CITY OF HESSTON, KANSAS

DECEMBER 31, 2025

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Chartered

CITY OF HESSTON, KANSAS

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Hesston, Kansas

Adverse and Unmodified Opinions

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Unmodified Opinion on the Regulatory Basis of Accounting

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

Basis for Adverse and Unmodified Opinions

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

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

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

Responsibilities of Management for the Financial Statement

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

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

Auditors' Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash balances – regulatory basis (basic financial statement) as a whole. The summary of expenditures – regulatory basis – actual and budget, the individual fund schedules of receipts and expenditures – regulatory basis – actual and budget, and the schedule of receipts and expenditures – related municipal entity (Schedules 1 through 3, as listed in the table of contents) are presented for additional analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions in the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and the supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1—Summary of Significant Accounting Policies.



Certified Public Accountants

Hutchinson, Kansas
June 12, 2026

CITY OF HESSTON, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH - REGULATORY BASIS
For Year Ended December 31, 2025

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND	$ 2,177,320	$ 3,526,873	$ 3,500,757	$ 2,203,436	$ 15,925	$ 2,219,361
SPECIAL PURPOSE FUNDS						
Library	1,995	513,631	513,539	2,087	(7)	2,080
Special Highway	348,983	94,095	125,770	317,308	-	317,308
Emergency Services	293,329	564,159	564,373	293,115	3,265	296,380
Fire Equipment	702,155	139,136	-	841,291	-	841,291
Community Service Program	87,745	33,643	42,877	78,511	-	78,511
Economic Development	48,644	-	5,904	42,740	-	42,740
Special Parks	2,366	162	-	2,528	-	2,528
Transient Guest Tax	-	30,432	30,432	-	-	-
Public Building Commission	67,776	-	61,857	5,919	-	5,919
Special Law Enforcement	1,039	17,900	9,140	9,799	200	9,999
Revolving Loan	186,080	-	-	186,080	-	186,080
Library Maintenance	29,446	-	3,669	25,777	-	25,777
Capital Improvement	867,555	451,940	519,450	800,045	-	800,045
Equipment Reserve	1,111,760	450,000	449,534	1,112,226	5,548	1,117,774
BOND AND INTEREST FUND						
Bond and Interest	352,636	922,187	1,030,793	244,030	-	244,030
CAPITAL PROJECTS	202,253	-	50,554	151,699	-	151,699
BUSINESS FUNDS						
Utilities	3,728,081	4,646,752	4,720,488	3,654,345	(90,704)	3,563,641
Utility Deposits	-	-	-	-	64,775	64,775
Utility Maintenance Reserve	952,680	200,000	256,226	896,454	21,007	917,461
Golf Course	274,972	779,986	860,589	194,369	6,627	200,996
Golf Course Maintenance Reserve	75,000	25,000	6,064	93,936	-	93,936
TOTAL PRIMARY GOVERNMENT	11,511,815	12,395,896	12,752,016	11,155,695	26,636	11,182,331
RELATED MUNICIPAL ENTITY						
Hesston Public Library	211,131	373,855	355,068	229,918	-	229,918
Hesston Land Bank	21,181	-	-	21,181	-	21,181
TOTAL REPORTING ENTITY	$ 11,744,127	$ 12,769,751	$ 13,107,084	$ 11,406,794	$ 26,636	$ 11,433,430

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

CITY OF HESSTON, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH - REGULATORY BASIS
For Year Ended December 31, 2025

COMPOSITION OF CASH	
Checking accounts	$ 5,202,202
Certificate of deposit	6,000,000
Petty cash	1,310
Related municipal entity	
Hesston Public Library	229,918
TOTAL COMPOSITION OF CASH	$ 11,433,430

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

CITY OF HESSTON, KANSAS

NOTES TO THE FINANCIAL STATEMENT
December 31, 2025

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Hesston, Kansas (the City) is a municipal corporation governed by an elected mayor and five-member council. This financial statement presents the City of Hesston (the municipality) and its related municipal entities. The related municipal entities discussed below are included in the City's reporting entity because of their operational or financial relationship with the City:

Related Municipal Entities

The Hesston Public Library is governed by a board, all appointees of which are approved by the City Mayor. The library is not a separate taxing entity under Kansas statutes, and the City levies taxes for the library operation, which represents a significant portion of its total revenues. Acquisition or disposition of real property by the Library Board must be approved by the City. Bond issuances must also be approved by the City.

