

CITY OF BEL AIRE, KANSAS

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

AND

INDEPENDENT AUDITOR'S REPORT



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas (City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note IV. F., in 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it relates to their participation in the State of Kansas' Death and Disability OPEB plan. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

August 8, 2019
Wichita, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bel Aire's (City) financial statements provides a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2018. This discussion follows guidelines prescribed by the Governmental Accounting Standards Board (GASB) Statement 34, which enhances comparability between governments. The information presented here should be read in conjunction with the accompanying basic financial statements and the notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$35,738,184 (net position).
- The City's total net position increased during this fiscal year by \$1,018,020 including the prior period adjustment for recording of the KPERS Death and Disability Plan liability under GASB 75.
- At the close of 2018, the City's governmental funds reported combined ending fund balances of \$16,133,730, a decrease of \$1,299,503 over the prior year.
- At the close of 2018, unassigned fund balance for the General Fund was \$2,619,969 or 48% of revenues for the fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

Proprietary Funds

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

Notes to the Basic Financial Statements

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-Wide Financial Statements						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 35,622,924	\$ 37,968,802	\$ 4,443,471	\$ 3,491,661	\$ 40,066,395	\$ 41,460,463
Capital assets	40,758,921	41,000,091	17,486,855	17,416,321	58,245,776	58,416,412
Total assets	76,381,845	78,968,893	21,930,326	20,907,982	98,312,171	99,876,875
Deferred outflows	2,243,121	2,367,008	62,265	48,386	2,305,386	2,415,394
Long-term liabilities	\$ 59,770,447	\$ 62,326,225	\$ 1,346,811	\$ 1,386,641	\$ 61,117,258	\$ 63,712,866
Other liabilities	808,098	1,009,576	127,642	212,113	935,740	1,221,689
Total liabilities	60,578,545	63,335,801	1,474,453	1,598,754	62,052,998	64,934,555
Deferred inflows	2,818,290	2,629,958	8,085	7,592	2,826,375	2,637,550
Net position						
Net investment in capital assets	(11,819,298)	(13,872,842)	16,391,959	16,262,455	4,572,661	2,389,613
Restricted	1,033,397	411,227	-	-	1,033,397	411,227
Unrestricted	26,014,032	28,831,757	4,118,094	3,087,567	30,132,126	31,919,324
Total net position	\$ 15,228,131	\$ 15,370,142	\$ 20,510,053	\$ 19,350,022	\$ 35,738,184	\$ 34,720,164

Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$35,738,184 at the close of 2018.

The City's net investment in capital assets of \$4,572,661 represents capital assets (e.g. land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens, and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

The City's net position that represents resources that are subject to external restrictions on how they may be used of \$1,033,397. Restricted net position includes:

- Debt service: \$208,104
- Capital projects: \$452,218
- Public Building Commission: \$133,557;
- Land Bank: \$235,865; and
- Drug forfeiture: \$3,653

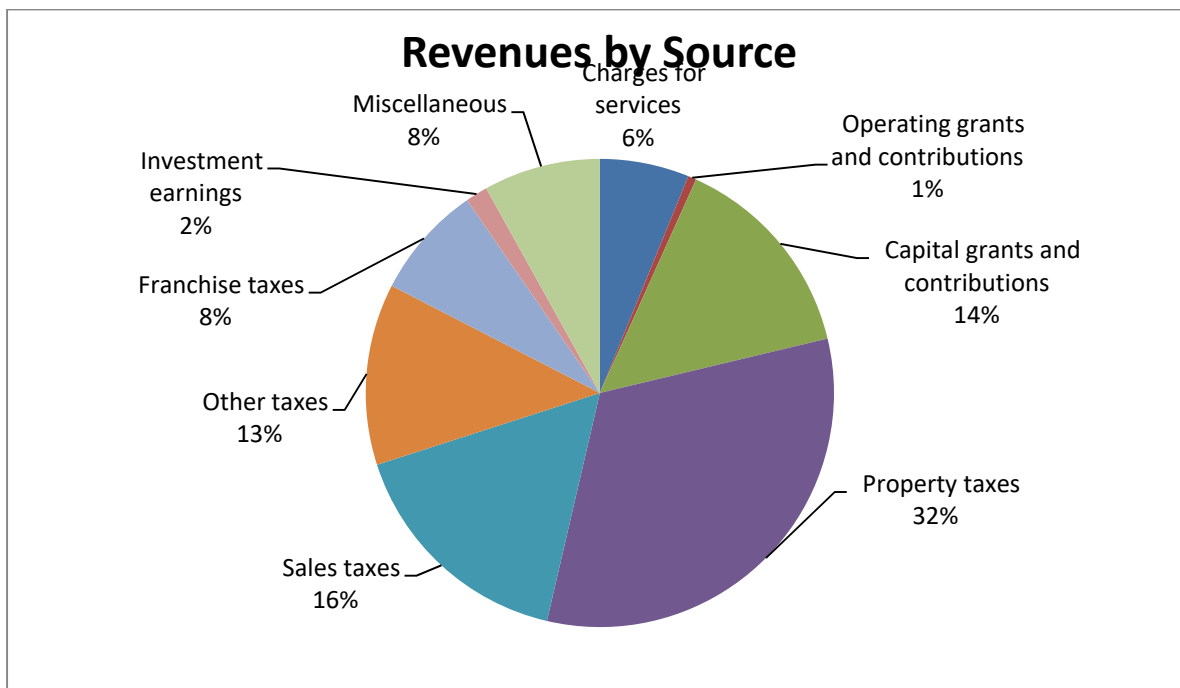
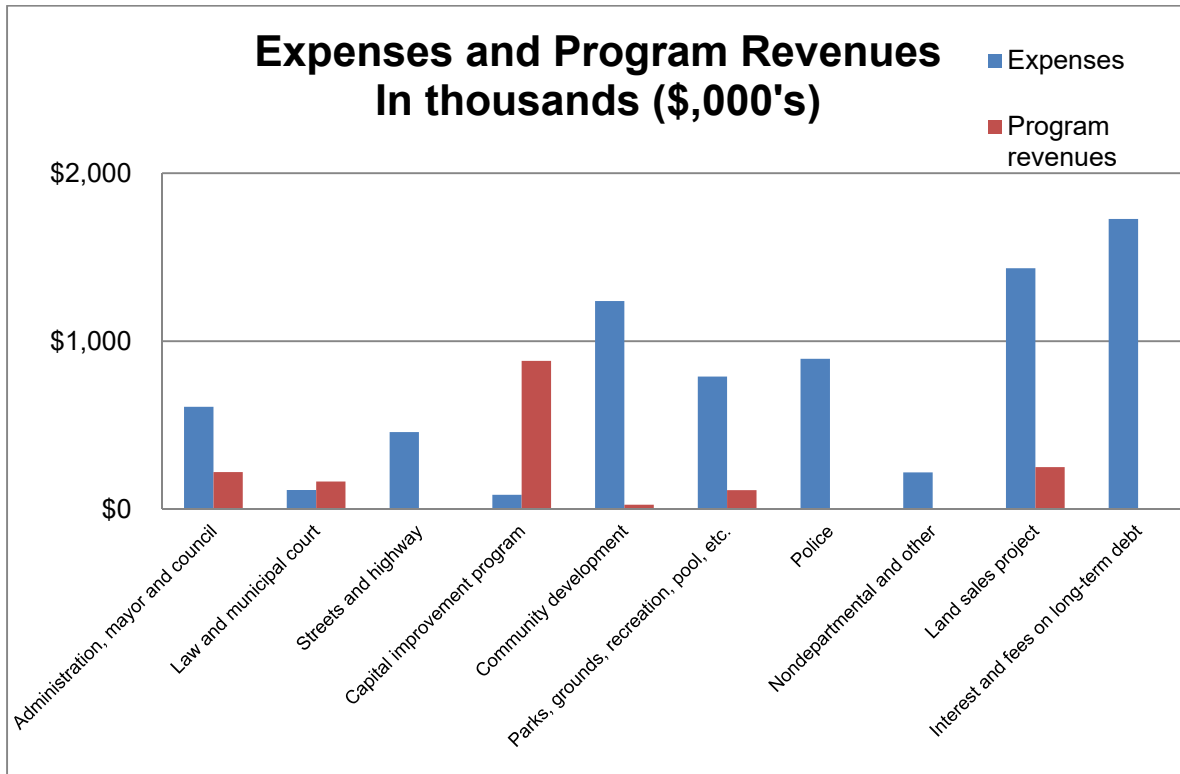
The City's total unrestricted net position is \$30,132,126.

