulation of 960 hours. Unused sick leave is not paid upon termination of employment or retirement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the governmental fund financial statements, a liability is accrued when it has matured, for example, as a result of employee resignations or retirements. Proprietary fund types and government-wide financial statements accrue vacation and sick pay as earned. The liabilities are based on current salary costs and the amount of leave that accumulates that has been earned and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond issuance costs are expensed in the year incurred.

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

7. Pensions

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Fund Equity

In the government-wide statements, equity is shown as net position and classified into three components:

- Net investment in capital assets - consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted net position - consisting of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.

- Unrestricted net position - consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent.

In the governmental funds, equity is shown as fund balance and classified into five components:

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

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

- Committed - This classification consists of amounts that can be used only for the specific purposes imposed by a resolution made by the City Council and cannot be used for any other purpose unless removed or changed by taking the same type of action that previously committed those amounts.

- Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority. Encumbrances are considered as assigned unless they specifically meet the requirements to be restricted or committed.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Unassigned - This consists of the residual balance for the general fund not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from expenditures exceeding amounts that had been restricted, committed or assigned.

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

9. Deferred Inflows of Resources/Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualify for reporting in this category in the government-wide statement of net position, deferred outflows for pensions, deferred outflows for OPEB and deferred charges on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. See Note IV. E. and IV. F. for more information on the deferred outflows for pensions and OPEB, respectively.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has four types of items, unavailable revenue, deferred revenue, deferred inflows for pensions and deferred inflows for OPEB that qualify for reporting in this category that qualify for reporting in this category. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property tax receivable. Property taxes are not recognized as revenue until the period for which they are levied. The third and fourth items, deferred inflows for pensions and OPEB, are reported on the government-wide statement of net position. See Note IV. E. and IV. F., respectively, for more information on these deferred inflows.

10. Land Project

The City invested in the land project for projected growth and future development.

The land project originally consisted of approximately 1,600 acres of land (600 acres residential, 200 acres commercial and 800 acres industrial park) and is being accounted for by using the cost recovery method as allowed under GASB 62.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalized costs of the land project include but are not limited to:

- Land acquisition and title costs
- Capitalized interest and debt issuance costs
- Street, sewers, grading, excavating, improvements and infrastructure
- Other development costs

Under the hybrid cost recovery method, as parcels of land are sold, the proceeds are offset against the total accumulated costs of the project. Other methods of matching costs, such as the specific identification method, the gross profit method and the unit/area method were not practical in the circumstances.

Management deemed that the current estimated fair value of the project is in excess of the remaining unrecovered costs. Unrecovered costs at December 31, 2025, amounted to $1,870,525.

The industrial park portion of the land project was financed with Public Building Commission bonds and the amount outstanding at December 31, 2025 was $9,490,000, also see Note III. C.

11. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted resources are used first to fund appropriations.

12. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities, (2) disclosures such as contingencies, and (3) the reported amounts of revenues and expenses included in such financial statements. Actual results could differ from those estimates.

Estimates significant to the financial statement include the valuation of land held for resale; see the Land Project discussion in No. 10 above.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require budgets be adopted for all funds, unless exempted by a specific statute. The statutes provide for the following sequence and timetable in the adoption of the legal budget.

1. Preparation of the budget for the current fiscal year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held, and the governing body may amend the budget at any time.

If the municipality is holding a revenue neutral rate hearing the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City did hold a revenue neutral rate hearing this year.

The statues 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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments such as purchase orders or contracts.

A legal operating budget is not required for the following funds: Capital Improvement, Equipment Reserve, Capital Projects, Local Drug Forfeiture Fund, State Drug Forfeiture Fund, Federal Drug Forfeiture Fund, and the Public Building Commission.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City will not be able to recover the value of its deposits. For deposits, the City's policy follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

insured amounts, and that the collateral be held in safekeeping in the City's name at other than the depository financial institution. To comply with the statutes, the City requires the issuance of joint custody receipts as evidence of the pledged collateral. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

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

At December 31, 2025, the City had invested $31,110,762 in the state's municipal investment pool not SEC (Securities and Exchange Commission) registered. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the state pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The investment in the municipal investment pools is valued at cost.

Credit Risk and Concentration of Credit Risk. Kansas law limits the types of investments that can be made by the City, which inherently reduces its credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. On December 31, 2025, 100% of the City's investments, $31,110,762, were invested in the Kansas Municipal Investment Pool, which is not rated.

Interest Rate Risk. As a means of managing its exposure to fair value losses arising from increasing interest rates, the City follows state statutes which generally limit investment maturities to two years. To minimize the risk of loss, the City matches investments to anticipated cash flows and diversifies the investment types to the extent practicable. Investments in U.S. treasury coupon securities have a maturity of less than one year.

Deposits and investments at December 31, 2025 appear in the financial statements as summarized below:

Carrying amount of deposits	$ 711,265
Carrying amount of investments	31,110,762
Total	$ 31,822,027

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

B. Capital Assets

Capital asset activity for the year ended December 31, 2025 was as follows:

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements				
Land Project	$ 1,390,152	$ --	$ --	$ 1,390,152
Parks, recreation, etc.	3,421,063	--	--	3,421,063
City Hall	400,752	--	--	400,752
Other	573,986	--	--	573,986
Construction in process	5,518,627	13,205,416	10,833,157	7,890,886
Total capital assets, not being depreciated	11,304,580	13,205,416	10,833,157	13,676,839
Capital assets, being depreciated				
Infrastructure	59,480,558	10,833,157	--	70,313,715
City Hall	2,950,273	--	--	2,950,273
Swimming pool	854,756	--	--	854,756
Subscription right-to-use	692,344	--	--	692,344
Other structures and equipment	5,156,079	253,082	185,074	5,224,087
Total capital assets, being depreciated	69,134,010	11,086,239	185,074	80,035,175
Less accumulated depreciation				
Infrastructure	20,926,986	1,633,227	--	22,560,213
City Hall	1,368,573	66,381	--	1,434,954
Swimming pool	487,216	25,643	--	512,859
Subscription right-to-use	87,804	150,192	--	237,996
Other structures and equipment	3,338,335	313,439	185,074	3,466,700
Total accumulated depreciation	26,208,914	2,188,882	185,074	28,212,722
Total capital assets, being depreciated, net	42,925,096	8,897,357	--	51,822,453
Governmental activities capital assets, net	$ 54,229,676	$ 22,102,773	$ 10,833,157	$ 65,499,292

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

Governmental activities:	
Administration, Mayor and Council	$ 9,153
Police	83,452
Capital improvement program	205,560
Community development	1,828,001
Parks, grounds, recreation, pool, etc.	62,716
Total depreciation expense	$ 2,188,882

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

	Balance January 1, 2025	Increases	Decreases	Balance December 31, 2025
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 534,040	$ 75,743	$ --	$ 609,783
Construction in process	1,557,514	2,467,906	1,896,325	2,129,095
Total capital assets, not being depreciated	2,091,554	2,543,649	1,896,325	2,738,878
Capital assets, being depreciated				
Plant and equipment	36,555,138	2,457,987	--	39,013,125
Less accumulated depreciation	13,491,650	1,042,631	--	14,534,281
Total capital assets, being depreciated, net	23,063,488	1,415,356	--	24,478,844
Proprietary activities capital assets, net	$ 25,155,042	$ 3,959,005	$ 1,896,325	$ 27,217,722
Depreciation expense				$ 1,042,631

C. Long-Term Debt

Long-term liability activity for the year ended December 31, 2025 was as follows:

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Due within one year
Governmental activities:					
General obligation bonds	$ 43,765,000	$ 8,955,000	$ 2,655,000	$ 50,065,000	$ 3,040,000
Temporary notes	24,915,000	10,540,000	9,085,000	26,370,000	6,855,000
Revenue bonds - PBC	12,335,000	--	1,245,000	11,090,000	1,265,000
Rail loan	31,017	--	31,017	-	--
Premiums	2,070,150	455,841	202,446	2,323,545	--
Discounts	(59,750)	--	(20,477)	(39,273)	--
SBITA liabilities	451,500	--	108,019	343,481	111,202
Net pension liability	2,758,625	1,682,396	1,072,423	3,368,598	--
Total OPEB liability	26,690	19,628	20,759	25,559	--
Compensated absences	281,631	67,918	--	349,549	112,652
Total governmental activities	$ 86,574,863	$ 21,720,783	$ 14,399,187	$ 93,896,459	$ 11,383,854
Business-type activities:					
Revolving loans	$ 713,388	$ --	$ 68,469	$ 644,919	$ 72,239
Net pension liability	348,723	107,032	138,195	317,560	--
Compensated absences	49,768	33,148	--	82,916	19,907
Total business-type activities	$ 1,111,879	$ 140,180	$ 206,664	$ 1,045,395	$ 92,146

Compensated absences additions is the net change in the liability from January 1, 2025 to December 31, 2025.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

General Obligation Bonds and Notes

The general obligation bonds to be paid with tax levies were issued to construct or acquire capital assets. Debt service payments are primarily made by the Bond and Interest Fund and the Public Building Commission. Temporary notes are generally paid from the Capital Projects Fund after bonds are issued.

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

	Interest Rates	Original Issue	Maturity Date	Outstanding December 31, 2025
Series 2014A	2.000% - 3.750%	$ 1,100,000	10/1/2034	$ 560,000
Series 2015A	2.000% - 2.500%	5,390,000	11/1/2027	640,000
Series 2015B	1.500% - 3.250%	575,000	11/1/2027	80,000
Series 2015D	2.000% - 3.500%	3,960,000	11/1/2036	2,390,000
Series 2015E	1.500% - 5.000%	220,000	11/1/2036	135,000
Series 2016A	2.000% - 4.000%	2,820,000	11/1/2037	1,610,000
Series 2017A	3.000% - 3.125%	5,545,000	11/1/2038	3,735,000
Series 2019A	2.000% - 3.000%	6,060,000	11/1/2040	4,815,000
Series 2019B	2.000% - 2.550%	1,430,000	11/1/2029	605,000
Series 2020B	1.400% - 2.000%	3,650,000	11/1/2041	2,205,000
Series 2021A	2.000% - 4.000%	5,135,000	11/1/2034	3,250,000
Series 2021C	2.125% - 4.000%	2,440,000	11/1/2041	2,065,000
Series 2022A	4.000% - 4.125%	3,635,000	11/1/2043	3,390,000
Series 2023A	4.000% - 5.000%	5,425,000	11/1/2044	5,255,000
Series 2024A	4.000% - 5.000%	10,375,000	11/1/2045	10,375,000
Series 2025A	4.000% - 5.000%	8,955,000	11/1/2046	8,955,000
Total		$ 66,715,000		$ 50,065,000

Temporary notes outstanding at December 31, 2025 are as follows:

	Interest Rates	Original Issue	Maturity Date	Outstanding December 31, 2025
Series 2023B	4.000%	$ 6,855,000	12/1/2026	$ 6,855,000
Series 2024B	3.125%	8,975,000	12/1/2027	8,975,000
Series 2025B	3.000%	10,540,000	12/1/2028	10,540,000
Total		$ 26,370,000		$ 26,370,000

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

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

	Governmental Activities			
	General Obligation Bonds		Temporary Notes	
Year	Principal	Interest	Principal	Interest
2026	$ 3,040,000	$ 1,833,411	$ 6,855,000	$ 899,855
2027	3,280,000	1,730,030	8,975,000	596,669
2028	2,860,000	1,611,130	10,540,000	316,200
2029	2,905,000	1,506,482	--	--
2030	2,805,000	1,399,856	--	--
2031 - 2035	13,285,000	5,474,692	--	--
2036 - 2040	12,300,000	3,152,293	--	--
2041 - 2045	8,945,000	1,154,161	--	--
2046	645,000	27,413	--	--
Total	$ 50,065,000	$ 17,889,468	$ 26,370,000	$ 1,812,724

Subscription Liabilities

The City has entered into various subscription agreements. Below is a summary of the subscription agreements:

Description and purpose	Date of subscription start date	Amount of original agreement	Subscription term	Interest rates	Balance December 31, 2025
Axon Enterprises	1/1/2024	$ 108,196	60 months	2.312%	$ 66,274
Tyler Technologies	7/1/2024	407,641	54 months	3.049%	277,207
		$ 515,837			$ 343,481

The principal and interest requirements to maturity as of December 31, 2025, are as follows:

Year Ended December 31,	Principal	Interest
2026	$ 111,202	$ 8,510
2027	114,475	5,237
2028	117,804	1,908
Total	$ 343,481	$ 15,655

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

City of Bel Aire Public Building Commission

The City of Bel Aire Public Building Commission (PBC) is a component unit of the City. The City has authority to issue revenue bonds to finance the cost of acquiring and/or constructing land and facilities operated for a public purpose by a governmental entity. The PBC finances the debt service of the revenue bonds by leasing the land and facilities to the governmental entity which operates it. The operating governmental entity guarantees the rentals under the PBC lease. The PBC has no power to levy taxes, and revenue bonds issued by the PBC are not included in any legal debt limitation of the City. All revenues from City Hall rents, gray water sales, pool operations, and industrial land sales are pledged for debt service on the revenue bonds.

For the payment of its lease obligations, if necessary, the City may levy taxes on all taxable tangible property within its territorial jurisdiction. For the land project bonds, in addition to the lease payments, other revenue pledged for debt service include sales of land for industrial purposes.

The outstanding revenue bonds are as follows:

Purpose	Interest Rate	Original Issue	Maturity Date	Amount
Revenue Refunding Bonds - Series 2014A	2.000% - 4.000%	$ 3,050,000	2/1/2030	$ 1,200,000
Taxable Revenue Refunding Bonds - Series 2014B	2.000% - 4.600%	1,120,000	2/1/2030	400,000
Taxable Revenue Refunding Bonds - Series 2021	2.000% - 2.220%	13,195,000	5/1/2034	9,490,000
Total		$ 17,365,000		$ 11,090,000

The City has entered into capital lease agreements with the PBC for leases of the City Hall, swimming pool and the land project. Lease payments are to be in amounts adequate to pay the PBC's principal and interest maturities on its bonds payable. Future payments due from the City are reflected below:

	PBC Bonds		
Year	Principal	Interest	Total
2026	$ 1,265,000	$ 243,000	$ 1,508,000
2027	1,300,000	211,200	1,511,200
2028	1,330,000	178,400	1,508,400
2029	1,355,000	144,775	1,499,775
2030	1,405,000	109,930	1,514,930
2031 - 2034	4,435,000	190,565	4,625,565
Total	$ 11,090,000	$ 1,077,870	$ 12,167,870

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Pledged Revenues

The City has pledged specific revenue streams to secure the repayment of certain outstanding debt issues. The following table lists those revenues, the amount and term of pledge remaining, the current year principal and interest on the debt, the amount of pledged revenue recognized during the current fiscal year, and approximate percentage of the revenue stream that has been committed. Annual principal and interest payments not funded by the pledged revenues noted below are budgeted and paid from the City's general tax revenues:

Issue	Revenue Pledged	Amount of Pledge	Term of Commitment	Percent of Revenue Pledged	Principal and Interest for 2025	Pledged Revenues Recognized in 2025
Governmental Activities						
2021A	Land sales for industrial use	$ 11,555,825	Through 2034	100%	$ 1,157,760	$ --
2014A	City Hall rent and pool operations	$ 1,591,300	Through 2030	100%	$ 267,300	$ 47,058
2014B	Grey water sales	$ 539,695	Through 2030	100%	$ 93,890	$ 55,706

Conduit Debt

From time to time, the City has sponsored the issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership for the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, state nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The total amount outstanding at December 31, 2025 was $119,980,952.