The Mayor and City Council function as the board of trustees of the Hesston Land Bank. The Land Bank is authorized to acquire, manage, and sell real property to provide for the effective reutilization of the property. The City may advance operating funds to the Land Bank for its operating expenses and may also dissolve the Land Bank.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Kansas Municipal Audit and Accounting Guide Regulatory Basis of Presentation Fund Definitions

The following types of funds comprise the financial activities of the City for the year of 2025:

General Fund

To account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds

To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are intended for specified purposes.

Capital Project Funds

To account for the financial resources segregated for the acquisition or construction of major capital facilities and improvements.

Bond and Interest Fund

To account for the accumulation of resources for the payment of interest and principal on long-term debt.

Business Funds

To account for operations financed in whole or in part by fees charged to users for goods and services.

Regulatory Basis of Accounting and Departures from Accounting Principles Generally Accepted in the United States of America

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

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

Interest Income

Unless otherwise designated, all investment income is credited to the General Fund.

Use of Estimates

The process of preparing the financial statement requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statement. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reimbursed Expenditures

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Budgetary Information

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

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

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

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

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

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

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: Equipment Reserve Fund, Capital Improvement Fund, Building and Maintenance Reserve Funds, Revolving Loan Fund and Special Law Enforcement Fund. Spending in funds, which are not subject to the legal annual operating budget requirement, are controlled by federal regulations, other statutes, or by the use of internal limits established by the governing body.

Taxes levied to finance the budget become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10. These taxes are made available to the City after January 1 and are distributed by the County Treasurer generally in the months of January and June. Delinquent tax collections are distributed throughout the year.

NOTE 2—DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the summary statement of receipts, expenditures, and unencumbered cash. The cash balances of certain funds are restricted as to their use.

K.S.A. 9-1401 established the depositories, which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. The City has no other policies that would further limit interest rate risk.

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

Concentration of Credit Risk

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by FDIC insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka.

At December 31, 2025, the carrying amount of the City's deposits was $11,202,202. The bank balance was $11,270,395. The bank balance was held by two banks, with 87% of the deposits held by one bank, resulting in a concentration of credit risk. Of the bank balance, $502,499 was covered by FDIC insurance and the remaining $10,767,896 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

At December 31, 2025, the carrying amount of the related municipal entity's deposits, including certificates of deposit, was $229,918. The bank balance was $271,796, which was covered by FDIC insurance. The bank balance was held by one bank resulting in a concentration of credit risk.

NOTE 3—LONG-TERM DEBT

Terms for long-term debt for the City at December 31, 2025, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds				
Series 2013	1.60% to 2.35%	02/15/13	$ 1,875,000	08/01/26
Series 2016	2.00% to 3.00%	01/26/16	1,745,000	10/01/36
Series 2020 Refunding	2.00%	05/05/20	1,060,000	08/01/30
Refunding Series 2021-B	2.00%	06/15/21	3,380,000	03/01/34
Public Building Commission Revenue Bonds				
Series 2020 Refunding	1.875% to 2.00%	06/03/20	560,000	09/01/30
Finance Leases				
Golf carts	3.40%	12/17/21	333,142	12/17/28
Mowers	4.45%	09/03/24	213,600	09/03/30
State of Kansas				
City Utility Low-Interest Loan	0.25% to 2.81%	03/23/21	5,330,000	01/01/31

Conduit Debt

The City is authorized to issue industrial revenue bonds and healthcare facility bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial commercial facilities or healthcare 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 of the facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities of the City in the accompanying financial statement.

The total amount of industrial revenue bonds outstanding at December 31, 2025, was $100,523,010.