Condensed Statement of Changes in Net Position						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 480,583	\$ 624,671	\$ 5,301,278	\$ 5,079,683	\$ 5,781,861	\$ 5,704,354
Operating grants and contributions	44,318	50,292	-	-	44,318	50,292
Capital grants and contributions	1,132,373	3,110,971	-	-	1,132,373	3,110,971
General revenues:						
Property taxes	2,521,355	2,353,946	-	-	2,521,355	2,353,946
Sales taxes	1,277,730	1,179,944	-	-	1,277,730	1,179,944
Other taxes	976,919	795,867	-	-	976,919	795,867
Franchise taxes	609,703	514,696	-	-	609,703	514,696
Investment earnings	119,589	87,777	23,870	8,393	143,459	96,170
Miscellaneous	628,654	402,025	15,104	50,357	643,758	452,382
Total revenues	<u>7,791,224</u>	<u>9,120,189</u>	<u>5,340,252</u>	<u>5,138,433</u>	<u>13,131,476</u>	<u>14,258,622</u>
Expenses:						
Administration, mayor and council	609,242	568,668	-	-	609,242	568,668
Law and municipal court	114,300	114,363	-	-	114,300	114,363
Streets and highway	459,243	720,877	-	-	459,243	720,877
Capital improvement program	85,854	39,010	-	-	85,854	39,010
Community development	1,239,303	1,186,545	-	-	1,239,303	1,186,545
Parks, grounds, recreation, pool, etc.	789,751	858,713	-	-	789,751	858,713
Police	895,291	956,359	-	-	895,291	956,359
Nondepartmental and other	218,584	174,550	-	-	218,584	174,550
Land sales project	1,434,619	914,502	-	-	1,434,619	914,502
Interest and fees on long-term debt	1,727,537	2,093,848	-	-	1,727,537	2,093,848
Water	-	-	2,106,758	2,255,484	2,106,758	2,255,484
Sewer	-	-	1,934,656	1,964,595	1,934,656	1,964,595
Solid Waste and Stormwater	-	-	401,640	387,516	401,640	387,516
Total expenses	<u>7,573,724</u>	<u>7,627,435</u>	<u>4,443,054</u>	<u>4,607,595</u>	<u>12,016,778</u>	<u>12,235,030</u>
Increase in net position before transfers	217,500	1,492,754	897,198	530,838	1,114,698	2,023,592
Transfers	(262,833)	(635,886)	262,833	635,886	-	-
Increase (decrease) in net position	(45,333)	856,868	1,160,031	1,166,724	1,114,698	2,023,592
Net position - beginning of year	15,370,142	14,513,274	19,350,022	18,183,298	34,720,164	32,696,572
Prior period adjustment	(96,678)	-	-	-	(96,678)	-
Net position - end of year	<u>\$ 15,228,131</u>	<u>\$ 15,370,142</u>	<u>\$ 20,510,053</u>	<u>\$ 19,350,022</u>	<u>\$ 35,738,184</u>	<u>\$ 34,720,164</u>

Analysis of Changes in Net Position

The City's net position increased during the fiscal year by a total of \$1,018,020 including these changes:

- Charges for services increased \$77,507 mostly due to an increase in water and sewer services provided of \$221,595.
- Capital grants and contributions decreased by \$1,978,598 due to a decrease in special assessments.
- General revenues increased \$779,919 with the largest increase in miscellaneous of \$181,052 due to an increase in rail loan reimbursements.
- Expenses of governmental activities were comparable to the prior year with a decrease of \$53,711.
- Expenses of business-type activities decreased by \$164,541 primarily due to a decrease in water purchases and contractual costs paid to the CCUA.



The charts above illustrate the City's governmental expenses and program revenues by function, and revenues by source. The interest on long-term debt represents the largest portion of 2018 expenses, followed by land sales projects.

For governmental activities overall, intergovernmental revenues are the largest source of revenue followed by property tax revenue received for cost sharing arrangements on capital projects. Other revenues and expense functions fall within anticipated ranges.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

At the end of 2018, the City's governmental funds reported combined ending fund balances of \$16,133,730 including:

- Nonspendable: \$9,191,397;
- Restricted by external requirements and laws: \$4,099,174;
- Assigned to capital projects or other uses: \$223,190; and
- Unassigned funds available for use at the City's discretion: \$2,619,969.