Revolving Loans

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to reroute certain waterlines and replace existing user meters. The maximum amount of the loan is not to exceed $858,942. Principal and interest payments commenced August 1, 2014 at 2.16% interest. At December 31, 2025, the balance of this loan was $399,618.

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to provide for various improvements to the sanitary sewer system including manhole rehabilitation, replacement of several sewer lines, upgrade to the wastewater pumping station and SCADA system. The maximum amount of the loan is not to exceed $535,980. Principal and interest payments commenced September 1, 2014 at 2.12% interest. At December 31, 2025, the balance of this loan was $245,301.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Annual debt service requirements as of December 31, 2025 are as follows:

	Business-type Activities			
	Water Fund		Sewer Fund	
Year	Principal	Interest	Principal	Interest
2026	$ 44,491	$ 7,229	$ 27,748	$ 4,651
2027	45,457	6,419	28,339	4,129
2028	46,444	5,592	28,943	3,596
2029	47,452	4,747	29,560	3,052
2030	48,483	3,884	30,190	2,497
2031 - 2034	167,291	6,518	100,521	4,188
Total	$ 399,618	$ 34,389	$ 245,301	$ 22,113

Rail Loan

The City entered into a loan agreement with the Kansas Department of Transportation for a project to build a railroad spur in the Sunflower Commerce Park. The maximum amount of the loan is not to exceed $421,358. Payments commence upon the completion of the railroad spur at 2% interest. This loan was paid in full as of December 31, 2025.

D. Interfund Transfers

A summary of interfund transfers by fund type for the year ended December 31, 2025 is as follows:

	Transfer to:							
	General	Capital Improvements	Equipment Reserve	Bond and Interest	PBC	Special Street and Highway	Capital Projects	Total
Transfer from:								
General	$ --	$ 415,000	$ 100,000	$ 742,586	$ 1,484,060	$ 850,000	$ 2,672,597	$ 6,264,243
Land Bank	2,672,597	--	--	--	--	--	--	2,672,597
Solid Waste	--	--	--	--	--	100,000	--	100,000
Water	--	--	150,000	160,000	--	--	--	310,000
Sewer	--	--	150,000	180,000	--	--	--	330,000
Total	$ 2,672,597	$ 415,000	$ 400,000	$ 1,082,586	$ 1,484,060	$ 950,000	$ 2,672,597	$ 9,676,840

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

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

Additionally, the Capital Projects Fund constructed assets in the amount of $1,300,821 and $1,167,085 to the Water and Sewer Funds, respectively. This activity is shown as an expenditure from the Capital Projects Fund and capital contribution revenue to the Water and Sewer Funds, in the fund financial statements. However, this activity is shown within transfers in the government-wide financial statements.

E. Fund Balances

A summary of the components of governmental fund balance, by purpose, is as follows:

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	$ 92,698	$ --	$ --	$ --	$ 480,373	$ --	$ 573,071
Restricted for:							
Bond and interest	--	1,052,009	--	--	--	--	1,052,009
Land Bank	--	--	--	--	3,648,158	--	3,648,158
Capital projects	--	--	12,402,559		--	--	12,402,559
Public Building Commission	--	--	--	24,476	--	--	24,476
Drug forfeiture	--	--	--	--	--	3,653	3,653
Assigned to:							
Capital projects	--	--	--	--	--	2,096,422	2,096,422
Equipment reserve	--	--	--	--	--	1,258,627	1,258,627
Unassigned	3,651,211	--	--	--	--	--	3,651,211
Total fund balance	$ 3,743,909	$ 1,052,009	$ 12,402,559	$ 24,476	$ 4,128,531	$ 3,358,702	$ 24,710,186

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss from torts: theft, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the four preceding years.

B. Contingent Liabilities

Various legal actions and claims against the City are currently pending. The ultimate liability that might result from their resolution is not presently determinable; however, in the opinion of management and counsel, the probability of material aggregate liabilities resulting from these claims is remote.

IV. OTHER INFORMATION (CONTINUED)

C. Construction Commitments

The City had outstanding construction commitments for various capital projects and improvements at December 31, 2025 as follows:

Project	Project costs to date	Approved project amount
Woodlawn Construction	$ 1,422,458	$ 1,791,908
BA Lakes	1,871,230	3,616,000
Aurora Park Phase 1	886,088	677,000
SCP 3rd	2,484,049	3,600,000
Street Improvement Discovery & Design	739,241	1,000,000
Skyview at Webb	165,297	2,574,000
Balac Sunflower Park - 3rd Addition	2,456	3,600,000
Chapel Landing - 6th Addition	2,114,161	1,910,000
53rd Street sidewalk	335,000	335,000
	$ 10,019,980	$ 19,103,908

D. Commitments to Chisholm Creek Utility Authority

The City's Service Agreement with the Chisholm Creek Utility Authority (Authority) requires the City to pay for minimum amounts of water and treated wastewater, whether such water is actually received by the City or whether such wastewater is actually accepted by the Authority and treated.

The Service Agreement also requires the City to maintain and collect rates and charges for service sufficient to a) pay its share of the expenses of the Authority, b) pay its share of the Authority's debt service payments, c) enable the City to have in each fiscal year a coverage ratio, as defined by the agreement, of not less than 1.25 on all debt service requirements and of not less than 1.10 on any Additional Indebtedness, as defined by the agreement, and d) provide reasonable and adequate reserves for the payment of Additional Indebtedness.

The City's obligations under the Service Agreement are several; no member of the Authority is responsible for payment obligations of any other member of the Authority.

Similarly, as required by the bond covenants relating to bonds issued by the Authority, the rates charged by each city participating in the Authority to its residents and businesses should result in the funds necessary for the cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments. Provisions of the revenue bond rate covenant were complied with for 2025.

IV. OTHER INFORMATION (CONTINUED)

At year-end, the Authority had revenue bonds and a land contract outstanding in the principal and interest amount of $54,447,608. The debt is more fully described in the audited financial statements of the Authority. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the land contract.

During 2009, a temporary financing agreement was approved by the City for the Authority to make certain capital improvements to the wastewater treatment facilities. The improvements were approved up to $3,918,306, of which the City of Bel Aire is liable for $1,322,934. The temporary financing by the City will be repaid through the issuance of revenue bonds by the Authority. The payment of the revenue bonds will be through monthly payments by the cities to the Authority from revenues in utility funds.

Bel Aire's scheduled share of payments due to the Authority for currently issued revenue bonds and interest as of December 31, 2025 are as follows:

Year	Interest and Principal
2026	$ 3,075,276
2027	3,064,144
2028	3,065,012
2029	3,071,726
2030	3,060,300
2031 and thereafter	39,111,150
Total	$ 54,447,608

The above payments are recognized as expenses incurred for water and sewer operations. Funding is to be provided by user charges.

E. Pension and Other Post-Employment Benefit Plans

Defined Benefit Plans

General Information about the Pension Plan

Plan Description. The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of 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 Annual Comprehensive Financial Report which can be found on the KPERS website at http://www.kspers.gov or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits Provided. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Legislature. Members (except Police and Firemen) with 10 or more years of credited service, may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of credited

IV. OTHER INFORMATION (CONTINUED)

service, or whenever an employee's combined age and years of credited service equal 85 "points" (Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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

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

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

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

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions 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 the Police and Firemen Retirement System (KP&F) member-employee contribution rate at 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. KPERS is funded on an actuarial reserve basis. 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 and 24.67% for KP&F for the fiscal year ended December 31, 2025.