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

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation and Revenue Bonds					
Series 2013	$ 240,000	$ -	$ 130,000	$ 110,000	$ 4,730
Series 2016	1,090,000	-	95,000	995,000	31,250
Series 2020 refunding	670,000	-	105,000	565,000	13,400
Series 2021-A	235,000	-	235,000	-	1,763
Refunding and Improvement, Series 2021-B	2,020,000	-	375,000	1,645,000	39,650
Public Building Commission Series 2020 refunding	350,000	-	55,000	295,000	6,856
Finance Leases					
Golf carts	200,007	-	47,486	152,521	6,064
Mowers	213,600	-	31,805	181,795	9,152
State of Kansas					
City Utility Low-Interest Loan	3,375,568	-	533,144	2,842,424	67,660
Total Bonded Indebtedness	$ 8,394,175	$ -	$ 1,607,435	$ 6,786,740	$ 180,525

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

	Principal			Interest			
	G.O. and PBC Bonds	Finance Leases	City Utility Low-Interest Loan	G.O. and PBC Bonds	Finance Leases	City Utility Low-Interest Loan	Total Principal and Interest
2026	$ 710,000	$ 82,362	$ 551,926	$ 79,844	$ 12,144	$ 38,750	$ 1,475,026
2027	425,000	85,554	560,084	65,556	8,952	30,592	1,175,738
2028	430,000	88,853	568,362	56,375	5,653	22,314	1,171,557
2029	445,000	37,927	576,763	47,100	3,030	13,912	1,123,732
2030	455,000	39,620	585,289	35,950	1,323	5,387	1,122,569
2031-2035	1,065,000	-	-	76,150	-	-	1,141,150
2036	80,000	-	-	2,400	-	-	82,400
	$ 3,610,000	$ 334,316	$ 2,842,424	$ 363,375	$ 31,102	$ 110,955	$ 7,292,172

NOTE 4—REVOLVING LOANS

The City has a revolving loan fund to loan money to local businesses. At December 31, 2025, there were no loans outstanding.

NOTE 5—INTERFUND TRANSFERS

Operating transfers were as follows:

From Fund	To Fund	Statutory Authority	Amount
Utilities	Utilities Maintenance Reserve	K.S.A. 12-825d	$ 200,000
Utilities	Golf	K.S.A. 12-825d	125,000
Utilities	Bond and Interest	City ordinance	234,550
Golf	Golf Maintenance Reserve	K.S.A. 12-825d	25,000
Special Highway	Bond and Interest	Bond payment	25,000
Capital Improvement	Bond and Interest	Bond ordinance	186,763
General	Capital Improvement	K.S.A. 12-1,118	350,000
General	Equipment Reserve	K.S.A. 12-1,117	450,000

NOTE 6—DEFERRED COMPENSATION PLAN

The City offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. City contributions to the plan for 2025 were $28,616.

NOTE 7—RISK MANAGEMENT

The City is subject to certain risks such as torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from third parties. There have been no significant reductions in insurance coverage from the prior year, and there have been no settled claims in excess of insurance coverage for the prior three years.

NOTE 8—CONCENTRATIONS

Two customers account for approximately 42.2% of the City's Utilities Fund revenue.

NOTE 9—DEFINED BENEFIT PENSION PLAN

Plan Description

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

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009; KPERS 2 members were first employed in a covered position on or after July 1, 2009; and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6.00% of covered salary for KPERS 1, KPERS 2, or KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

Kansas law provides that employer contribution rates for KPERS 1, KPERS 2, and KPERS 3 be determined annually based on the results of an annual actuarial valuation. The actuarially determined employer contribution rate (excluding the contribution rate for the Death and Disability program) and the statutory contribution rate for KPERS was 9.71% for the year ended December 31, 2025. Contributions to the pension plan from the City for KPERS were $275,489 for the year ended December 31, 2025.