The General Fund is the primary operating fund for the City. At the end of 2018, total fund balance of the General Fund was \$3,693,666. The fund balance increased by \$379,007 during the fiscal year due to increases in taxes, shared revenues and franchise fees with a decrease to transfers out.

The Bond and Interest Fund had an increase in fund balance of \$333,641 due an increase in special assessments revenue recognized.

The Capital Projects Fund had a decrease in fund balance of \$1,173,431 due to the spending of bond proceeds for capital projects.

The Public Building Commission had an increase in fund balance of \$51,176 due to an increase in transfers in compared to the prior year.

The Land Bank had a decrease in fund balance of \$839,377 due to a loss on land project sales.

Nonmajor government funds were comparable to the prior year with a decrease overall of \$50,519.

The Water Funds, Sewer Funds, and other nonmajor business-type funds had increases in net position of \$412,279, \$699,615 and \$48,137, respectively due to increased charges for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. Motor vehicle and sales tax collections were more than budgeted for 2018, while property taxes and licenses, permits and fees came in under budget. Overall budgeted revenues were comparable to actual results. Additionally, the City's transfers out were significantly lower than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, was \$58,245,776 as of December 31, 2018. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,240,325	\$ 4,240,325	\$ 534,040	\$ 534,040	\$ 4,774,365	\$ 4,774,365
Land project	6,865,891	6,865,891	-	-	6,865,891	6,865,891
Construction in progress	187,050	262,898	202,083	268,500	389,133	531,398
City hall	1,979,986	2,046,367	-	-	1,979,986	2,046,367
Swimming pool	521,398	547,041	-	-	521,398	547,041
Other structures and equipment	1,167,023	1,046,513	16,750,732	16,613,781	17,917,755	17,660,294
Infrastructure	25,797,248	25,991,056	-	-	25,797,248	25,991,056
Total	<u>\$ 40,758,921</u>	<u>\$ 41,000,091</u>	<u>\$ 17,486,855</u>	<u>\$ 17,416,321</u>	<u>\$ 58,245,776</u>	<u>\$ 58,416,412</u>

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

Long-Term Debt

At December 31, 2018 the City had total long-term bonds outstanding of \$57,830,000. This amount included \$27,890,000 of general obligation bonds backed by the full faith and credit of the City, \$8,805,000 in temporary notes which will be repaid with an issuance of general obligation bonds and \$21,135,000 in revenue bonds with the Public Building Commission.

Total long-term bonds payable decreased by \$2,575,000 during the fiscal year due to the repayment of debt made during the year.

The City had \$1,094,896 of outstanding revolving loan funds for water and sewer fund projects and \$290,150 of outstanding rail loan funds for a capital project.

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

Kansas statutes limit the amount of general obligation debt a governmental entity may issue to 30% of its total assessed valuation. After subtracting deductions allowed by the statutes, the current debt limit for the City is \$21,409,404 and debt outstanding subject to the limit is \$16,141,523, leaving \$5,267,881 in legal debt margin.

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

Outstanding Bonds General Obligation and Revenue Bonds		
	Governmental Activities	
	2018	2017
General obligation bonds	\$ 27,890,000	\$ 29,705,000
Temporary notes	8,805,000	8,980,000
Revenue bonds - Public Building Commission	21,135,000	21,720,000
Total	<u>\$ 57,830,000</u>	<u>\$ 60,405,000</u>

Economic Factors

Property tax collections increased 7.11% over 2017 and the positive trend has continued into the first half of 2019. The assessed valuation increased 7.4% in 2018.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

City of Bel Aire, Kansas

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash, including investments	\$ 7,889,149	\$ 4,063,264	\$ 11,952,413
Receivables, net	19,616,075	380,207	19,996,282
Property held for resale	8,117,700	-	8,117,700
Capital assets:			
Land and construction in progress	11,293,266	736,123	12,029,389
Other capital assets, net of depreciation	29,465,655	16,750,732	46,216,387
Total assets	<u>76,381,845</u>	<u>21,930,326</u>	<u>98,312,171</u>
Deferred outflows of resources:			
Deferred refunding	1,950,573	-	1,950,573
Deferred outflows - OPEB	14,938	-	14,938
Deferred outflows - pensions	277,610	62,265	339,875
Total deferred outflows of resources	<u>2,243,121</u>	<u>62,265</u>	<u>2,305,386</u>
Liabilities:			
Accounts payable	415,637	113,102	528,739
Accrued wages	51,770	14,540	66,310
Interest payable	340,691	-	340,691
Long-term liabilities			
Due within one year	9,494,540	64,340	9,558,880
Due in more than one year	50,275,907	1,282,471	51,558,378
Total liabilities	<u>60,578,545</u>	<u>1,474,453</u>	<u>62,052,998</u>
Deferred inflows of resources:			
Deferred property tax receivable	2,775,180	-	2,775,180
Deferred inflows - OPEB	7,065	-	7,065
Deferred inflows - pensions	36,045	8,085	44,130
Total deferred inflows of resources	<u>2,818,290</u>	<u>8,085</u>	<u>2,826,375</u>
Net position:			
Net investment in capital assets	(11,819,298)	16,391,959	4,572,661
Restricted for:			
Debt service	208,104	-	208,104
Capital projects	452,218	-	452,218
Public Building Commission	133,557	-	133,557
Land Bank	235,865	-	235,865
Drug forfeiture	3,653	-	3,653
Unrestricted	26,014,032	4,118,094	30,132,126
Total net position	<u>\$ 15,228,131</u>	<u>\$ 20,510,053</u>	<u>\$ 35,738,184</u>

