

CITY OF HESSTON, KANSAS

DECEMBER 31, 2019



CITY OF HESSTON, KANSAS

TABLE OF CONTENTS

December 31, 2019

INDEPENDENT AUDITORS' REPORT.....	1-2
FINANCIAL STATEMENT	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash - Regulatory Basis.....	3-4
NOTES TO THE FINANCIAL STATEMENT.....	5-12
SCHEDULE 1	
Summary of Expenditures - Regulatory Basis (Actual and Budget).....	13
SCHEDULE 2	
Schedule of Receipts and Expenditures - Regulatory Basis (Actual and Budget)	
General Fund.....	14-15
Library Fund.....	16
Special Highway Fund.....	17
Emergency Services Fund.....	18
Fire Equipment Fund.....	19
Community Service Program Fund.....	20
Economic Development Fund.....	21
Special Parks Fund.....	22
Transient Guest Tax Fund.....	23
Bond and Interest Fund.....	24
Utilities Fund.....	25
Golf Course Fund.....	26
Schedule of Receipts and Expenditures - Regulatory Basis	
Special Purpose Nonbudgeted Funds.....	27
Capital Projects Nonbudgeted Funds.....	28
Business Nonbudgeted Funds.....	29
SCHEDULE 3	
Schedule of Receipts and Expenditures - Regulatory Basis	
Hesston Public Library - Related Municipal Entity.....	30
Hesston Land Bank - Related Municipal Entity.....	31

INDEPENDENT AUDITORS' REPORT

Mayor and City Council  
City of Hesston, Kansas

We have audited the accompanying regulatory basis summary statement of receipts, expenditures, and unencumbered cash of City of Hesston, Kansas (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis of accounting reporting provisions permitted in the Kansas Municipal Audit and Accounting Guide (KMAAG), 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 preparing the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and KMAAG. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the City on the basis of the financial reporting provisions permitted in KMAAG, 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

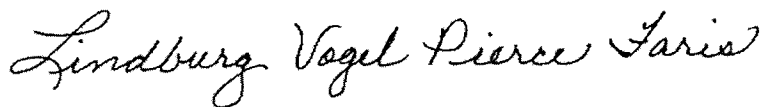
In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly in accordance with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2019, or changes in net position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to in the first paragraph presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2019, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions permitted in KMAAG described in Note 1.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of receipts, expenditures, and unencumbered cash – 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 analysis and are not a required part of the basic financial statement; however, they are required to be presented under the provisions in KMAAG. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the 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.



Certified Public Accountants

Hutchinson, Kansas  
May 14, 2020

CITY OF HESSTON, KANSAS  
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS  
For Year Ended December 31, 2019

Page 1 of 2

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GENERAL FUND	\$ 1,056,435	\$ 2,377,073	\$ 2,287,712	\$ 1,145,796	\$ 13,553	\$ 1,159,349
SPECIAL PURPOSE FUND						
Library	2,568	394,167	393,976	2,759	145	2,904
Special Highway	360,440	102,916	51,167	412,189	-	412,189
Emergency Services	105,453	387,572	384,227	108,798	876	109,674
Fire Equipment	388,152	110,641	-	498,793	-	498,793
Community Service Program	63,836	23,758	15,912	71,682	-	71,682
Economic Development	55,548	-	4,426	51,122	-	51,122
Special Parks	2,206	-	-	2,206	-	2,206
Transient Guest Tax	-	41,061	41,061	-	-	-
Special Law Enforcement	6,965	-	6,965	-	-	-
Revolving Loan	160,043	26,037	-	186,080	-	186,080
Public Building Commission	68,963	66,603	66,602	68,964	-	68,964
Library Maintenance	22,728	-	258	22,470	-	22,470
Capital Improvement	1,509,617	375,000	302,383	1,582,234	-	1,582,234
Equipment Reserve	847,191	305,027	159,798	992,420	10,989	1,003,409
BOND AND INTEREST FUND						
Bond and Interest	231,698	644,964	641,568	235,094	-	235,094
CAPITAL PROJECTS	642,113	191,366	214,727	618,752	-	618,752
BUSINESS FUNDS						
Utilities	2,757,789	3,530,191	3,366,524	2,921,456	92,728	3,014,184
Utility Deposits	-	-	-	-	55,460	55,460
Utility Maintenance Reserve	1,198,559	100,000	185,757	1,112,802	6,801	1,119,603
Golf Course	99,840	601,263	595,451	105,652	9,687	115,339
Golf Course Maintenance Reserve	100,269	71,192	93,202	78,259	-	78,259
TOTAL PRIMARY GOVERNMENT	9,680,413	9,348,831	8,811,716	10,217,528	190,239	10,407,767
RELATED MUNICIPAL ENTITY						
Hesston Public Library	106,705	264,677	261,719	109,663	-	109,663
Hesston Land Bank	26,336	2,574	6,197	22,713	-	22,713
TOTAL REPORTING ENTITY	<u>\$ 9,813,454</u>	<u>\$ 9,616,082</u>	<u>\$ 9,079,632</u>	<u>\$ 10,349,904</u>	<u>\$ 190,239</u>	<u>\$ 10,540,143</u>

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, 2019

Page 2 of 2

## COMPOSITION OF CASH

Checking accounts \$ 10,429,370

Petty cash 1,110

Related municipal entity  
Hesston Public Library 109,663TOTAL COMPOSITION OF CASH \$ 10,540,143

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

CITY OF HESSTON, KANSAS  
 NOTES TO THE FINANCIAL STATEMENT  
 December 31, 2019

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 2019:

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 (KMAAG) 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.