Contributions to the pension plan from the City were $211,870 for KPERS and $246,812 for KP&F for the year ended December 31, 2025.

IV. OTHER INFORMATION (CONTINUED)

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

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

At December 31, 2025, the City reported a liability of $1,715,609 for KPERS and $1,970,549 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2025, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2024 which was rolled forward to June 30, 2025. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2025. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2025, the City's proportion and change from its proportion measured as of June 30, 2025 were as follows:

	Net pension liability as of December 31, 2025				
	Governmental Activities	Business-Type Activities	Total	Proportion as of June 30, 2025	Change in proportion from June 30, 2024
KPERS (local)	$ 1,398,049	$ 317,560	$ 1,715,609	0.086%	-0.017%
KP&F	1,970,549	-	1,970,549	0.122%	0.065%
	$ 3,368,598	$ 317,560	$ 3,686,158		

For the year ended December 31, 2025, the City recognized pension expense of $163,369 for KPERS and $634,074 for KP&F. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business - Type Activities	Governmental Activities	Business - Type Activities
Difference between expected and actual experience	$ 411,968	$ 40,920	$ -	$ -
Net difference between projected and actual earnings on pension plan investments	--	--	99,204	10,906
Changes in proportionate share	1,159,490	8,626	324,152	73,628
Changes in assumptions	82,771	7,850	--	--
City contributions subsequent to measurement date	211,930	19,759	--	--
Total	$ 1,866,159	$ 77,155	$ 423,356	$ 84,534

IV. OTHER INFORMATION (CONTINUED)

The $231,689 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

	Deferred Outflows (Inflows) of Resources	
Year ended December 31:	Governmental Activities	Business-Type Activities
2026	$ 577,697	$ 19,194
2027	304,100	(14,665)
2028	235,615	(19,218)
2029	113,461	(12,449)
	$ 1,230,873	$ (27,138)

Actuarial Assumptions. The total pension liability for KPERS in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal
Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.50% to 15.50%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.00%

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

The actuarial assumptions used in the December 31, 2024, valuation were based on the results of an actuarial experience study conducted for the four-year period beginning January 1, 2019. The experience study is dated January 29, 2024.

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

IV. OTHER INFORMATION (CONTINUED)

return for each major asset class as of the most recent experience study dated January 29, 2024, a provided by KPERS' investment consultant, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	43%	8.20%
Core fixed income	13%	2.20%
Yield driven	12%	5.30%
Infrastructure	3%	6.80%
Real estate	15%	5.70%
Alternatives	11%	12.00%
Short-term investments	3%	0.30%
	100%	

Discount Rate. The discount rate used by KPERS to measure the total pension liability at June 30, 2025 was 7.00%, which was unchanged from the prior year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the state fiscal year 2025 was 1.2%. The local employers are currently contributing the full actuarial contribution rate. Employers contribute the full actuarial determined rate for KP&F. The expected employer actuarial contribution rate was modeled for future years, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

IV. OTHER INFORMATION (CONTINUED)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's KPERS proportionate share of the net pension liability	$ 2,531,709	$ 1,715,609	$ 1,030,206
City's KP&F proportionate share of the net pension liability	2,711,034	1,970,549	1,350,145
	$ 5,242,743	$ 3,686,158	$ 2,380,351

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

Defined Contribution Plan 457 plan

The City established a defined contribution plan for certain employees. The plan is administered by the ICMA Retirement Corporation, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. The contribution percentage is 7% and there is no match. The contributions by the City for 2025 were $13,760.

F. Other Post Employment Benefits

COBRA

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.

KPERS Death and Disability OPEB Plan

Plan Description. The City participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The plan provides long-term disability benefits and life insurance benefits for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Benefits Provided. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive

IV. OTHER INFORMATION (CONTINUED)

credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

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

Group Life Waiver of Premium Benefit - Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's annual rate of compensation at the time of disability or the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance policy.

Employees Covered by Benefit Terms. At December 31, 2025, the following employees were covered by the benefit terms:

Inactive employee or beneficiaries currently receiving benefit payments	0
Active employees	30
	30

Total OPEB Liability

The City's total OPEB liability of $25,559 was measured as of June 30, 2025 and was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025.

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

IV. OTHER INFORMATION (CONTINUED)

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10.30%, including price inflation
Discount rate	5.20%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

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

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2021.

The actuarial assumptions used in the June 30, 2025 valuation were based on an actuarial experience study for the period July 1, 2019 - June 30, 2022. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2024 KPERS pension valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at fiscal year-end 12/31/24	$ 26,690
Changes for the year:	
Service cost	4,441
Interest	1,224
Effect of economic/demographic gains or losses	(4,606)
Effect of assumptions changes or inputs	(2,190)
Net changes	(1,131)
Balance at fiscal year-end 12/31/25	$ 25,559

Changes of Assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period and demographic assumption updates based on the most recent KPERS experience study. The discount rate increased from 3.93% on June 30, 2024 to 5.20% on June 30, 2025.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.20%) or 1-percentage-point higher (6.20%) than the current discount rate:

	1% Decrease (4.20%)	Current Discount Rate (5.20%)	1% Increase (6.20%)
Total OPEB liability	$ 27,281	$ 25,559	$ 23,880

IV. OTHER INFORMATION (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

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

For the year ended December 31, 2025, the City recognized OPEB expense of $1,657. At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 76,294	$ 136,885
Changes in assumptions	8,958	11,998
Total	$ 85,252	$ 148,883

There were no benefit payments made subsequent to the measurement date to be recognized as a reduction in the total OPEB liability for the year ended December 31, 2026. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred (Inflows) & Outflows of Resources
Year ended December 31:	
2026	$ (3,938)
2027	(3,610)
2028	(2,892)
2029	(3,931)
2030	(18,552)
Thereafter	(30,708)
	$ (63,631)

G. Concentrations

The City buys all of its wastewater services from the Chisholm Creek Utility Authority. All water purchases are made from the Chisholm Creek Utility Authority and the City of Wichita.

IV. OTHER INFORMATION (CONTINUED)

H. Tax Abatements

The City follows GASB Statement No. 77 *Tax Abatement Disclosures*, which enhances comparability of financial statements among governments by establishing disclosures about the nature and magnitude of tax abatements enabling users to understand 1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and 2) the impact those abatements have on a government's financial position and economic condition.

GASB 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the citizens of those governments.

The City enters into property tax abatement agreements with local businesses under the state Economic Development Opportunity Act of 2006. Under the Act, localities may grant property tax abatements of a maximum of ten years at up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. See further information regarding IRB's, including the amount outstanding at December 31, 2025, at Footnote III.C. - Conduit Debt.

The County Appraiser determines the full value of the property, noting the value that has been exempted through the program. The County Treasurer computes the taxes due on the appraised value only on the taxable portion of the property. For the fiscal year ended December 31, 2025, all of the buildings associated with tax abatements were still under construction; therefore, the City abated property taxes totaling $332,721 under this program. These agreements also include performance measurements that the business must achieve. If the performance measurements are not met, the tax abatement will be removed, and the business will have to pay their full property taxes.

I. Pending Governmental Accounting Standards

The effect on the City's financial statements of the following statements issued, but not yet adopted, has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements*, improves five key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability:

1. Management Discussion and Analysis (MD&A) This statement requires that information presented in MD&A be limited to related topics discussed in five sections: 1) Overview of Financial Statements, 2) Financial Summary, 3) Detailed Analyses, 4) Significant Capital Asset and Long-Term Financing Activity and 5) Currently Known Facts, Decisions, or Conditions. MD&A should also explain why balances and results of operations changed and avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections. MD&A should continue to distinguish between the primary government and its discretely presented component units.