Net Pension Liability

At December 31, 2025, KPERS has determined the City's proportionate share of the collective net pension liability for KPERS was $2,153,182. The net pension liability was measured as of June 30, 2025, and the total pension liability was determined by an actuarial valuation as of December 31, 2024, which was rolled forward to June 30, 2025. The City's share of the allocation is based on the ratio of the City's employer contributions, relative to the total employer and nonemployer contributions for the plan groups the City participates in. Because the regulatory basis of accounting under *Kansas Municipal Audit and Accounting Guide* does not recognize long-term debt, this liability is not reported in the financial statement.

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

NOTE 10—OTHER LONG-TERM LIABILITIES

Compensated Absences

The City's policies regarding vacation and sick leave permit employees to accumulate a maximum of 20 days' vacation and 120 days sick leave. Policies prohibit payment of vacation time in lieu of time off and all accumulated vacation pay is payable upon employment termination. Policy prohibits payment of unused sick pay upon termination by the City. The City's estimated liability for compensated absences at December 31, 2025, was $132,255.

Other Post-Employment Benefits – Group Health Insurance

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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 government under this program.

Other Post-Employment Benefits – Death and Disability Benefits

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

NOTE 11—COMMITMENTS AND CONTINGENCIES

Litigation

The City may sometimes be a defendant in various legal actions pending or in process concerning personal injury, workers' compensation claims, property damage, or other matters. The ultimate liability that might result from the final resolution of these matters is not presently determinable. The financial statement does not include accruals or provisions for loss contingencies that may result from these proceedings.

CITY OF HESSTON, KANSAS

SUMMARY OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)
(BUDGETED FUNDS ONLY)
For Year Ended December 31, 2025

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	$ 5,625,735	$ -	$ 5,625,735	$ 3,500,757	$ (2,124,978)
Library	293,719	220,520	514,239	513,539	(700)
Special Highway	411,782	-	411,782	125,770	(286,012)
Emergency Services	918,632	-	918,632	564,373	(354,259)
Fire Equipment	840,813	-	840,813	-	(840,813)
Community Service Program	122,689	-	122,689	42,877	(79,812)
Economic Development	38,671	-	38,671	5,904	(32,767)
Special Parks	2,339	-	2,339	-	(2,339)
Transient Guest Tax	35,000	-	35,000	30,432	(4,568)
Public Building Commission	67,776	-	67,776	61,856	(5,920)
Bond and Interest	1,283,092	-	1,283,092	1,030,793	(252,299)
Utilities	9,893,927	-	9,893,927	4,720,488	(5,173,439)
Golf Course	1,244,060	2,183	1,246,243	860,589	(385,654)

CITY OF HESSTON, KANSAS

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Taxes			
Ad valorem property tax	$ 1,245,539	$ 1,246,852	$ (1,313)
Delinquent tax	2,404	5,000	(2,596)
Motor vehicle tax	127,222	118,966	8,256
Recreational vehicle tax	1,152	1,257	(105)
16/20M vehicle tax	512	1,938	(1,426)
Commercial vehicle registration fees	6,090	4,577	1,513
Watercraft tax	-	908	(908)
Sales tax	934,766	850,000	84,766
Local alcohol liquor tax	162	42	120
Neighborhood revitalization	(877)	-	(877)
Total taxes	2,316,970	2,229,540	87,430
Licenses, fees, and permits			
Utility franchise tax	397,107	415,000	(17,893)
Miscellaneous permits and licenses	19,890	45,600	(25,710)
Total licenses, fees, and permits	416,997	460,600	(43,603)
Other receipts			
Fines, forfeitures, and penalties	59,408	46,400	13,008
Fees	17,671	14,120	3,551
Lease revenues	4,057	2,400	1,657
Interest on idle funds	519,709	575,000	(55,291)
Fuel tax refund	-	1,200	(1,200)
Police grants	7,050	-	7,050
Reimbursements	158,711	99,119	59,592
Miscellaneous	26,300	34,000	(7,700)
Total other receipts	792,906	772,239	20,667
TOTAL RECEIPTS	3,526,873	$ 3,462,379	$ 64,494
EXPENDITURES			
General government			
General administration	272,276	$ 254,377	$ 17,899
Legal service and engineering	43,099	50,000	(6,901)
Audit	19,525	21,744	(2,219)
Total general government	334,900	326,121	8,779
Public safety			
Police	1,072,502	1,161,037	(88,535)
Fire	312,737	334,677	(21,940)
Municipal Court	38,808	43,000	(4,192)
Total public safety	1,424,047	1,538,714	(114,667)