### Related Party Transactions

A Council member is an owner of an insurance agency that provides insurance to the City for property, liability, and workers' compensation. Premiums for this insurance coverage are on terms equivalent to those that prevail in arm's-length transactions.

### 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.



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. An amended budget was prepared for the Transient Guest Tax Fund for the year ended December 31, 2019.

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, Special Law Enforcement Fund, Public Building Commission 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, 2019, the carrying amount of the City's deposits was \$10,429,370. The bank balance was \$10,411,764. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$10,161,764 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

At December 31, 2019, the carrying amount of the related municipal entity's deposits, including certificates of deposit, was \$109,663. The bank balance was \$110,243, 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, 2019, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds and Public Building Commission Revenue Bonds				
Series 2009	3.00% to 4.85%	11/15/09	\$ 1,621,000	08/01/30
Series 2013	1.60% to 2.35%	02/15/13	1,875,000	08/01/26
Series 2014A	2.00% to 3.00%	07/01/14	2,180,000	09/01/26
Series 2016	2.00% to 3.00%	01/26/16	1,745,000	10/01/36
Public Building Commission				
Series 2010	1.50% to 4.75%	03/01/10	855,000	09/01/30
Capital Leases				
Land	5.15%	09/01/14	158,000	09/01/24
Golf carts	2.95%	02/12/16	239,200	02/15/21
Golf turf maintenance equipment	3.40%	12/01/16	197,100	12/01/22
KDHE Loan				
KWPCRF project #C20 1960 01	2.16%	03/05/13	3,327,705	03/01/34

### Conduit Debt

The City has issued Industrial Revenue Bonds not directly obligated by the City. The total amount outstanding at December 31, 2019, was \$169,485,938 for the Industrial Revenue Bonds. These bonds do not constitute an indebtedness or pledge of the faith and credit of the City.

Changes in long-term debt for the City for the year ended December 31, 2019, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation and Revenue Bonds					
Series 2009	\$ 1,190,000	\$ -	\$ 75,000	\$ 1,115,000	\$ 54,378
Series 2013	1,080,000	-	140,000	940,000	20,728
Series 2014A	1,615,000	-	185,000	1,430,000	39,713
Series 2016	1,615,000	-	85,000	1,530,000	41,750
Public Building Commission Series 2010	605,000	-	40,000	565,000	26,603
Capital Leases					
Land	104,709	-	15,314	89,395	5,195
Golf carts	108,018	-	48,998	59,020	2,528
Golf turf maintenance equipment	135,777	-	32,247	103,530	4,345
KDHE Loan					
KWPCRF project #C20 1960 01	2,496,199	-	132,146	2,364,053	53,208
Total Bonded Indebtedness	<u>\$ 8,949,703</u>	<u>\$ -</u>	<u>\$ 753,705</u>	<u>\$ 8,195,998</u>	<u>\$ 248,448</u>

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			Total Principal and Interest
	G.O. and PBC Bonds	Capital Leases	KDHE Loan	G.O. and PBC Bonds	Capital Leases	KDHE Loan	
2020	\$ 535,000	\$ 99,916	\$ 135,016	\$ 170,263	\$ 8,711	\$ 50,338	\$ 999,244
2021	550,000	60,005	137,948	157,182	5,684	47,406	958,225
2022	560,000	53,516	140,943	143,981	3,585	44,411	946,436
2023	575,000	18,766	144,004	129,992	1,743	41,350	910,855
2024	575,000	19,742	147,131	113,818	766	38,222	894,679
2025-2029	1,995,000	-	784,995	325,038	-	141,774	3,246,807
2030-2034	630,000	-	874,016	69,693	-	52,753	1,626,462
2035-2036	160,000	-	-	7,200	-	-	167,200
	<u>\$ 5,580,000</u>	<u>\$ 251,945</u>	<u>\$ 2,364,053</u>	<u>\$ 1,117,167</u>	<u>\$ 20,489</u>	<u>\$ 416,254</u>	<u>\$ 9,749,908</u>

#### NOTE 4—REVOLVING LOANS

The City has a revolving loan fund to loan money to local businesses. At December 31, 2019, there were no loans outstanding.