IV. OTHER INFORMATION (CONTINUED)

2. Unusual or Infrequent Items are described as transactions and other events that are either unusual in nature or infrequent in occurrence. These items are required to be displayed separately as the last presented flow of resources prior to the net change in resource flows in government-wide, governmental fund, and proprietary fund statements of resource flows

3. Presentation of Proprietary Fund statement of Revenues, Expenses and Changes in Fund Net position should continue to distinguish between operating and nonoperating revenues and expenses and provides additional guidance on determining nonoperating revenues and expenses. Additional subtotals are required to be presented to show a subtotal for "operating income (loss) and noncapital subsidies" prior to reporting other nonoperating revenues and expenses. Subsidies are defined within the statement.

4. Major Component Unit Information is required to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements. If readability is impacted, combining statements of major component units should be presented after the fund financial statements.

5. Budgetary Comparison Information is required to be presented as required supplementary information (RSI) and variances between original and final budget amounts and variances between final and actual amounts are required to be presented. Explanation of significant difference must be presented in notes to the RSI.

The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* objective is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87 and intangible right-to-use assets recognized in accordance with Statement No. 94 should be disclosed separately by major class of underlying asset in the capital asset note disclosures. Subscription assets recognized in accordance with Statement No. 96 should also be separately disclosed. Other intangible assets other than those three types should be disclosed separately by major class. This Statement also required additional disclosures for capital assets held for sale and requires governments be evaluated each reporting period to ensure it meets the criteria that the sale will be probable within one year of the financial statement date. Governments should disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major asset class and the carrying amount of debt for which the capital assets held for sales are pledged as collateral for each major asset class. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2026.

GASB Statement No. 105, *Subsequent Events*, improves financial reporting related to subsequent events by clarifying the time frame for subsequent events, what subsequent events constitute recognized and nonrecognized events and specifying the items that are required to be disclosed about subsequent events. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2027.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements.

For the City, this information includes:

- A budgetary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budget Basis - General Fund
- A budgetary Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budget Basis - Land Bank
- Defined Benefit Pension Plans - Share of the Collective Net Pension Liability Kansas Public Employee Retirement System Last Ten Fiscal Years
- Defined Benefit Pension Plans - Schedule of City's Contributions Kansas Public Employees Retirement System Last Ten Years
- Other Post Employment Plans - Schedule of Changes in the City's Death & Disability Total OPEB Liability and Related Ratios Last Seven Fiscal Years

Budgetary Comparison Schedule

The City utilizes encumbrances for budgetary reporting purposes. Encumbrances relating to certain contractual agreements, supplies and equipment that have been ordered but not received are reported in the year the commitment arises for budgetary reporting purposes. However, for financial reporting purposes, the goods or services are reported when they are received. Also see Note II to the financial statements for additional budgetary information.

City of Bel Aire, Kansas

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
Year ended December 31, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Taxes and shared revenue:				
Ad valorem tax	$ 4,784,700	$ 4,784,700	$ 4,716,670	$ (68,030)
Delinquent tax	20,000	37,125	45,324	8,199
Motor vehicle tax	439,453	439,453	526,781	87,328
Sales tax	1,999,400	2,360,400	2,215,822	(144,578)
Franchise tax	881,000	901,000	876,627	(24,373)
Court fines	155,700	155,700	111,007	(44,693)
Licenses, permits and fees	473,100	639,952	263,154	(376,798)
Recreation fees	130,500	150,500	158,021	7,521
Rents and note collections	36,000	36,000	41,550	5,550
Intergovernmental	73,000	90,200	101,181	10,981
Interest	60,000	160,000	178,025	18,025
Other	51,588	71,873	487,820	415,947
Transfer in	-	2,672,597	2,672,597	-
Total revenues	9,104,441	12,499,500	12,394,579	(104,921)
Expenditures:				
City Administration:				
Personnel services	1,188,818	1,188,818	1,216,044	27,226
Contractual services	304,850	1,020,000	1,213,468	193,468
Commodities	137,600	137,600	99,858	(37,742)
Capital outlay	10,000	10,000	-	(10,000)
Community Development:				
Contractual services	261,000	261,000	187,649	(73,351)
Commodities	22,800	22,800	18,345	(4,455)
Capital outlay	40,000	40,000	-	(40,000)
Law and Municipal Court:				
Personnel services	103,745	103,745	108,259	4,514
Contractual services	67,600	67,600	67,109	(491)
Commodities	6,200	6,200	7,300	1,100
Parks and Grounds:				
Personnel services	161,350	161,350	154,647	(6,703)
Contractual services	37,000	37,000	97,996	60,996
Commodities	57,850	57,850	47,420	(10,430)
Capital outlay	80,000	80,000	-	(80,000)
Police:				
Personnel services	1,746,480	1,746,480	1,657,808	(88,672)
Contractual services	168,000	168,000	199,817	31,817
Commodities	171,600	171,600	139,285	(32,315)
Recreation:				
Personnel services	374,300	374,300	328,977	(45,323)
Contractual services	72,850	72,850	113,678	40,828
Commodities	76,550	76,550	132,296	55,746
Capital outlay	40,000	40,000	-	(40,000)

City of Bel Aire, Kansas

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
Year ended December 31, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Senior Center:				
Personnel services	18,000	18,000	62,812	44,812
Contractual services	6,600	6,600	1,659	(4,941)
Commodities	4,650	4,650	4,692	42
Central Park Pool:				
Personnel services	31,575	31,575	30,411	(1,164)
Contractual services	12,600	12,600	14,137	1,537
Commodities	18,000	18,000	12,454	(5,546)
Capital outlay	20,000	20,000	-	(20,000)
Economic Development:				
Personnel services	455,750	455,750	423,125	(32,625)
Contractual services	55,000	55,000	36,044	(18,956)
Commodities	26,800	26,800	8,408	(18,392)
Transfer out	3,591,646	6,264,243	6,264,243	-
Land project	78,000	78,000	9,483	(68,517)
Total expenditures	9,447,214	12,834,961	12,657,424	(177,537)
Net change in fund balance	$ (342,773)	$ (335,461)	$ (262,845)	$ 72,616
Fund balance, beginning of year			3,379,372	
Fund balance, end of year			$ 3,116,527	
Explanation of difference between budgetary and GAAP fund balance:				
Accrued revenues			627,382	
GAAP fund balance at end of year			$ 3,743,909	

City of Bel Aire, Kansas

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Land Bank Fund
Year ended December 31, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Final Budget Over/ (Under)
Revenues:				
Interest	$ 125,000	$ 125,000	$ 115,368	$ (9,632)
Total revenues	125,000	125,000	115,368	(9,632)
Expenditures:				
Special assessments	5,000	10,000	165	(9,835)
Other	-	-	41	41
Transfer out	-	2,672,597	2,672,597	-
Total expenditures	5,000	2,682,597	2,672,803	(9,794)
Net change in fund balance	$ 120,000	$ (2,557,597)	(2,557,435)	$ 162
Fund balance, beginning of year			6,205,593	
Fund balance, end of year			$ 3,648,158	
Explanation of difference between budgetary and GAAP fund balance:				
Property held for resale			480,373	
GAAP fund balance at end of year			$ 4,128,531	

City of Bel Aire, Kansas
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

Schedule of City's Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
City's proportion of the collective net pension liability										
KPERS (local group)	0.086%	0.103%	0.118%	0.121%	0.106%	0.104%	0.098%	0.096%	0.090%	0.087%
KP&F (police & firemen)*	0.122%	0.057%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's proportionate share of the net pension liability	$ 3,686,158	$ 3,107,348	$ 2,469,631	$ 2,409,535	$ 1,273,936	$ 1,799,776	$ 1,369,673	$ 1,331,099	$ 1,298,316	$ 1,353,388
City's covered payroll^	$ 3,044,650	$ 2,821,515	$ 2,567,023	$ 2,438,123	$ 2,065,726	$ 1,932,044	$ 1,786,806	$ 1,594,160	$ 1,477,171	$ 1,450,432
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	121%	110%	96%	99%	62%	93%	77%	83%	88%	93%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	72.75%	70.70%	69.75%	76.40%	66.30%	69.88%	68.88%	67.12%	65.10%

* The City started participating in the KP&F Plan January 1, 2024 therefore prior year change in proportion is not applicable

^ Covered payroll is measured as of the measurement date ending June 30.