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

City of Bel Aire, Kansas
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
Governmental activities:							
Administration, mayor and council	\$ 609,242	\$ 176,385	\$ 44,318	\$ -	\$ (388,539)	\$ -	\$ (388,539)
Law and municipal court	114,300	164,661	-	-	50,361	-	50,361
Streets and highway	459,243	-	-	-	(459,243)	-	(459,243)
Community development	1,239,303	26,129	-	-	(1,213,174)	-	(1,213,174)
Parks, grounds, recreation, pool, etc.	789,751	113,408	-	-	(676,343)	-	(676,343)
Police	895,291	-	-	-	(895,291)	-	(895,291)
Nondepartmental and other	218,584	-	-	-	(218,584)	-	(218,584)
Land sales project	1,434,619	-	-	250,000	(1,184,619)	-	(1,184,619)
Capital improvement program	85,854	-	-	882,373	796,519	-	796,519
Interest and fees on long-term debt	1,727,537	-	-	-	(1,727,537)	-	(1,727,537)
Total governmental activities	7,573,724	480,583	44,318	1,132,373	(5,916,450)	-	(5,916,450)
Business-type activities:							
Water	2,106,758	2,428,441	-	-	-	321,683	321,683
Sewer	1,934,656	2,273,060	-	-	-	338,404	338,404
Nonmajor business-type funds	401,640	599,777	-	-	-	198,137	198,137
Total business-type activities	4,443,054	5,301,278	-	-	-	858,224	858,224
Total	\$ 12,016,778	\$ 5,781,861	\$ 44,318	\$ 1,132,373	(5,916,450)	858,224	(5,058,226)
General revenues:							
Property taxes					2,521,355	-	2,521,355
Sales taxes					1,277,730	-	1,277,730
Other taxes					976,919	-	976,919
Franchise fees					609,703	-	609,703
Investment earnings					119,589	23,870	143,459
Miscellaneous					628,654	15,104	643,758
Transfers					(262,833)	262,833	-
Total general revenues					5,871,117	301,807	6,172,924
Change in net position					(45,333)	1,160,031	1,114,698
Net position, beginning of year					15,370,142	19,350,022	34,720,164
Prior period adjustment					(96,678)	-	(96,678)
Net position, end of year					\$ 15,228,131	\$ 20,510,053	\$ 35,738,184

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

City of Bel Aire, Kansas
Balance Sheet
Governmental Funds
December 31, 2017

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Assets:							
Cash, including investments	\$ 2,447,911	\$ 548,795	\$ 3,732,902	\$ 133,557	\$ 347,228	\$ 678,756	\$ 7,889,149
Receivables (net of allowance for uncollectibles)							
Property taxes	2,775,180	-	-	-	-	-	2,775,180
Special assessments	-	16,246,607	-	-	-	-	16,246,607
Motor vehicle and RV tax	32,928	-	-	-	-	-	32,928
Real estate mortgage note receivable	273,697	-	-	-	-	-	273,697
Sales tax	238,372	-	-	-	-	-	238,372
Franchise taxes and fees	44,235	-	-	-	-	-	44,235
Other	-	-	-	-	-	5,056	5,056
Advances to other funds	800,000	-	-	-	-	-	800,000
Property held for resale	-	-	-	-	8,117,700	-	8,117,700
Total assets	<u>\$ 6,612,323</u>	<u>\$ 16,795,402</u>	<u>\$ 3,732,902</u>	<u>\$ 133,557</u>	<u>\$ 8,464,928</u>	<u>\$ 683,812</u>	<u>\$ 36,422,924</u>
Liabilities:							
Accounts payable	\$ 93,818	\$ -	\$ 207,816	\$ -	\$ 111,363	\$ 2,640	\$ 415,637
Accrued liabilities	49,659	-	-	-	-	2,111	51,770
Advances from other funds	-	-	800,000	-	-	-	800,000
Total liabilities	<u>143,477</u>	<u>-</u>	<u>1,007,816</u>	<u>-</u>	<u>111,363</u>	<u>4,751</u>	<u>1,267,407</u>
Deferred inflows of resources:							
Deferred property tax receivable	2,775,180	-	-	-	-	-	2,775,180
Unavailable revenue - special assessments	-	16,246,607	-	-	-	-	16,246,607
Total deferred inflows of resources	<u>2,775,180</u>	<u>16,246,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,021,787</u>
Fund balance:							
Nonspendable	1,073,697	-	-	-	8,117,700	-	9,191,397
Restricted	-	548,795	2,725,086	133,557	235,865	455,871	4,099,174
Assigned	-	-	-	-	-	223,190	223,190
Unassigned	2,619,969	-	-	-	-	-	2,619,969
Total fund balance	<u>3,693,666</u>	<u>548,795</u>	<u>2,725,086</u>	<u>133,557</u>	<u>8,353,565</u>	<u>679,061</u>	<u>16,133,730</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 6,612,323</u>	<u>\$ 16,795,402</u>	<u>\$ 3,732,902</u>	<u>\$ 133,557</u>	<u>\$ 8,464,928</u>	<u>\$ 683,812</u>	<u>\$ 36,422,924</u>

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

City of Bel Aire, Kansas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2018

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

Total fund balance -- governmental funds		\$ 16,133,730
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 57,921,485	
Accumulated depreciation	<u>(17,162,564)</u>	40,758,921
Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable in the fund statements		16,246,607
Deferred outflows of resources are not available and payable in the current period and, therefore, are not reported in the funds.		
Deferred outflows - pensions		277,610
Deferred outflows - OPEB		14,938
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Accrued interest payable	(340,691)	
General obligation bonds payable	(27,890,000)	
Revenue bonds - Public Building Commission	(21,135,000)	
Deferred refunding	1,950,573	
Temporary notes	(8,805,000)	
Net pension liability	(1,087,242)	
Total OPEB liability	(83,779)	
Premiums	(431,694)	
Rail loan	(290,150)	
Compensated absences	<u>(47,582)</u>	(58,160,565)
Other deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred inflows - pensions		(36,045)
Deferred inflows - OPEB		<u>(7,065)</u>
Total net position -- governmental activities		\$ 15,228,131