#### NOTE 5—INTERFUND TRANSFERS

Operating transfers were as follows:

From Fund	To Fund	Statutory Authority	Amount
Utilities	Capital Improvement	K.S.A. 12-825d	\$ 175,000
Utilities	Utility Maintenance Reserve	K.S.A. 12-825d	100,000
Utilities	Golf	K.S.A. 12-825d	127,000
Utilities	Golf Maintenance Reserve	K.S.A. 12-825d	70,000
Utilities	Emergency Services	K.S.A. 12-825d	35,000
Utilities	Bond and Interest	City ordinance	160,000
Special Highway	Bond and Interest	Bond payment	25,000
Capital Improvement	Capital Projects	K.S.A. 12-1,118	161,561
General	Equipment Reserve	K.S.A. 12-1,117	215,000
General	Capital Improvement	K.S.A. 12-1,118	200,000
General	Public Building Commission	K.S.A. 12-1,118	66,603
Emergency Services	Equipment Reserve	K.S.A. 12-1,117	50,000

#### 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 2019 were \$21,038.

#### 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 42.47% 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.kpers.org](http://www.kpers.org) 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 8.89% for the year ended December 31, 2019. Contributions to the pension plan from the City for KPERS were \$180,932 for the year ended December 31, 2019.

### Net Pension Liability

At December 31, 2019, KPERS has determined the City's proportionate share of the collective net pension liability for KPERS was \$1,375,168. The net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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 KMAAG 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 publically available on the website at [www.kpers.org](http://www.kpers.org) 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.

### Other Post-Employment Benefits – Group Health Insurance

As provided by K.S.A. 12-5040, the County 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, 2019.

## NOTE 11—COMMITMENTS AND CONTINGENCIES

### Commitments

At year end, the City was developing plans for improvements to the clubhouse at the golf course. The City received a donation of approximately \$300,000 for these improvements and has allocated City funds of \$200,000 for these improvements.

### 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.

## NOTE 12—SUBSEQUENT EVENTS

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic, which resulted in federal, state, and local governments implementing restrictions and mitigation measures to slow the spread of the virus. The magnitude of COVID-19 and the related restrictions and mitigation measures effect on the City's operational and financial performance will depend upon the duration and severity of the pandemic. At this time, the effect of these uncertainties on the City's operations cannot be reasonably estimated; however, there could be a material adverse impact on the City's summary statement of receipts, expenditures, and unencumbered cash balances.

On April 13, 2020, the City Council approved a three year lease-purchase agreement for two golf course mowers at 2.99%.

On May 5, 2020, the City issued \$1,060,000 Series 2020 Refunding General Obligation Bonds to refund the Series 2009 General Obligation Bonds and the Series 2010 Public Building Commission Revenue Bonds.

## CITY OF HESSTON, KANSAS

SUMMARY OF EXPENDITURES - REGULATORY BASIS (ACTUAL AND BUDGET)  
 (BUDGETED FUNDS ONLY)  
 For Year Ended December 31, 2019

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$ 3,396,723	\$ -	\$ 3,396,723	\$ 2,287,712	\$ (1,109,011)
Library	221,904	172,767	394,671	393,976	(695)
Special Highway	394,458	-	394,458	51,167	(343,291)
Emergency Services	530,768	-	530,768	384,227	(146,541)
Fire Equipment	497,825	-	497,825	-	(497,825)
Community Service Program	76,475	-	76,475	15,912	(60,563)
Economic Development	43,945	-	43,945	4,426	(39,519)
Special Parks	1,532	-	1,532	-	(1,532)
Transient Guest Tax	42,000	-	42,000	41,061	(939)
Bond and Interest	881,268	-	881,268	641,568	(239,700)
Utilities	6,340,794	324	6,341,118	3,366,524	(2,974,594)
Golf Course	729,271	5,036	734,307	595,451	(138,856)

## CITY OF HESSTON, KANSAS

GENERAL FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 1 of 16

	2019		Variance Over (Under)
	Actual	Budget	
<b>RECEIPTS</b>			
Taxes			
Ad valorem property tax	\$ 831,769	\$ 835,089	\$ (3,320)
Delinquent tax	5,631	4,500	1,131
Motor vehicle tax	110,955	101,083	9,872
Recreational vehicle tax	847	868	(21)
16/20M vehicle tax	125	208	(83)
Commercial vehicle registration fees	-	5,922	(5,922)
Watercraft tax	-	361	(361)
Sales tax	690,782	650,000	40,782
Local alcohol liquor tax	-	400	(400)
Total taxes	<u>1,640,109</u>	<u>1,598,431</u>	<u>41,678</u>
Licenses, fees, and permits			
Utility franchise tax	388,978	405,000	(16,022)
Miscellaneous permits and licenses	<u>17,842</u>	<u>14,550</u>	<u>3,292</u>
Total licenses, fees, and permits	<u>406,820</u>	<u>419,550</u>	<u>(12,730)</u>
Other receipts			
Fines, forfeitures, and penalties	47,506	43,200	4,306
Fees	9,552	9,650	(98)
Lease revenues	26,762	34,657	(7,895)
Interest on idle funds	203,817	140,000	63,817
Fuel tax refund	2,195	1,500	695
Reimbursements	22,997	50,000	(27,003)
Grants	325	-	325
Miscellaneous	<u>16,990</u>	<u>22,250</u>	<u>(5,260)</u>
Total other receipts	<u>330,144</u>	<u>301,257</u>	<u>28,887</u>
<b>TOTAL RECEIPTS</b>	<u>2,377,073</u>	<u>\$ 2,319,238</u>	<u>\$ 57,835</u>
<b>EXPENDITURES</b>			
General government			
General administration	166,704	\$ 147,025	\$ 19,679
Legal service and engineering	35,929	75,000	(39,071)
Audit	<u>16,985</u>	<u>17,775</u>	<u>(790)</u>
Total general government	<u>219,618</u>	<u>239,800</u>	<u>(20,182)</u>
Public safety			
Police	786,835	799,470	(12,635)
Fire	169,493	176,162	(6,669)
Municipal Court	<u>43,599</u>	<u>46,400</u>	<u>(2,801)</u>
Total public safety	<u>999,927</u>	<u>1,022,032</u>	<u>(22,105)</u>