City of Bel Aire, Kansas
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

Schedule of City's Contributions
Kansas Public Employees Retirement System
Last Ten Fiscal Years

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 458,682	$ 378,509	$ 224,749	$ 221,292	$ 197,781	$ 168,081	$ 166,245	$ 145,716	$ 133,898	$ 132,313
Contributions in relation to the contractually required contribution	(458,682)	(378,509)	(224,749)	(221,292)	(197,781)	(168,081)	(166,245)	(145,716)	(133,898)	(132,313)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered payroll ^	$ 3,182,428	$ 2,915,432	$2,672,804	$ 2,496,991	$ 2,240,888	$ 1,998,715	$ 1,870,020	$ 1,736,656	$ 1,569,560	$ 1,337,466
Contributions as a percentage of covered payroll	14.41%	12.98%	8.41%	8.86%	8.83%	8.41%	8.89%	8.39%	8.53%	9.89%

GASB 68 requires presentation of ten years.

^ Covered payroll is measured as of the the fiscal year end December 31

Changes in benefit terms for KPERS For the state fiscal year 2017, the KP&F group had a change in benefit terms. The Legislature changed the duty-related death benefit for KP&F members to the greater of 50% of Final Average Salary and member's accrued retirement benefit under the 100% joint and survivor option, payable to the member's spouse. Including any benefits that may be due to child beneficiaries, the total monthly benefits may not exceed 90% of the member's Final Average Salary. Prior to this bill, the duty-related spousal death benefit for KP&F member was 50% of the Final Average Salary, and the maximum available to the family was 75% of the member's Final Average Salary.

For the state fiscal year 2017, the Legislature changed the working after retirement rules for members who retire on or after January 1, 2018. The key changes to the working after retirement rules were to lengthen the waiting period for KPERS members to return to work from 60 days to 180 days for members who retire before attaining age 62, remove the earnings limitation for all retirees and establish a single-employer contribution schedule for all retirees.

For the state fiscal year 2021, the Legislature provided an increased benefit for disabled members who pass away prior to retirement if the disability was service-connected. The monthly benefit is equal to 50% of the member's final average salary at disability plus 10% for each dependent child up to a maximum of 75% or the retirement benefit the member would have received if the member had retired on the date of death if there are no dependent children.

For the state fiscal year 2023, the Legislature expanded the Deferred Retirement Option Plan (DROP) in KP&F to all employers as of April 27, 2023. Prior to this change, only members employed by the Kansas Highway Patrol and Kansas Bureau of Investigation were eligible.

For the state fiscal year 2024, the Legislature passed House Bill 2711 that included the following changes to the provisions and funding of KPERS:

- The lump sum retiree death benefit was increased from $4,000 to $6,000. The employer contribution rates for Local employers for CY 2025 were increased to reflect the additional contribution required to fund this benefit improvement.
- The employer contribution threshold for the 30% Working After Retirement (WAR) rate increased from $25,000 to $40,000, the earnings limit for KP&F retirees increased from $25,000 to $40,000, and an exemption from employer contributions was created for nurses and direct support workers at Community Development Disability Organizations (CDDOs). These changes had no impact on the valuation because specific assumptions for these occurrences are not used in the valuation.
- HB 2711 also increased the alternative investment cap from 15% to 25% and requires KPERS to divest all publicly traded securities held in funds by countries of concern, as defined by the bill. These changes had no impact on the valuation, because they are not expected to materially affect the asset allocation.

Changes in assumptions for KPERS. As a result of the experience study completed in November 2016, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2016 and include:

- The price inflation assumption was lowered from 3.00% to 2.75%.
- The investment return assumption was lowered from 8.00% to 7.75%.
- The general wage growth assumption was lowered from 4.00% to 3.50%.
- The payroll growth assumption was lowered from 4.00% to 3.00%.

Changes from the November 2016 experience study that impacted individual groups are listed below:

KPERS:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table, with adjustments to better fit the observed experience for the various KPERS groups. The most recent mortality improvement scale, MP-2016 is used to anticipate future mortality improvements in the valuation process through the next experience study.
- The active member mortality assumption was modified to also be based on the RP-2014 Employee Mortality Table with adjustments.
- The retirement rates for the select period (when first eligible for unreduced benefits under Rule of 85) were increased, but all other retirement rates were decreased.
- Disability rates were decreased for all three groups.
- The termination of employment assumption was increased for all three groups.
- The interest crediting rate assumption for KPERS 3 members was lowered from 6.50% to 6.25%.

KP&F:

- The post-retirement healthy mortality assumption was changed to the RP-2014 Mortality Table with 1-year age set forward and the MP-2016 is used to anticipate future mortality improvements.
- The mortality assumption for disabled members was changed to the RP-2014 Disabled Lives Table (generational using MP-2016) with a 1-year age set forward.
- The active member mortality assumption was modified to the RP-2014 Employee Mortality Table with a 1-year age set forward with a 90% scaling factor.
- The retirement rates for Tier 1 were lowered and the ultimate assumed retirement age was changed from 63 to 65 for Tier 2.
- The termination of employment rates for Tier 2 were increased to better match the observed experience.

As a result of the experience study completed in January 2020, there were several changes made to the actuarial assumptions and methods since the prior valuation. The changes that impact all groups were effective December 31, 2019 and include:

- The investment return assumption was lowered from 7.75% to 7.50%.
- The general wage growth assumption was lowered from 3.50% to 3.25%.
- The payroll growth assumption was lowered from 3.00% to 2.75%.

December 31, 2020 assumption changes included a decrease of the investment return assumption from 7.75% to 7.25%.

Changes from the January 2020 experience study that impacted individual groups are listed below:

KPERS:

- Retirement rates were adjusted to partially reflect observed experience.
- Termination rates were increased for most KPERS groups.
- Disability rates were reduced.
- Factors for the State group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

KP&F:

- Retirement rates were adjusted to partially reflect observed experience.
- Factors for the KP&F group that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense load for contributions rates was increased from 0.16% to 0.18%.

December 31, 2021, assumption changes included the following:

For all groups, the investment rate of return assumption decreased from 7.25% to 7.00%.

KPERS:

- Interest crediting rate assumption for KPERS 3 members was lowered from 6.25% to 6.00%.
- Annuity interest rate assumption for KPERS 3 members was lowered from 5.75% to 5.00%.

December 31, 2023 assumption changes included the following:

KPERS:

- Mortality rates were changed from being based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different groups using future mortality improvements from Scale MP-2016 to being based on PUB 2010 Mortality Tables, with age setbacks and age set forwards based on different membership groups using future mortality improvements from Scale MP-2021.
- Retirement rates for the C60 group were adjusted to partially reflect observed experience.
- Disability rates were reduced.
- The probability of KPERS 1 members leaving their contributions with KPERS was modified to better reflect observed experience.
- Factors for the State and Local groups that are used to anticipate higher liabilities due to higher final average salary at retirement for pre-1993 hires were modified to better reflect actual experience.
- The administrative expense component of the actuarial required contribution rate was increased from 0.18% to 0.23%.
- Merit salary increase assumption was increased for School and Local Groups.