CITY OF HESSTON, KANSAS

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
EXPENDITURES (CONTINUED)			
Highways and streets			
Streets	$ 472,092	$ 406,605	$ 65,487
Street lighting	59,306	60,000	(694)
Total highways and streets	531,398	466,605	64,793
Culture and recreation			
Park	364,946	364,856	90
Cemetery	88	500	(412)
Tree board	299	500	(201)
Employee functions	4,725	6,000	(1,275)
Total culture and recreation	370,058	371,856	(1,798)
Economic development			
Harvey County EDC	36,000	36,000	-
Community development	2,900	7,000	(4,100)
Chamber of Commerce	150	-	150
Total economic development	39,050	43,000	(3,950)
Capital improvements	1,304	2,279,439	(2,278,135)
Operating transfers out	800,000	600,000	200,000
TOTAL EXPENDITURES	3,500,757	$ 5,625,735	$ (2,124,978)
RECEIPTS OVER (UNDER) EXPENDITURES	26,116		
UNENCUMBERED CASH, BEGINNING	2,177,320		
UNENCUMBERED CASH, ENDING	$ 2,203,436		

CITY OF HESSTON, KANSAS

LIBRARY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Ad valorem property tax	$ 264,100	$ 264,362	$ (262)
Delinquent tax	511	1,000	(489)
Motor vehicle tax	26,962	25,212	1,750
Recreational vehicle tax	244	267	(23)
16/20M vehicle tax	108	411	(303)
Commercial vehicle registration fees	1,291	970	321
Watercraft tax	-	193	(193)
Neighborhood revitalization	(186)	-	(186)
Reimbursements	220,520	-	220,520
Miscellaneous	81	-	81
TOTAL RECEIPTS	513,631	$ 292,415	$ 221,216
EXPENDITURES			
Appropriations to library board	293,027	$ 293,719	$ (692)
Payroll and insurance	220,512	-	220,512
TOTAL EXPENDITURES	513,539	293,719	219,820
Adjustment for qualifying budget credit	-	220,520	(220,520)
TOTAL FOR COMPARISON	513,539	$ 514,239	$ (700)
RECEIPTS OVER (UNDER) EXPENDITURES	92		
UNENCUMBERED CASH, BEGINNING	1,995		
UNENCUMBERED CASH, ENDING	$ 2,087		

CITY OF HESSTON, KANSAS

SPECIAL HIGHWAY FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
State payments	$ 94,095	$ 101,250	$ (7,155)
EXPENDITURES			
Paving and materials	-	$ 25,000	$ (25,000)
Street improvements	100,770	361,782	(261,012)
Transfer to - Bond and Interest	25,000	25,000	-
TOTAL EXPENDITURES	125,770	$ 411,782	$ (286,012)
RECEIPTS OVER (UNDER) EXPENDITURES	(31,675)		
UNENCUMBERED CASH, BEGINNING	348,983		
UNENCUMBERED CASH, ENDING	$ 317,308		

CITY OF HESSTON, KANSAS

EMERGENCY SERVICES FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Intergovernmental	$ 316,912	$ 300,000	$ 16,912
Charges for services	234,198	250,000	(15,802)
Grants	6,599	-	6,599
Reimbursements	-	-	-
Miscellaneous	6,450	1,625	4,825
Operating transfers in	-	75,000	(75,000)
TOTAL RECEIPTS	564,159	$ 626,625	$ (62,466)
EXPENDITURES			
Personal services	447,995	$ 499,209	$ (51,214)
Contractual services	79,142	76,900	2,242
Commodities	33,167	46,500	(13,333)
Capital outlay	-	271,023	(271,023)
Reimbursed expense	4,069	-	4,069
Operating transfers out	-	25,000	(25,000)
TOTAL EXPENDITURES	564,373	$ 918,632	$ (354,259)
RECEIPTS OVER (UNDER) EXPENDITURES	(214)		
UNENCUMBERED CASH, BEGINNING	293,329		
UNENCUMBERED CASH, ENDING	$ 293,115		