## CITY OF HESSTON, KANSAS

GENERAL FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 2 of 16

	2019		Variance Over (Under)
	Actual	Budget	
EXPENDITURES (CONTINUED)			
Highways and streets			
Streets	\$ 243,591	\$ 368,864	\$ (125,273)
Street lighting	55,360	68,000	(12,640)
Total highways and streets	<u>298,951</u>	<u>436,864</u>	<u>(137,913)</u>
Culture and recreation			
Park	226,835	225,070	1,765
Cemetery	329	500	(171)
Tree board	3,371	3,000	371
Employee functions	-	5,000	(5,000)
Total culture and recreation	<u>230,535</u>	<u>233,570</u>	<u>(3,035)</u>
Economic development			
Harvey County EDC	36,000	34,920	1,080
Community development	474	10,000	(9,526)
Chamber of Commerce	95	-	95
Restaurant building expense	-	8,750	(8,750)
Lease/purchase industrial park	20,509	20,509	-
Total economic development	<u>57,078</u>	<u>74,179</u>	<u>(17,101)</u>
Capital improvements	-	1,126,675	(1,126,675)
Operating transfers out	481,603	263,603	218,000
TOTAL EXPENDITURES	<u>2,287,712</u>	<u>\$ 3,396,723</u>	<u>\$ (1,109,011)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	89,361		
UNENCUMBERED CASH, BEGINNING	<u>1,056,435</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 1,145,796</u>		

## CITY OF HESSTON, KANSAS

LIBRARY FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 3 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 193,879	\$ 194,629	\$ (750)
Delinquent tax	1,313	1,000	313
Motor vehicle tax	25,864	23,560	2,304
Recreational vehicle tax	198	203	(5)
16/20M vehicle tax	29	49	(20)
Commercial vehicle registration fees	-	1,380	(1,380)
Watercraft tax	-	84	(84)
Reimbursements	172,767	-	172,767
Miscellaneous	117	-	117
TOTAL RECEIPTS	<u>394,167</u>	<u>\$ 220,905</u>	<u>\$ 173,262</u>
EXPENDITURES			
Appropriations to library board	221,282	\$ 221,904	\$ (622)
Payroll and insurance	<u>172,694</u>	<u>-</u>	<u>172,694</u>
	393,976	221,904	172,072
Adjustment for qualifying budget credit	<u>-</u>	<u>172,767</u>	<u>(172,767)</u>
TOTAL EXPENDITURES	<u>393,976</u>	<u>\$ 394,671</u>	<u>\$ (695)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	191		
UNENCUMBERED CASH, BEGINNING	<u>2,568</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 2,759</u>		

## CITY OF HESSTON, KANSAS

SPECIAL HIGHWAY FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
Page 4 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
State payments	\$ 102,916	\$ 103,100	\$ (184)
EXPENDITURES			
Service contracts	7,785	\$ -	\$ 7,785
Paving and materials	1,117	25,000	(23,883)
Street improvements	16,138	329,458	(313,320)
Sidewalk improvements	1,127	15,000	(13,873)
Weaver Street payment	25,000	25,000	-
TOTAL EXPENDITURES	51,167	\$ 394,458	\$ (343,291)
RECEIPTS OVER (UNDER) EXPENDITURES	51,749		
UNENCUMBERED CASH, BEGINNING	360,440		
UNENCUMBERED CASH, ENDING	\$ 412,189		