KP&F:

- Mortality rates were changed from being based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different groups using future mortality improvements from Scale MP-2016 to being based on PUB 2010 Mortality Tables, with age setbacks and age set forwards based on different membership groups using future mortality improvements from Scale MP-2021.
- Retirement rates were adjusted to partially reflected observed experience.
- Disability rates were reduced.
- Termination rates were increased.
- The administrative expense component of the actuarial required contribution rate was increased from 0.18% to 0.23%.
- Merit salary increase assumption was increased.

City of Bel Aire, Kansas
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2025

Schedule of Changes in the City's
Death & Disability Total OPEB Liability and Related Ratios

Last Nine Fiscal Years*

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Measurement Date	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB liability									
Service cost	$ 4,441	$ 6,310	$ 5,924	$ 8,764	$ 8,277	$ 6,988	$ 6,349	$ 6,313	$ 6,051
Interest	1,224	1,672	1,539	5,086	4,444	1,860	3,007	3,627	3,515
Effect of economic/demographic gains or losses	(4,606)	(20,984)	(5,244)	(179,541)	40,698	141,938	(11,096)	(5,304)	-
Effect of assumptions changes or inputs	(2,190)	195	(256)	(15,878)	933	20,544	895	(778)	(2,030)
Benefit payments	-	-	-	(15,165)	(25,652)	(23,588)	(25,108)	(29,875)	(29,875)
Net change in total OPEB liability	(1,131)	(12,807)	1,963	(196,734)	28,700	147,742	(25,953)	(26,017)	(22,339)
Total OPEB liability - beginning	26,690	39,497	37,534	234,268	205,568	57,826	83,779	109,796	132,135
Total OPEB liability - ending	$ 25,559	$ 26,690	$ 39,497	$ 37,534	$ 234,268	$ 205,568	$ 57,826	$ 83,779	$ 109,796
Covered-employee payroll	$ 2,102,188	$ 2,376,766	$ 2,567,023	$ 2,438,123	$ 2,065,726	$ 1,932,044	$ 1,786,806	$ 1,594,160	$ 1,477,171
Total OPEB liability as a percentage of covered-employee payroll	1.22%	1.12%	1.54%	1.54%	11.34%	10.64%	3.24%	5.26%	7.43%

* GASB 75 requires presentation of ten years. As of December 31, 2025, only nine years of information is available
There are no assets accumulated in the trust to pay related benefits.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period:
- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.
- The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.
- The discount rate decreased from 3.50% on June 30, 2019 to 2.21% on June 30, 2020.
- The discount rate decreased from 2.21% on June 30, 2020 to 2.16% on June 30, 2021.
- The discount rate decreased from 2.16% on June 30, 2021 to 3.54% on June 30, 2022.
- The discount rate increased from 3.54% on June 30, 2022 to 3.65% on June 30, 2023.
- The discount rate increased from 3.65% on June 30, 2023 to 3.93% on June 30, 2024.
- The discount rate increased from 3.93% on June 30, 2024 to 5.20% on June 30, 2025.

SUPPLEMENTARY INFORMATION

City of Bel Aire, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds
Year ended December 31, 2025

	Special Revenue Funds				Capital Project Funds		
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	**Total Nonmajor Governmental Funds**
Assets:							
Cash, including investments	$ 386,994	$ 880	$ 1,552	$ 1,221	$ 1,734,110	$ 1,258,627	$ 3,383,384
Receivables	11,186	-	-	-	-	-	11,186
Total assets	$ 398,180	$ 880	$ 1,552	$ 1,221	$ 1,734,110	$ 1,258,627	$ 3,394,570
Liabilities:							
Accounts and retainage payable	$ 6,574	$ -	$ -	$ -	$ 25,968	$ -	$ 32,542
Accrued liabilities	3,326	-	-	-	-	-	3,326
Total liabilities	9,900	-	-	-	25,968	-	35,868
Fund balance:							
Restricted	-	880	1,552	1,221	-	-	3,653
Assigned	388,280	-	-	-	1,708,142	1,258,627	3,355,049
Total fund balance	388,280	880	1,552	1,221	1,708,142	1,258,627	3,358,702
Total liabilities, deferred inflows of resources and fund balance	$ 398,180	$ 880	$ 1,552	$ 1,221	$ 1,734,110	$ 1,258,627	$ 3,394,570

City of Bel Aire, Kansas

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

	Special Revenue Funds				Capital Project Funds		
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	**Total Nonmajor Governmental Funds**
Revenues:							
Taxes and shared revenues	$ 383,012	$ -	$ -	$ -	$ -	$ -	$ 383,012
Miscellaneous	5,440	-	-	-	72,576	73,828	151,844
Total revenues	388,452	-	-	-	72,576	73,828	534,856
Expenditures:							
Streets and highways	2,489,804	-	-	-	-	-	2,489,804
Capital outlay	-	-	-	-	301,250	201,095	502,345
Total expenditures	2,489,804	-	-	-	301,250	201,095	2,992,149
Excess of revenues over (under) expenditures	(2,101,352)	-	-	-	(228,674)	(127,267)	(2,457,293)
Other financing sources (uses):							
Transfers in	950,000	-	-	-	415,000	400,000	1,765,000
Total other financing sources (uses)	950,000	-	-	-	415,000	400,000	1,765,000
Net change in fund balance	(1,151,352)	-	-	-	186,326	272,733	(692,293)
Fund balance, beginning of year	1,539,632	880	1,552	1,221	1,521,816	985,894	4,050,995
Fund balance, end of year	$ 388,280	$ 880	$ 1,552	$ 1,221	$ 1,708,142	$ 1,258,627	$ 3,358,702

City of Bel Aire, Kansas

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Governmental Fund -Budget and Actual (Budget Basis)
Bond and Interest Fund
Year ended December 31, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
Revenues:				
Special assessments	$ 2,610,114	$ 2,610,114	$ 2,930,817	$ 320,703
Interest	40,000	40,000	66,037	26,037
Bond proceeds	664,001	664,001	-	(664,001)
Transfer in	1,082,586	1,082,586	1,082,586	-
Total revenues	4,396,701	4,396,701	4,079,440	(317,261)
Expenditures:				
Principal payments	2,655,000	2,655,000	2,685,785	30,785
Interest expense	1,727,500	1,727,500	1,060,936	(666,564)
Total expenditures	4,382,500	4,382,500	3,746,721	(635,779)
Net change in fund balance	$ 14,201	$ 14,201	332,719	$ 318,518
Fund balance, beginning of year			719,290	
Fund balance, end of year			$ 1,052,009	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Governmental Fund - Actual (Budget Basis)
Capital Projects Fund
Year ended December 31, 2025

	Actual Amounts Budgetary Basis
Revenues:	
Bond proceeds	$ 19,103,149
Bond premiums	455,841
Intergovernmental revenue	2,639,113
Interest	308,924
Transfer in	2,672,597
Total revenues	25,179,624
Expenditures:	
Cost of issuance	356,277
Rock Spring	15,686,216
Temporary note and bond principal	9,085,000
Temporary note and bond interest	1,233,365
Total expenditures	26,360,858
Net change in fund balance	(1,181,234)
Fund balance, beginning of year	13,583,793
Fund balance, end of year	$ 12,402,559

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Governmental Fund - Actual (Budget Basis)
Public Building Commission
Year ended December 31, 2025

	Actual Amounts Budgetary Basis
Revenues:	
Industrial land sales	$ 55,706
Transfer in	1,484,060
Total revenues	1,539,766
Expenditures:	
Bond principal	1,245,000
Bond interest	274,362
Other	5,317
Total expenditures	1,524,679
Net change in fund balance	15,087
Fund balance, beginning of year	9,389
Fund balance, end of year	$ 24,476