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

City of Bel Aire, Kansas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:							
Taxes and shared revenues	\$ 4,273,970	\$ 195,323	\$ -	\$ -	\$ -	\$ 306,711	\$ 4,776,004
Intergovernmental revenues	44,318	-	470,990	-	-	-	515,308
Franchise fees	609,703	-	-	-	-	-	609,703
Court fines	164,661	-	-	-	-	-	164,661
Licenses, permits and fees	289,793	-	-	-	-	-	289,793
Rents and sales	26,129	-	-	89,127	-	-	115,256
Special assessments	-	2,065,897	-	-	-	-	2,065,897
Contribution of property held for resale	-	-	-	-	250,000	-	250,000
Other	83,952	519	49,320	-	4,096	30,315	168,202
Total revenues	5,492,526	2,261,739	520,310	89,127	254,096	337,026	8,954,824
Expenditures:							
Current:							
Administration, mayor and council	611,509	-	-	-	-	-	611,509
Law and municipal court	114,155	-	-	-	-	-	114,155
Streets and highway	-	-	-	-	-	282,596	282,596
Community development	172,471	-	-	-	-	-	172,471
Parks, grounds, recreation, pool, etc.	726,933	-	-	-	-	-	726,933
Police	913,198	-	-	-	-	-	913,198
Nondepartmental and other	218,307	-	-	2,715	-	-	221,022
Land project	352,507	-	-	-	303,500	-	656,007
Capital outlay/projects	-	-	1,341,576	-	-	556,330	1,897,906
Debt Service:							
Principal retirement	5,008	1,815,000	215,284	585,000	-	-	2,620,292
Interest and other	-	881,473	131,876	735,044	-	-	1,748,393
Debt issuance costs	-	856	5,005	-	-	-	5,861
Total expenditures	3,114,088	2,697,329	1,693,741	1,322,759	303,500	838,926	9,970,343
Excess (deficiency) of revenues over (under) expenditures	2,378,438	(435,590)	(1,173,431)	(1,233,632)	(49,404)	(501,900)	(1,015,519)
Other financing sources (uses):							
Land sales	-	-	-	-	(789,973)	-	(789,973)
Transfers in	-	769,231	-	1,284,808	-	500,000	2,554,039
Transfers out	(1,999,431)	-	-	-	-	(48,619)	(2,048,050)
Total other financing sources (uses)	(1,999,431)	769,231	-	1,284,808	(789,973)	451,381	(283,984)
Net change in fund balance	379,007	333,641	(1,173,431)	51,176	(839,377)	(50,519)	(1,299,503)
Fund balance, beginning of year	3,314,659	215,154	3,898,517	82,381	9,192,942	729,580	17,433,233
Fund balance, end of year	\$ 3,693,666	\$ 548,795	\$ 2,725,086	\$ 133,557	\$ 8,353,565	\$ 679,061	\$ 16,133,730

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

City of Bel Aire, Kansas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

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

Net change in fund balance-- total governmental funds **\$ (1,299,503)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.

Depreciation expense	(1,216,426)	
Capital assets capitalized	981,106	(235,320)

In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only any proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold. (5,850)

Payments received on certain assets are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized when earned. (1,183,524)

Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities. (26,253)

Payment of OPEB contributions is an expenditure in the governmental funds, but reduces the total OPEB liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for OPEB are only recorded in the statement of activities. 20,772

Repayment of bond principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General obligation bonds	1,815,000	
Temporary notes	175,000	
Revenue bond - Public Building Commission	585,000	
Change in deferred charge on refunding	(118,217)	
Rail loan	40,284	
Capital leases	5,008	2,502,075

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 146,610

The amortization of bond premiums affects long-term assets and liabilities on the statement of net position, but does not provide or use current financial resources to governmental funds. 37,135

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the following difference was noted:

Compensated absences earned exceeded benefits paid	(1,475)
--	---------

Change in net position of governmental activities **\$ (45,333)**

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

City of Bel Aire, Kansas

Statement of Net Position

Proprietary Funds

December 31, 2018

	Water	Sewer	Nonmajor Proprietary Funds	Total
Assets:				
Current assets:				
Cash, including investments	\$ 1,557,363	\$ 2,100,308	\$ 405,593	\$ 4,063,264
Receivables, net	161,155	185,527	33,525	380,207
Total current assets	<u>1,718,518</u>	<u>2,285,835</u>	<u>439,118</u>	<u>4,443,471</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	303,968	432,155	-	736,123
Other capital assets, net of depreciation	7,515,195	9,235,537	-	16,750,732
Total noncurrent assets	<u>7,819,163</u>	<u>9,667,692</u>	<u>-</u>	<u>17,486,855</u>
Total assets	<u>9,537,681</u>	<u>11,953,527</u>	<u>439,118</u>	<u>21,930,326</u>
Deferred outflows of resources:				
Pension related items	<u>21,208</u>	<u>41,057</u>	<u>-</u>	<u>62,265</u>
Liabilities:				
Current liabilities:				
Accounts payable	55,218	25,302	32,582	113,102
Accrued payroll	2,575	11,965	-	14,540
Revolving loan - current	38,278	23,940	-	62,218
Compensated absences	670	1,452	-	2,122
Total current liabilities	<u>96,741</u>	<u>62,659</u>	<u>32,582</u>	<u>191,982</u>
Noncurrent liabilities:				
Revolving loan	639,837	392,841	-	1,032,678
Net pension liability	83,060	160,797	-	243,857
Compensated absences	1,640	4,296	-	5,936
Total noncurrent liabilities	<u>724,537</u>	<u>557,934</u>	<u>-</u>	<u>1,282,471</u>
Total liabilities	<u>821,278</u>	<u>620,593</u>	<u>32,582</u>	<u>1,474,453</u>
Deferred inflows of resources:				
Pension related items	<u>2,754</u>	<u>5,331</u>	<u>-</u>	<u>8,085</u>
Net position:				
Investment in capital assets	7,141,048	9,250,911	-	16,391,959
Unrestricted	1,593,809	2,117,749	406,536	4,118,094
Total net position	<u>\$ 8,734,857</u>	<u>\$ 11,368,660</u>	<u>\$ 406,536</u>	<u>\$ 20,510,053</u>

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

City of Bel Aire, Kansas
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Water	Sewer	Nonmajor Proprietary Funds	Total
Operating revenues:				
Charges for services	\$ 2,428,441	\$ 2,273,060	\$ 599,777	\$ 5,301,278
Operating expenses:				
Personnel	129,811	306,286	-	436,097
Contractual services	110,880	20,363	401,640	532,883
Water purchases	354,924	-	-	354,924
Operations and maintenance - CCUA	391,229	341,682	-	732,911
Debt service - CCUA	545,349	693,775	-	1,239,124
Payment in lieu of franchise fees	50,000	100,000	-	150,000
Other operating expenses	224,831	74,257	-	299,088
Depreciation	299,734	398,293	-	698,027
Total operating expenses	<u>2,106,758</u>	<u>1,934,656</u>	<u>401,640</u>	<u>4,443,054</u>
Operating income	<u>321,683</u>	<u>338,404</u>	<u>198,137</u>	<u>858,224</u>
Nonoperating revenues and expenses:				
Interest and other	24,019	14,955	-	38,974
Capital contributions	214,582	554,240	-	768,822
Total nonoperating revenue	<u>238,601</u>	<u>569,195</u>	<u>-</u>	<u>807,796</u>
Income before transfers	<u>560,284</u>	<u>907,599</u>	<u>198,137</u>	<u>1,666,020</u>
Transfers out	<u>(148,005)</u>	<u>(207,984)</u>	<u>(150,000)</u>	<u>(505,989)</u>
Change in net position	412,279	699,615	48,137	1,160,031
Net position, beginning of year	<u>8,322,578</u>	<u>10,669,045</u>	<u>358,399</u>	<u>19,350,022</u>
Net position, end of year	<u><u>\$ 8,734,857</u></u>	<u><u>\$ 11,368,660</u></u>	<u><u>\$ 406,536</u></u>	<u><u>\$ 20,510,053</u></u>