## CITY OF HESSTON, KANSAS

EMERGENCY SERVICES FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 5 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Intergovernmental	\$ 132,836	\$ 130,000	\$ 2,836
Charges for services	208,214	230,000	(21,786)
Reimbursements	6,673	-	6,673
Miscellaneous	4,849	1,625	3,224
Operating transfers in	35,000	50,000	(15,000)
TOTAL RECEIPTS	<u>387,572</u>	<u>\$ 411,625</u>	<u>\$ (24,053)</u>
EXPENDITURES			
Personal services	260,133	\$ 285,743	\$ (25,610)
Contractual services	44,928	57,510	(12,582)
Commodities	22,890	35,600	(12,710)
Capital outlay	599	111,915	(111,316)
Reimbursed expense	5,677	-	5,677
Operating transfers out	50,000	40,000	10,000
TOTAL EXPENDITURES	<u>384,227</u>	<u>\$ 530,768</u>	<u>\$ (146,541)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	3,345		
UNENCUMBERED CASH, BEGINNING	<u>105,453</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 108,798</u>		

## CITY OF HESSTON, KANSAS

FIRE EQUIPMENT FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
Page 6 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 46,615	\$ 46,781	\$ (166)
Delinquent tax	316	250	66
Motor vehicle tax	6,215	5,658	557
Recreational vehicle tax	47	49	(2)
16/20M vehicle tax	7	12	(5)
Commercial vehicle registration fees	-	332	(332)
Watercraft tax	-	20	(20)
Service agreements	57,441	57,441	-
TOTAL RECEIPTS	110,641	<u>\$ 110,543</u>	<u>\$ 98</u>
EXPENDITURES			
Capital expenditures	<u>-</u>	<u>\$ 497,825</u>	<u>\$ (497,825)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	110,641		
UNENCUMBERED CASH, BEGINNING	<u>388,152</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 498,793</u>		

## CITY OF HESSTON, KANSAS

COMMUNITY SERVICE PROGRAM FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
Page 7 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 20,818	\$ 20,893	\$ (75)
Delinquent tax	141	150	(9)
Motor vehicle tax	2,775	2,525	250
Recreational vehicle tax	21	22	(1)
16/20M vehicle tax	3	5	(2)
Commercial vehicle registration fees	-	148	(148)
Watercraft tax	-	9	(9)
TOTAL RECEIPTS	23,758	<u>\$ 23,752</u>	<u>\$ 6</u>
EXPENDITURES			
Community service grants	<u>15,912</u>	<u>\$ 76,475</u>	<u>\$ (60,563)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	7,846		
UNENCUMBERED CASH, BEGINNING	<u>63,836</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 71,682</u>		

## CITY OF HESSTON, KANSAS

ECONOMIC DEVELOPMENT FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
Page 8 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Operating transfers in	\$ -	\$ -	\$ -
EXPENDITURES			
Contractual services	3,605	\$ 14,500	\$ (10,895)
Commodities	371	2,500	(2,129)
Capital outlay	-	26,945	(26,945)
Reimbursed expense	450	-	450
TOTAL EXPENDITURES	4,426	\$ 43,945	\$ (39,519)
RECEIPTS OVER (UNDER) EXPENDITURES	(4,426)		
UNENCUMBERED CASH, BEGINNING	55,548		
UNENCUMBERED CASH, ENDING	\$ 51,122		

## CITY OF HESSTON, KANSAS

SPECIAL PARKS FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 9 of 16

	2019		Variance Over (Under)
	<u>Actual</u>	<u>Budget</u>	<u></u>
RECEIPTS			
Local alcohol liquor tax	\$ -	\$ <u>400</u>	\$ <u>(400)</u>
EXPENDITURES			
Capital outlay	<u>-</u>	\$ <u>1,532</u>	\$ <u>(1,532)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-		
UNENCUMBERED CASH, BEGINNING	<u>2,206</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 2,206</u>		



## CITY OF HESSTON, KANSAS

TRANSIENT GUEST TAX FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
Page 10 of 16

	2019		Variance Over (Under)
	<u>Actual</u>	<u>Budget</u>	<u></u>
RECEIPTS			
Transient guest tax	\$ 41,061	<u>\$ 42,000</u>	<u>\$ (939)</u>
EXPENDITURES			
Transient guest tax appropriations	<u>41,061</u>	<u>\$ 42,000</u>	<u>\$ (939)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	-		
UNENCUMBERED CASH, BEGINNING	<u>-</u>		
UNENCUMBERED CASH, ENDING	<u>\$ -</u>		

## CITY OF HESSTON, KANSAS

BOND AND INTEREST FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 11 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Ad valorem property tax	\$ 65,440	\$ 65,679	\$ (239)
Delinquent tax	445	350	95
Motor vehicle tax	8,728	7,947	781
Recreational vehicle tax	67	68	(1)
16/20M vehicle tax	10	16	(6)
Commercial vehicle registration fees	-	466	(466)
Watercraft tax	-	28	(28)
Special assessments	385,274	411,453	(26,179)
Operating transfers in	185,000	143,485	41,515
TOTAL RECEIPTS	<u>644,964</u>	<u>\$ 629,492</u>	<u>\$ 15,472</u>
EXPENDITURES			
Bond principal	485,000	\$ 485,000	\$ -
Interest coupons	156,568	156,568	-
Cash basis reserve	-	239,700	(239,700)
TOTAL EXPENDITURES	<u>641,568</u>	<u>\$ 881,268</u>	<u>\$ (239,700)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	3,396		
UNENCUMBERED CASH, BEGINNING	<u>231,698</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 235,094</u>		