City of Bel Aire, Kansas

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Governmental Fund - Budget and Actual (Budget Basis)
Special Street and Highway Fund
Year ended December 31, 2025

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Taxes and Shared Revenue:				
State gas tax	$ 224,580	$ 265,545	$ 265,545	$ -
County gas tax	99,100	117,467	117,467	-
Interest	-	3,452	5,440	1,988
Transfer in	950,000	950,000	950,000	-
Total revenues	1,273,680	1,336,464	1,338,452	1,988
Expenditures:				
Personnel services	111,495	125,000	122,317	(2,683)
Contractual services	137,500	160,000	2,246,174	2,086,174
Commodities	164,700	164,700	121,313	(43,387)
Capital outlay	955,000	2,200,000	-	(2,200,000)
Total expenditures	1,368,695	2,649,700	2,489,804	(159,896)
Net change in fund balance	$ (95,015)	$ (1,313,236)	(1,151,352)	$ 161,884
Fund balance, beginning of year			1,539,632	
Fund balance, end of year			$ 388,280	

City of Bel Aire, Kansas
Combining Balance Sheet
Nonmajor Enterprise Funds
December 31, 2025

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Assets:			
Current assets:			
Cash, including investments	$ 409,739	$ 106,595	$ 516,334
Receivables, net	86,051	191,126	277,177
Total current assets	495,790	297,721	793,511
Noncurrent assets:			
Capital assets:			
Other capital assets, net of depreciation	-	379,454	379,454
Total noncurrent assets	-	379,454	379,454
Total assets	495,790	677,175	1,172,965
Liabilities:			
Accounts payable	53,000	-	53,000
Total liabilities	53,000	-	53,000
Net position:			
Investment in capital assets	-	379,454	379,454
Unrestricted	442,790	297,721	740,511
Total net position	$ 442,790	$ 677,175	$ 1,119,965

City of Bel Aire, Kansas

Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
Year ended December 31, 2025

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Operating revenues:			
Utility income	$ 760,903	$ 114,319	$ 875,222
Total operating revenues	760,903	114,319	875,222
Operating expenses:			
Contractual services	570,320	174,449	744,769
Depreciation	-	4,803	4,803
Total operating expenses	570,320	179,252	749,572
Operating income (loss)	190,583	(64,933)	125,650
Non-operating revenues (expenses):			
Intergovernmental revenue	-	179,500	179,500
Interest and other	5,555	11,345	16,900
Transfers out	(100,000)	-	(100,000)
Change in net position	96,138	125,912	222,050
Net position, beginning of year	346,652	551,263	897,915
Net position, end of year	$ 442,790	$ 677,175	$ 1,119,965

City of Bel Aire, Kansas

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year ended December 31, 2025

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Cash flows from operating activities:			
Cash received from customers	$ 727,930	$ (67,284)	$ 660,646
Payments to suppliers for goods and services	(565,277)	(174,449)	(739,726)
Net cash flow from operating activities	162,653	(241,733)	(79,080)
Cash flows from non-capital financing activities:			
Transfers to other funds	(100,000)	-	(100,000)
Net cash flow from non-capital financing activities	(100,000)	-	(100,000)
Cash flows from capital and related financing activities:			
Intergovernmental revenue	-	179,500	179,500
Acquisition of capital assets	-	(384,257)	(384,257)
Net cash flow from capital and related financing activities	-	(204,757)	(204,757)
Cash flows from investing activities:			
Interest on investments	5,555	11,345	16,900
Net cash flow from investing activities	5,555	11,345	16,900
Net increase in cash and cash equivalents	68,208	(435,145)	(366,937)
Cash and cash equivalents, beginning of the year	341,531	541,740	883,271
Cash and cash equivalents, end of the year	$ 409,739	$ 106,595	$ 516,334
Reconciliation of operating income to net cash flow from operating activities:			
Operating income	$ 190,583	$ (64,933)	$ 125,650
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	-	4,803	4,803
Change in accounts receivable	(32,973)	(181,603)	(214,576)
Change in accounts payable	5,043	-	5,043
Net cash flow from operating activities	$ 162,653	$ (241,733)	$ (79,080)

City of Bel Aire, Kansas

Schedule of Revenues, Expenditures and Changes in
Fund Balance - Enterprise Funds - Budget and Actual (Budget Basis)
Water Fund
Year ended December 31, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
Revenues:				
Utility income	$ 3,968,436	$ 3,622,037	$ 3,495,044	$ (126,993)
Interest income	65,000	65,000	72,378	7,378
Miscellaneous	10,000	10,000	17,134	7,134
Total revenues	4,043,436	3,697,037	3,584,556	(112,481)
Expenditures:				
Personnel services	455,420	350,000	347,801	(2,199)
Contractual services	2,490,000	2,490,000	1,724,282	(765,718)
Commodities	727,400	1,300,000	1,315,138	15,138
Capital outlay	-	54,259	54,259	-
Debt service	51,716	51,716	51,715	(1)
Transfer out	310,000	310,000	310,000	-
Total expenditures	4,034,536	4,555,975	3,803,195	(752,780)
Net change in fund balance	$ 8,900	$ (858,938)	(218,639)	$ 640,299
Fund balance, beginning of year			2,350,459	
Fund balance, end of year			$ 2,131,820	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Enterprise Funds - Budget and Actual (Budget Basis)
Sewer Fund
Year ended December 31, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
Revenues:				
Utility income	$ 3,194,872	$ 3,300,797	$ 3,431,037	$ 130,240
Interest income	75,000	110,000	112,079	2,079
Total revenues	3,269,872	3,410,797	3,543,116	132,319
Expenditures:				
Personnel services	355,290	465,000	452,468	(12,532)
Contractual services	1,722,400	1,722,400	2,057,186	334,786
Commodities	501,000	501,000	278,866	(222,134)
Capital outlay	400,000	400,000	-	(400,000)
Debt service	31,691	31,691	26,074	(5,617)
Transfer out	330,000	330,000	330,000	-
Total expenditures	3,340,381	3,450,091	3,144,594	(305,497)
Net change in fund balance	$ (70,509)	$ (39,294)	398,522	$ 437,816
Fund balance, beginning of year			4,009,189	
Fund balance, end of year			$ 4,407,711	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Enterprise Funds - Budget and Actual (Budget Basis)
Solid Waste Fund
Year ended December 31, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
Revenues:				
Utility income	$ 725,000	$ 725,000	$ 727,930	$ 2,930
Interest	-	-	5,555	5,555
Total revenues	725,000	725,000	733,485	8,485
Expenditures:				
Contractual services	650,000	650,000	570,320	(79,680)
Transfers out	100,000	100,000	100,000	-
Total expenditures	750,000	750,000	670,320	(79,680)
Net change in fund balance	$ (25,000)	$ (25,000)	63,165	$ 88,165
Fund balance, beginning of year			293,574	
Fund balance, end of year			$ 356,739	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Enterprise Funds - Budget and Actual (Budget Basis)
Stormwater Fund
Year ended December 31, 2025

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
Revenues:				
Utility income	$ 98,500	$ 120,000	$ 112,216	$ (7,784)
Intergovernmental income	-	180,000	-	(180,000)
Interest income	1,000	-	11,345	11,345
Total revenues	99,500	300,000	123,561	(176,439)
Expenditures:				
Contractual services	10,000	10,000	558,706	548,706
Capital outlay	400,000	600,000	-	(600,000)
Total expenditures	410,000	610,000	558,706	(51,294)
Net change in fund balance	$ (310,500)	$ (310,000)	(435,145)	$ (125,145)
Fund balance, beginning of year			541,740	
Fund balance, end of year			$ 106,595	