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

City of Bel Aire, Kansas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Water	Sewer	Nonmajor Proprietary Funds	Total
Cash flows from operating activities:				
Cash received from customers	\$ 2,434,031	\$ 2,253,242	\$ 597,384	\$ 5,284,657
Payments to suppliers for goods and services	(1,710,597)	(1,297,315)	(399,972)	(3,407,884)
Payments to employees for salaries and benefits	(146,727)	(269,133)	-	(415,860)
Net cash flow from operating activities	<u>576,707</u>	<u>686,794</u>	<u>197,412</u>	<u>1,460,913</u>
Cash flows from non-capital financing activities:				
Transfers to other funds	(148,005)	(207,984)	(150,000)	(505,989)
Net cash flow from non-capital financing activities	<u>(148,005)</u>	<u>(207,984)</u>	<u>(150,000)</u>	<u>(505,989)</u>
Cash flows from capital and related financing activities:				
Revolving loan payments	(36,475)	(22,495)	-	(58,970)
Proceeds from sale of assets	134	127	-	261
Net cash flow from capital and related financing activities	<u>(36,341)</u>	<u>(22,368)</u>	<u>-</u>	<u>(58,709)</u>
Cash flows from investing activities:				
Interest on investments	24,019	14,955	-	38,974
Net cash flow from investing activities	<u>24,019</u>	<u>14,955</u>	<u>-</u>	<u>38,974</u>
Net increase in cash and cash equivalents	416,380	471,397	47,412	935,189
Cash and cash equivalents, beginning of the year	<u>1,140,983</u>	<u>1,628,911</u>	<u>358,181</u>	<u>3,128,075</u>
Cash and cash equivalents, end of the year	<u><u>\$ 1,557,363</u></u>	<u><u>\$ 2,100,308</u></u>	<u><u>\$ 405,593</u></u>	<u><u>\$ 4,063,264</u></u>
Reconciliation of operating income to net cash flow from operating activities:				
Operating income	\$ 321,683	\$ 338,404	\$ 198,137	\$ 858,224
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	299,734	398,293	-	698,027
Change in net pension liability	(19,867)	36,255	-	16,388
Change in deferred outflows - pensions	(922)	(12,957)	-	(13,879)
Change in deferred inflows - pensions	663	(170)	-	493
Change in accounts receivable	5,590	(19,818)	(2,393)	(16,621)
Change in accounts payable	(33,384)	(67,238)	1,668	(98,954)
Change in accrued liabilities	3,210	14,025	-	17,235
Net cash flow from operating activities	<u><u>\$ 576,707</u></u>	<u><u>\$ 686,794</u></u>	<u><u>\$ 197,412</u></u>	<u><u>\$ 1,460,913</u></u>
Schedule of non-cash capital and related financing activities:				
Contributions of capital assets	\$ 214,582	\$ 554,240	\$ -	\$ 768,822

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

NOTES TO THE FINANCIAL STATEMENTS

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

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

Separate audited financial statements are not prepared for the PBC.

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

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

B. Basis of Presentation

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

Government-wide Financial Statements

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

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

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

The major governmental funds of the City are described below:

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

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

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

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

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

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

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

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

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

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

1. *Deposits and Investments*

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Investments are reported at fair value based on quoted market prices.

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

The City follows GASB 72, *Fair Value Measurement and Application*, which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

At December 31, 2018, investments consisted of funds invested in the Kansas Municipal Investment Pool (KMIP). The KMIP is an external investment pool not SEC (Securities and Exchange Commission) registered, which is regulated by the state and is valued at cost.

2. Receivables

Property tax receivable – In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2018. Estimated delinquencies are insignificant and have not been recorded.

Special assessment receivable – As required by state statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the Bond

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and Interest Fund. Further, state statutes require levying additional general ad valorem property taxes in the Bond and Interest Fund to finance delinquent special assessments.

The City's special assessment taxes are levied over a 15 to 20 year term of the bonds and the annual installments are due and payable with annual ad valorem property taxes. Liens may be foreclosed against the property benefited by the special assessments when delinquent assessments are two years in arrears. At December 31, 2018, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Bond and Interest Fund with a corresponding amount recorded as deferred inflows of resources in the fund financial statements.

Real estate mortgage note receivable – The note receivable is from the sale of the previous City Hall. The note was entered into on June 1, 2004, for \$495,000, with an initial interest rate of 4.5%, for a period not to exceed 24.5 years. At December 31, 2018, the note balance was \$273,697.

3. *Property held for resale*

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

4. *Capital Assets and Depreciation*

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

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

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset Class	Estimated Useful Lives
Buildings	40 years
Improvements/infrastructure	20-40 years
Equipment	5-10 years
Water System	35-40 years
Sewer System	40 years

5. *Accrued Compensated Absences*

The City's policy regarding vacation permits employees with one to five years continuous service to earn eleven days' vacation pay, six to eleven years continuous service to earn sixteen days and for more than twelve years continuous service to earn eighteen days' vacation pay. Earned vacation pay in excess of five days must be taken prior to the employee's next earning date (January 1 of the following year) or be forfeited. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

The sick leave policy of the City provides that all regular employees shall earn one day of sick leave for each calendar month of service. The maximum accumulation of sick leave is 120 days. After ten years of continuous service with the City an employee shall receive compensation for up to 60 days (maximum of \$5,000) for unused accumulated sick leave when permanently separated from service by reason of death or retirement. Employees with continuous employment that started prior to 1990 shall be compensated for up to 50 days (no maximum amount) for unused accumulated sick leave when permanently separated from service by reason of death or retirement. All other accumulated sick leave is cancelled upon termination of employment.