## CITY OF HESSTON, KANSAS

UTILITIES FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 12 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Charges for service	\$ 3,500,082	\$ 3,277,500	\$ 222,582
Connection fees	4,628	5,000	(372)
Reimbursements	324	-	324
Miscellaneous	25,157	29,000	(3,843)
TOTAL RECEIPTS	<u>3,530,191</u>	<u>\$ 3,311,500</u>	<u>\$ 218,691</u>
EXPENDITURES			
Personal services	859,748	\$ 834,729	\$ 25,019
Contractual services	513,420	504,600	8,820
Commodities	1,118,955	1,086,480	32,475
Capital outlay	197,766	3,269,500	(3,071,734)
Reimbursed expense	9,635	-	9,635
Operating transfers out	667,000	645,485	21,515
	3,366,524	6,340,794	(2,974,270)
Adjustment for qualifying budget credit	-	324	(324)
TOTAL EXPENDITURES	<u>3,366,524</u>	<u>\$ 6,341,118</u>	<u>\$ (2,974,594)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	163,667		
UNENCUMBERED CASH, BEGINNING	<u>2,757,789</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 2,921,456</u>		

## CITY OF HESSTON, KANSAS

GOLF COURSE FUND  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 (ACTUAL AND BUDGET)  
 For Year Ended December 31, 2019

Schedule 2  
 Page 13 of 16

	2019		Variance Over (Under)
	Actual	Budget	
RECEIPTS			
Golf fees	\$ 349,940	\$ 355,000	\$ (5,060)
Concessions and shop sales	115,680	141,000	(25,320)
Reimbursements	5,036	-	5,036
Miscellaneous	3,607	4,000	(393)
Transfers from other funds	127,000	127,000	-
TOTAL RECEIPTS	601,263	\$ 627,000	\$ (25,737)
EXPENDITURES			
Personal services	261,770	\$ 264,242	\$ (2,472)
Contractual services	75,627	87,770	(12,143)
Commodities	167,564	178,750	(11,186)
Capital outlay	88,332	198,509	(110,177)
Reimbursed expense	2,158	-	2,158
	595,451	729,271	(133,820)
Adjustment for qualifying budget credit	-	5,036	(5,036)
TOTAL EXPENDITURES	595,451	\$ 734,307	\$ (138,856)
RECEIPTS OVER (UNDER) EXPENDITURES	5,812		
UNENCUMBERED CASH, BEGINNING	99,840		
UNENCUMBERED CASH, ENDING	\$ 105,652		

CITY OF HESSTON, KANSAS  
 SPECIAL PURPOSE NONBUDGETED FUNDS  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2019

Schedule 2  
 Page 14 of 16

	Special Law Enforcement	Revolving Loan	Public Building Commission	Library Maintenance	Capital Improvement	Equipment Reserve
RECEIPTS						
Forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	-	-	-	-	-	40,027
Loan payments	-	26,037	-	-	-	-
Operating transfers in	-	-	66,603	-	375,000	265,000
TOTAL RECEIPTS	-	26,037	66,603	-	375,000	305,027
EXPENDITURES						
Contractual services	-	-	-	258	-	-
Capital outlay	6,965	-	-	-	140,822	159,798
Loan advances	-	-	-	-	-	-
Debt service	-	-	66,602	-	-	-
Operating transfers out	-	-	-	-	161,561	-
TOTAL EXPENDITURES	6,965	-	66,602	258	302,383	159,798
RECEIPTS OVER (UNDER) EXPENDITURES	(6,965)	26,037	1	(258)	72,617	145,229
UNENCUMBERED CASH, BEGINNING	6,965	160,043	68,963	22,728	1,509,617	847,191
UNENCUMBERED CASH, ENDING	<u>\$ -</u>	<u>\$ 186,080</u>	<u>\$ 68,964</u>	<u>\$ 22,470</u>	<u>\$ 1,582,234</u>	<u>\$ 992,420</u>

## CITY OF HESSTON, KANSAS

CAPITAL PROJECTS NONBUDGETED FUNDS  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2019

Schedule 2  
 Page 15 of 16

	Golf Clubhouse Improvements	Council Chamber Remodel	Bicycle/ Pedestrian	22 Acre Development	Downtown Revitalization	Total
RECEIPTS						
Grants	\$ -	\$ -	\$ 29,805	\$ -	\$ -	\$ 29,805
Operating transfers in	-	36,561	-	75,000	50,000	161,561
TOTAL RECEIPTS	-	36,561	29,805	75,000	50,000	191,366
EXPENDITURES						
Commodities	-	-	-	63	-	63
Contractual services	11,150	-	16,217	2,618	-	29,985
Capital outlay	-	66,584	-	-	-	66,584
Construction	-	118,095	-	-	-	118,095
TOTAL EXPENDITURES	11,150	184,679	16,217	2,681	-	214,727
RECEIPTS OVER (UNDER) EXPENDITURES	(11,150)	(148,118)	13,588	72,319	50,000	(23,361)
UNENCUMBERED CASH, BEGINNING	493,995	148,118	-	-	-	642,113
UNENCUMBERED CASH, ENDING	<u>\$ 482,845</u>	<u>\$ -</u>	<u>\$ 13,588</u>	<u>\$ 72,319</u>	<u>\$ 50,000</u>	<u>\$ 618,752</u>