CITY OF HESSTON, KANSAS

FIRE EQUIPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Ad valorem property tax	$ 59,712	$ 59,773	$ (61)
Delinquent tax	116	250	(134)
Motor vehicle tax	6,101	5,701	400
Recreational vehicle tax	55	60	(5)
16/20M vehicle tax	24	93	(69)
Commercial vehicle registration fees	292	219	73
Watercraft tax	-	44	(44)
Neighborhood revitalization	(42)	-	(42)
Service agreements	72,878	72,878	-
TOTAL RECEIPTS	139,136	$ 139,018	$ 118
EXPENDITURES			
Capital expenditures	-	$ 840,813	$ (840,813)
RECEIPTS OVER (UNDER) EXPENDITURES	139,136		
UNENCUMBERED CASH, BEGINNING	702,155		
UNENCUMBERED CASH, ENDING	$ 841,291		

CITY OF HESSTON, KANSAS

COMMUNITY SERVICE PROGRAM FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Ad valorem property tax	$ 30,319	$ 30,338	$ (19)
Delinquent tax	59	100	(41)
Motor vehicle tax	3,098	2,896	202
Recreational vehicle tax	28	31	(3)
16/20M vehicle tax	12	47	(35)
Commercial vehicle registration fees	148	111	37
Watercraft tax	-	22	(22)
Neighborhood revitalization	(21)	-	(21)
TOTAL RECEIPTS	33,643	$ 33,545	$ 98
EXPENDITURES			
Community service grants	42,877	$ 122,689	$ (79,812)
RECEIPTS OVER (UNDER) EXPENDITURES	(9,234)		
UNENCUMBERED CASH, BEGINNING	87,745		
UNENCUMBERED CASH, ENDING	$ 78,511		

CITY OF HESSTON, KANSAS

ECONOMIC DEVELOPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Operating transfers in	$ -	$ -	$ -
EXPENDITURES			
Contractual services	5,904	$ 11,600	$ (5,696)
Commodities	-	1,500	(1,500)
Capital outlay	-	25,571	(25,571)
TOTAL EXPENDITURES	5,904	$ 38,671	$ (32,767)
RECEIPTS OVER (UNDER) EXPENDITURES	(5,904)		
UNENCUMBERED CASH, BEGINNING	48,644		
UNENCUMBERED CASH, ENDING	$ 42,740		

CITY OF HESSTON, KANSAS

SPECIAL PARKS FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Local alcohol liquor tax	$ 162	$ 25	$ 137
EXPENDITURES			
Capital outlay	-	$ 2,339	$ (2,339)
RECEIPTS OVER (UNDER) EXPENDITURES	162		
UNENCUMBERED CASH, BEGINNING	2,366		
UNENCUMBERED CASH, ENDING	$ 2,528		

CITY OF HESSTON, KANSAS

TRANSIENT GUEST TAX FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Transient guest tax	$ 30,432	$ 35,000	$ (4,568)
EXPENDITURES			
Transient guest tax appropriations	30,432	$ 35,000	$ (4,568)
RECEIPTS OVER (UNDER) EXPENDITURES	-		
UNENCUMBERED CASH, BEGINNING	-		
UNENCUMBERED CASH, ENDING	$ -		

CITY OF HESSTON, KANSAS

PUBLIC BUILDING COMMISSION
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Operating transfers in	$ -	$ -	$ -
EXPENDITURES			
Bond principal	55,000	$ 55,000	$ -
Interest coupons	6,857	12,776	(5,919)
TOTAL EXPENDITURES	61,857	$ 67,776	$ (5,919)
RECEIPTS OVER (UNDER) EXPENDITURES	(61,857)		
UNENCUMBERED CASH, BEGINNING	67,776		
UNENCUMBERED CASH, ENDING	$ 5,919		

CITY OF HESSTON, KANSAS

BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Ad valorem property tax	$ 91,706	$ 91,764	$ (58)
Delinquent tax	177	400	(223)
Motor vehicle tax	9,365	8,755	610
Recreational vehicle tax	85	93	(8)
16/20M vehicle tax	38	143	(105)
Commercial vehicle registration fees	448	337	111
Watercraft tax	-	67	(67)
Neighborhood revitalization	(65)	-	(65)
Special assessments	374,120	377,401	(3,281)
Operating transfers in	446,313	446,321	(8)
TOTAL RECEIPTS	922,187	$ 925,281	$ (3,094)
EXPENDITURES			
Bond principal	940,000	$ 940,000	$ -
Interest coupons	90,793	90,793	-
Cash basis reserve	-	252,299	(252,299)
TOTAL EXPENDITURES	1,030,793	$ 1,283,092	$ (252,299)
RECEIPTS OVER (UNDER) EXPENDITURES	(108,606)		
UNENCUMBERED CASH, BEGINNING	352,636		
UNENCUMBERED CASH, ENDING	$ 244,030		

CITY OF HESSTON, KANSAS

UTILITIES FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Charges for service	$ 4,564,891	$ 5,676,808	$ (1,111,917)
Connection fees	4,118	4,500	(382)
Miscellaneous	77,743	36,055	41,688
TOTAL RECEIPTS	4,646,752	$ 5,717,363	$ (1,070,611)
EXPENDITURES			
Personal services	1,146,053	$ 1,096,588	$ 49,465
Contractual services	750,657	723,600	27,057
Commodities	1,565,341	2,210,424	(645,083)
Capital outlay	89,531	4,418,765	(4,329,234)
City utility loan payment	600,805	615,000	(14,195)
Reimbursed expense	8,551	-	8,551
Operating transfers out	559,550	829,550	(270,000)
TOTAL EXPENDITURES	4,720,488	$ 9,893,927	$ (5,173,439)
RECEIPTS OVER (UNDER) EXPENDITURES	(73,736)		
UNENCUMBERED CASH, BEGINNING	3,728,081		
UNENCUMBERED CASH, ENDING	$ 3,654,345		

CITY OF HESSTON, KANSAS

GOLF COURSE FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
(ACTUAL AND BUDGET)
For Year Ended December 31, 2025

	2025 Actual	2025 Budget	Variance Over (Under)
RECEIPTS			
Golf fees	$ 538,023	$ 669,467	$ (131,444)
Concessions and shop sales	109,792	147,450	(37,658)
Reimbursements	2,183	-	2,183
Advertisement proceeds	-	2,000	(2,000)
Miscellaneous	4,988	4,500	488
Transfers from other funds	125,000	145,000	(20,000)
TOTAL RECEIPTS	779,986	$ 968,417	$ (188,431)
EXPENDITURES			
Personal services	439,979	$ 502,424	$ (62,445)
Contractual services	107,380	121,500	(14,120)
Commodities	191,833	239,010	(47,177)
Capital outlay	95,024	356,126	(261,102)
Reimbursed expense	1,373	-	1,373
Operating transfers out	25,000	25,000	-
TOTAL EXPENDITURES	860,589	1,244,060	(383,471)
Adjustment for qualifying budget credit	-	2,183	(2,183)
TOTAL FOR COMPARISON	860,589	$ 1,246,243	$ (385,654)
RECEIPTS OVER (UNDER) EXPENDITURES	(80,603)		
UNENCUMBERED CASH, BEGINNING	274,972		
UNENCUMBERED CASH, ENDING	$ 194,369		

CITY OF HESSTON, KANSAS

SPECIAL PURPOSE NONBUDGETED FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
For Year Ended December 31, 2025