## CITY OF HESSTON, KANSAS

BUSINESS NONBUDGETED FUNDS  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2019

Schedule 2  
Page 16 of 16

	Utility Maintenance Reserve	Golf Course Maintenance Reserve
RECEIPTS		
Reimbursements	\$ -	\$ 1,192
Operating transfers in	100,000	70,000
TOTAL RECEIPTS	<u>100,000</u>	<u>71,192</u>
EXPENDITURES		
Maintenance	171,203	17,621
Commodities	-	8,253
Equipment	4,550	67,328
Reimbursements	10,004	-
TOTAL EXPENDITURES	<u>185,757</u>	<u>93,202</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(85,757)	(22,010)
UNENCUMBERED CASH, BEGINNING	<u>1,198,559</u>	<u>100,269</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 1,112,802</u></u>	<u><u>\$ 78,259</u></u>

## CITY OF HESSTON, KANSAS

HESSTON PUBLIC LIBRARY - RELATED MUNICIPAL ENTITY  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2019

Schedule 3

	<u>Actual</u>
RECEIPTS	
City appropriations	\$ 221,282
SCKLS	20,998
Grants	9,239
Fines	6,154
Donations	552
H-Town	2,230
Miscellaneous	3,704
Interest	518
	<u>264,677</u>
TOTAL RECEIPTS	<u>264,677</u>
EXPENDITURES	
Buildings	17,143
Books and collection	31,473
Operations	12,832
Payroll	167,555
Programming	8,758
Technology	10,068
Utilities	12,185
Miscellaneous	1,705
	<u>261,719</u>
TOTAL EXPENDITURES	<u>261,719</u>
RECEIPTS OVER (UNDER) EXPENDITURES	2,958
UNENCUMBERED CASH, BEGINNING	<u>106,705</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 109,663</u></u>



## CITY OF HESSTON, KANSAS

HESSTON LAND BANK - RELATED MUNICIPAL ENTITY  
 SCHEDULE OF RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
 For Year Ended December 31, 2019

	Schedule 3
	<u>Actual</u>
RECEIPTS	
City appropriations	\$ -
Land sales	<u>2,574</u>
TOTAL RECEIPTS	<u>2,574</u>
EXPENDITURES	
Legal fees	80
Special assessments	6,087
Miscellaneous	<u>30</u>
TOTAL EXPENDITURES	<u>6,197</u>
RECEIPTS OVER (UNDER) EXPENDITURES	(3,623)
UNENCUMBERED CASH, BEGINNING	<u>26,336</u>
UNENCUMBERED CASH, ENDING	<u><u>\$ 22,713</u></u>

CITY OF HESSTON, KANSAS

DECEMBER 31, 2019

SAS 114 (BOARD OF GOVERNANCE) LETTER



Roger W. Field, CPA  
Gregory D. Daughhetee, CPA  
Kenneth D. Hamby, CPA  
Michael R. Meisenheimer, CPA  
Nick L. Mueiting, CPA  
Billy J. Klug, CPA  
Randall R. Hofmeier, CPA  
Brent L. Knoche, CPA  
Brian W. Mapel, CPA  
Jeffrey D. Reece, CPA  
Brady H. Byrnes, CPA  
Alex P. Larson, CPA

**Mayor and City Council  
City of Hesston, Kansas**

We have audited the financial statement of City of Hesston, Kansas (the City), for the year ended December 31, 2019, and have issued our report thereon dated May 14, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 12, 2019. Professional standards also require that we communicate to you the following information related to our audit:

**Significant Audit Matters**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during 2019. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

***Accounting Estimates***

Accounting estimates are an integral part of the financial statement prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statement was the allocated net pension liability for KPERS. We evaluated the key factors and assumptions used to develop this accounting estimate in determining that it is reasonable in relation to the financial statement taken as a whole.

***Financial Statement Disclosures***

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing the audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statement taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 14, 2020.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statement or a determination of the type of auditors' opinion that may be expressed on this statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Supplemental Information

With respect to the supplementary information accompanying the financial statement, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with Kansas Municipal Audit and Accounting Guide, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself.