	Special Law Enforcement	Revolving Loan	Library Maintenance	Capital Improvement	Equipment Reserve
RECEIPTS					
Forfeitures	$ 17,900	$ -	$ -	$ -	$ -
Grants	-	-	-	101,940	-
Operating transfers in	-	-	-	350,000	450,000
TOTAL RECEIPTS	17,900	-	-	451,940	450,000
EXPENDITURES					
Contractual services	-	-	-	-	-
Capital outlay	9,140	-	3,669	332,687	449,534
Operating transfers out	-	-	-	186,763	-
TOTAL EXPENDITURES	9,140	-	3,669	519,450	449,534
RECEIPTS OVER (UNDER) EXPENDITURES	8,760	-	(3,669)	(67,510)	466
UNENCUMBERED CASH, BEGINNING	1,039	186,080	29,446	867,555	1,111,760
UNENCUMBERED CASH, ENDING	$ 9,799	$ 186,080	$ 25,777	$ 800,045	$ 1,112,226

CITY OF HESSTON, KANSAS

CAPITAL PROJECTS NONBUDGETED FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
For Year Ended December 31, 2025

	22 Acre Development	Downtown Revitalization	East/West Trail	Total
RECEIPTS				
Special assessments	$ -	$ -	$ -	$ -
Operating transfers in	-	-	-	-
TOTAL RECEIPTS	-	-	-	-
EXPENDITURES				
Construction	-	-	13,915	13,915
Legal and administration	4,039	-	-	4,039
Engineering	-	-	32,600	32,600
Debt payment	-	-	-	-
Transfer to - Bond and Interest	-	-	-	-
TOTAL EXPENDITURES	4,039	-	46,515	50,554
RECEIPTS OVER (UNDER) EXPENDITURES	(4,039)	-	(46,515)	(50,554)
UNENCUMBERED CASH, BEGINNING	49,877	2,376	150,000	202,253
UNENCUMBERED CASH, ENDING	$ 45,838	$ 2,376	$ 103,485	$ 151,699

CITY OF HESSTON, KANSAS

BUSINESS NONBUDGETED FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
For Year Ended December 31, 2025

	Utility Maintenance Reserve	Golf Course Maintenance Reserve
RECEIPTS		
Miscellaneous	$ -	$ -
Reimbursements	-	-
Operating transfers in	200,000	25,000
TOTAL RECEIPTS	200,000	25,000
EXPENDITURES		
Maintenance	144,179	-
Service contracts	-	-
Commodities	5,000	-
Equipment	107,047	6,064
TOTAL EXPENDITURES	256,226	6,064
RECEIPTS OVER (UNDER) EXPENDITURES	(56,226)	18,936
UNENCUMBERED CASH, BEGINNING	952,680	75,000
UNENCUMBERED CASH, ENDING	$ 896,454	$ 93,936

CITY OF HESSTON, KANSAS

HESSTON PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
For Year Ended December 31, 2025

	Actual
RECEIPTS	
City appropriations	$ 293,027
SCKLS	28,474
Grants	28,185
Fines	3,215
Donations	13,855
State	2,206
Interest	2,868
Miscellaneous	2,025
TOTAL RECEIPTS	373,855
EXPENDITURES	
Buildings	21,456
Books and collection	36,577
Operations	14,555
Payroll	210,460
Programming	18,578
Technology	4,910
Utilities	9,894
Transfer to - Hesston Community Foundation	38,638
TOTAL EXPENDITURES	355,068
RECEIPTS OVER (UNDER) EXPENDITURES	18,787
UNENCUMBERED CASH, BEGINNING	211,131
UNENCUMBERED CASH, ENDING	$ 229,918

CITY OF HESSTON, KANSAS

HESSTON LAND BANK - RELATED MUNICIPAL ENTITY
SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS
For Year Ended December 31, 2025

	Actual
RECEIPTS	
City appropriations	$ -
Land sales	-
TOTAL RECEIPTS	-
EXPENDITURES	
Special assessments	-
Miscellaneous	-
TOTAL EXPENDITURES	-
RECEIPTS OVER (UNDER) EXPENDITURES	-
UNENCUMBERED CASH, BEGINNING	21,181
UNENCUMBERED CASH, ENDING	$ 21,181