Mayor and City Council  
City of Hesston, Kansas  
Page 3

Restriction on Use

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

*Lindburg Vogel Pierce Faris*

Certified Public Accountants

Hutchinson, Kansas  
May 14, 2020





## THE CITY OF **HESSTON**

Hesston Municipal Building / 115 E. Smith / P.O. Box 100 / Hesston, KS 67062  
620-327-4412 / Fax 620-327-4595 / <http://www.hesstonks.org>

### **MANAGEMENT REPRESENTATION LETTER**

May 14, 2020

Lindburg Vogel Pierce Faris, Chartered  
P.O. Box 2047  
Hutchinson, KS 67504-2047

This representation letter is provided in connection with your audit of the financial statement of the City of Hesston, Kansas (the City) which comprise the regulatory basis summary statement of receipts, expenditures, and unencumbered cash and the related notes to the financial statement, for the year ended December 31, 2019, for the purpose of expressing an opinion as to whether the financial statement presents fairly, in all material respects, the cash and unencumbered cash balances of the various funds of the City of Hesston and the revenues received and expenditures paid of such funds in conformity with the regulatory basis of accounting provisions permitted in the Kansas Municipal Audit and Accounting Guide (KMAAG).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

#### **Financial statement**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 12, 2019.
2. The financial statement referred to above is fairly presented in conformity with the regulatory basis of accounting, as described above, and includes all properly classified funds of the City.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statement that would require adjustment or disclosure in the financial statement.



8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statement. A list of uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with the regulatory basis of accounting.
10. Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly disclosed.

#### **Information Provided**

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statement, such as records, documentation, monitoring results, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the City Council or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statement.
13. We have disclosed to you the results of our assessment of the risk that the financial statement may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal controls, or
  - c. Others where the fraud could have a material effect on the financial statement.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statement communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing the financial statement.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning pending or threatened litigation, claims, or assessments.
18. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
19. We have identified and disclosed to you our federal financial assistance programs and related expenditures.

#### **Government—specific**

20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. The City has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

24. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statement or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
26. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statement, or as a basis for recording a loss contingency, or for reporting on noncompliance.
27. As part of your audit, you assisted with preparation of the financial statement and related notes. We acknowledge our responsibility as it relates to these nonaudit services, including that we assume all management responsibilities; oversee your services by designating an individual with suitable skill, knowledge, or experience; evaluate the adequacy and results of services performed; and accept responsibility for the results of the services. Finance Director/City Clerk, Jason Thrasher, has been designated to oversee these nonaudit services. We have reviewed, approved, and accepted responsibility for the financial statement and related notes.
28. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
29. The City has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
30. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
31. The financial statement properly classifies all funds and activities.
32. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
33. We acknowledge our responsibility for presenting supplementary information including the summary of expenditures - actual and budget, the individual fund schedules of receipts and expenditures - actual and budget, and the schedule of receipts and expenditures - related municipal entity (schedules 1 through 3) in accordance with the regulatory basis of accounting, and we believe such information, including its form and content is presented fairly in conformity with the provisions permitted in KMAAG. The methods of measurement and presentation have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

Signed: \_\_\_\_\_

City Administrator

Signed: \_\_\_\_\_

Finance Director/City Clerk



City of Hesston, Kansas  
Audit differences  
2019

	Overstated (Understated)				
	Assets	Liabilities	Fund bal	Revenues	Expenditures
Current year accounts payable not recorded	\$ -	\$ (10,536.73)	\$ -	\$ -	\$ (10,536.73)
	-	-	-	-	-
Prior year accounts payable not recorded	-	-	-	-	11,385.78
Hesston Public Library -					
Current year accounts payable not recorded		(1,753.55)			(1,753.55)
Prior year accounts payable not recorded	-	-	-	-	1,327.00
	<u>\$ -</u>	<u>\$ (12,290.28)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422.50</u>
FS captions	<u>\$ 10,540,143</u>	<u>\$ 190,239</u>	<u>\$ 10,349,904</u>	<u>\$ 9,616,072</u>	<u>\$ 9,079,632</u>
	<u>\$ 0.00%</u>	<u>\$ -6.46%</u>	<u>\$ 0.00%</u>	<u>\$ 0.00%</u>	<u>\$ 0.00%</u>

Performance materiality = \$75,000

Passed adjustments do not misstate financial statement.

City of Hesston, Kansas  
Audit differences  
2019

	Overstated (Understated)				
	Assets	Liabilities	Fund bal	Revenues	Expenditures
Current year accounts payable not recorded	\$ -	\$ (10,536.73)	\$ -	\$ -	\$ (10,536.73)
	-	-	-	-	-
Prior year accounts payable not recorded	-	-	-	-	11,385.78
Hesston Public Library -					
Current year accounts payable not recorded		(1,753.55)			(1,753.55)
Prior year accounts payable not recorded	-	-	-	-	1,327.00
	<u>\$ -</u>	<u>\$ (12,290.28)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 422.50</u>
FS captions	<u>\$ 10,540,143</u>	<u>\$ 190,239</u>	<u>\$ 10,349,904</u>	<u>\$ 9,616,072</u>	<u>\$ 9,079,632</u>
	<u>\$ 0.00%</u>	<u>\$ -6.46%</u>	<u>\$ 0.00%</u>	<u>\$ 0.00%</u>	<u>\$ 0.00%</u>

Performance materiality = \$75,000

Passed adjustments do not misstate financial statement.