6. *Long-Term Obligations*

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

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

7. *Pensions*

The net pension liability is calculated as the difference between the actuarially calculated value of the projected benefit payments attributed to past periods of employee service and the plan's fiduciary net position. The total pension expense is comprised of the service cost or actuarial present value of

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

projected benefit payments attributed to the valuation year, interest on the total pension liability, plan administrative expenses, current year benefit changes, and other changes in plan fiduciary net position less employee contributions and projected earnings on plan investments. Additionally, the total pension expense includes the annual recognition of outflows and inflows of resources due to pension assets and liability.

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

8. Fund Equity

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

- Net investment in capital assets – consisting of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consisting of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation. The City first utilizes restricted resources to finance qualifying activities.
- Unrestricted net position – consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

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

- Nonspendable – Nonspendable consists of amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained.
- Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Committed – This classification consists of amounts that can be used only for the specific purposes imposed by a resolution made by the City Council and cannot be used for any other purpose unless removed or changed by taking the same type of action that previously committed those amounts.
- Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council or a City official delegated that authority. Encumbrances are considered as assigned unless they specifically meet the requirements to be restricted or committed.
- Unassigned – This consists of the residual balance for the general fund not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from expenditures exceeding amounts that had been restricted, committed or assigned.

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

9. *Deferred Inflows of Resources/Deferred Outflows of Resources*

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

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property taxes are not recognized as revenue until the period for which they are levied. The third and fourth items, deferred inflows for pensions and OPEB, are reported on the government-wide statement of net position. See Note IV. E. and IV. F., respectively, for more information on these deferred inflows.

10. *Land Project*

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

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

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

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

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

Management deems that the current estimated fair value of the project is in excess of the remaining unrecovered costs. Unrecovered costs at December 31, 2018, amounted to \$14,983,591.

The industrial park portion of the land project was financed with Public Building Commission bonds and the amount outstanding at December 31, 2018 was \$17,650,000, also see Note III. C.

11. *Net Position*

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

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. *Estimates*

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

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Expenditures include disbursements accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments such as purchase orders or contracts.

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Custodial Credit Risk. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the City will not be able to recover the value of its deposits. For deposits, the City's policy follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts, and that the collateral be held in safekeeping in the City's name at other than the depository financial institution. To comply with the statutes, the City requires the issuance of joint custody receipts as evidence of the pledged collateral. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

At December 31, 2018, the City's deposits were fully covered by federal depository insurance or collateralized by securities held by the City's agent in the City's name.

At December 31, 2018, the City had invested \$7,851,165 in the state's municipal investment pool not SEC (Securities and Exchange Commission) registered. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the state pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The investment in the municipal investment pools is valued at cost.

Credit Risk and Concentration of Credit Risk. Kansas law limits the types of investments that can be made by the City, which inherently reduces its credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. On December 31, 2018, 100% of the City's investments, \$7,851,165, were invested in the Kansas Municipal Investment Pool, which is not rated.

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

Deposits and investments at December 31, 2018 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 4,101,248
Carrying amount of investments	<u>7,851,165</u>
Total	<u>\$ 11,952,413</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

B. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements				
Land project, held for sale	\$ 6,865,891	\$ --	\$ --	\$ 6,865,891
Parks, recreation, etc.	3,421,063	--	--	3,421,063
City Hall	400,752	--	--	400,752
Other	418,510	--	--	418,510
Construction in process, net	262,898	627,952	703,800	187,050
Total capital assets, not being depreciated	11,369,114	627,952	703,800	11,293,266
Capital assets, being depreciated				
Infrastructure	38,696,565	802,420	--	39,498,985
City Hall	2,950,273	--	--	2,950,273
Swimming pool	854,756	--	--	854,756
Other structures and equipment	3,117,617	254,534	47,946	3,324,205
Total capital assets, being depreciated	45,619,211	1,056,954	47,946	46,628,219
Less accumulated depreciation				
Infrastructure	12,705,509	996,228	--	13,701,737
City Hall	903,906	66,381	--	970,287
Swimming pool	307,715	25,643	--	333,358
Other structures and equipment	2,071,104	128,174	42,096	2,157,182
Total accumulated depreciation	15,988,234	1,216,426	42,096	17,162,564
Total capital assets, being depreciated, net	29,630,977	(159,472)	5,850	29,465,655
Governmental activities capital assets, net	\$ 41,000,091	\$ 468,480	\$ 709,650	\$ 40,758,921

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

Governmental activities:	
Administration, mayor and council	\$ 8,100
Police	35,473
Capital improvement program	77,004
Community development	1,018,227
Parks, grounds, recreation, pool, etc.	77,622
Total depreciation expense	\$ 1,216,426

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

	Balance January 1, 2018	Increases	Decreases	Balance December 31, 2018
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 534,040	\$ --	\$ --	\$ 534,040
Construction in process	268,500	768,822	835,239	202,083
Total capital assets, not being depreciated	802,540	768,822	835,239	736,123
Capital assets, being depreciated:				
Plant and equipment	24,485,890	834,978	--	25,320,868
Less accumulated depreciation	7,872,109	698,027	--	8,570,136
Total capital assets, being depreciated, net	16,613,781	136,951	--	16,750,732
Business-type activities capital assets, net	<u>\$ 17,416,321</u>	<u>\$ 905,773</u>	<u>\$ 835,239</u>	<u>\$ 17,486,855</u>
Depreciation expense				<u>\$ 698,027</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

C. Long-term debt

Long-term liability activity for the year ended December 31, 2018 was as follows:

	Balance January 1, 2018	Prior period adjustment	Additions	Reductions	Balance December 31, 2018	Due within one year
Governmental Activities:						
General obligation bonds	\$ 29,705,000	\$ -	\$ -	\$ 1,815,000	\$ 27,890,000	\$ 2,040,000
Temporary notes	8,980,000	-	-	175,000	8,805,000	6,675,000
Revenue bonds - PBC	21,720,000	-	-	585,000	21,135,000	720,000
Rail loan	330,434	-	-	40,284	290,150	41,097
Capital lease	5,008	-	-	5,008	-	-
Premiums	468,829	-	-	37,135	431,694	-
Net pension liability	1,070,847	-	50,570	34,175	1,087,242	-
Total OPEB liability	-	109,796	24,041	50,058	83,779	-
Compensated absences	46,107	-	99,525	98,050	47,582	18,443
Total Governmental Activities	<u>\$ 62,326,225</u>	<u>\$ 109,796</u>	<u>\$ 174,136</u>	<u>\$ 2,839,710</u>	<u>\$ 59,770,447</u>	<u>\$ 9,494,540</u>
Business-type Activities						
Revolving loans	\$ 1,153,866	\$ -	\$ -	\$ 58,970	\$ 1,094,896	\$ 62,218
Net pension liability	227,469	-	44,987	28,599	243,857	-
Compensated absences	5,306	-	19,356	16,604	8,058	2,122
Total Business-Type Activities	<u>\$ 1,386,641</u>	<u>\$ -</u>	<u>\$ 64,343</u>	<u>\$ 104,173</u>	<u>\$ 1,346,811</u>	<u>\$ 64,340</u>

Compensated absences for the governmental activities and capital leases are liquidated in the General Fund.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

General Obligation Bonds and Notes

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

General obligation bonds outstanding at December 31, 2018 are as follows:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2018</u>
Series 2009A	6.125% - 6.150%	\$ 2,200,000	11/1/2029	\$ 1,480,000
Series 2011A	3.500% - 4.500%	2,885,000	10/1/2031	1,840,000
Series 2012A	2.000% - 3.250%	5,215,000	10/1/2032	3,885,000
Series 2013D	2.000% - 4.375%	3,895,000	10/1/2034	3,180,000
Series 2014A	2.000% - 3.750%	1,100,000	10/1/2034	910,000
Series 2015A	2.000% - 2.500%	5,390,000	11/1/2027	4,090,000
Series 2015B	1.500% - 3.250%	575,000	11/1/2027	440,000
Series 2015D	2.000% - 3.500%	3,960,000	11/1/2036	3,640,000
Series 2015E	1.500% - 5.000%	220,000	11/1/2036	205,000
Series 2016A	2.000% - 4.000%	2,820,000	11/1/2037	2,675,000
Series 2017A	1.200% - 2.750%	5,545,000	11/1/2038	5,545,000
Total		<u>\$ 33,805,000</u>		<u>\$ 27,890,000</u>

Temporary notes outstanding at December 31, 2018 are as follows:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2018</u>
Series 2016B	1.250%	\$ 6,675,000	12/1/2019	\$ 6,675,000
Series 2017B	1.750%	2,130,000	12/1/2020	2,130,000
Total		<u>\$ 8,805,000</u>		<u>\$ 8,805,000</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

The annual debt service requirements to amortize the general obligation bonds and temporary notes outstanding as of December 31, 2018 are as follows:

Year	Governmental Activities			
	General Obligation Bonds		Temporary Notes	
	Principal	Interest	Principal	Interest
2019	\$ 2,040,000	\$ 848,685	\$ 6,675,000	\$ 120,713
2020	1,945,000	799,035	2,130,000	37,275
2021	1,825,000	748,418	--	--
2022	2,230,000	694,577	--	--
2023	1,520,000	638,096	--	--
2024 - 2028	8,260,000	2,347,166	--	--
2029 - 2033	7,225,000	1,024,323	--	--
2034 - 2038	2,845,000	205,838	--	--
Total	<u>\$ 27,890,000</u>	<u>\$ 7,306,138</u>	<u>\$ 8,805,000</u>	<u>\$ 157,988</u>

City of Bel Aire Public Building Commission

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

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

The outstanding revenue bonds are as follows:

Purpose	Interest Rate	Original Issue	Maturity Date	Amount
Land Project - Industrial Park - Series 2010A	6.030% - 6.824%	\$ 19,315,000	5/1/2020	\$ 495,000
Revenue Refunding Bonds - Series 2014A	2.000% - 4.000%	3,050,000	2/1/2030	2,550,000
Taxable Revenue Refunding Bonds - Series 2014B	2.000% - 4.600%	1,120,000	2/1/2030	935,000
Taxable Revenue Refunding Bonds - Series 2017	1.500% - 3.750%	17,755,000	12/31/2034	17,155,000
Total		<u>\$ 41,240,000</u>		<u>\$ 21,135,000</u>

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

Year	PBC Bonds		
	Principal	Interest	Total
2019	\$ 720,000	\$ 720,382	\$ 1,440,382
2020	865,000	693,552	1,558,552
2021	1,010,000	661,153	1,671,153
2022	1,180,000	633,003	1,813,003
2023	1,325,000	598,816	1,923,816
2024 - 2028	7,230,000	2,327,921	9,557,921
2029 - 2033	7,530,000	929,380	8,459,380
2033 - 2034	1,275,000	23,906	1,298,906
Total	<u>\$ 21,135,000</u>	<u>\$ 6,588,113</u>	<u>\$ 27,723,113</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

Pledged Revenues

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

Issue	Revenue Pledged	Amount of Pledge	Term of Commitment	Percent of Revenue Pledged	Principal and Interest for 2018	Pledged Revenues Recognized in 2018
Governmental Activities						
2010A/2017A	Land sales for industrial use	\$ 23,358,807	Through 2034	100%	\$ 945,774	\$ --
2014A	City hall rent	\$ 3,190,675	Through 2030	100%	\$ 269,700	\$ 68,907
2014B	Annual property tax levy and sale of water through effluent line improvements	\$ 1,173,629	Through 2030	100%	\$ 101,853	\$ 56,798

Conduit Debt

From time to time, the City has sponsored the issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership for the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, State nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The total amount outstanding at December 31, 2018 was \$50,337,604.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

Revolving Loans

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to reroute certain waterlines and replace existing user meters. The maximum amount of the loan is not to exceed \$858,942. Principal and interest payments commenced August 1, 2014 at 2.16% interest. At December 31, 2018, the balance of this loan was \$678,115.

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to provide for various improvements to the sanitary sewer system including manhole rehabilitation, replacement of several sewer lines, upgrade to wastewater pumping station and SCADA system. The maximum amount of the loan is not to exceed \$535,980. Principal and interest payments commenced September 1, 2014 at 2.12% interest. At December 31, 2018, the balance of this loan was \$416,781.

Annual debt service requirements as of December 31, 2018 are as follows:

Year	Business-type Activities			
	Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2019	\$ 38,278	\$ 12,435	\$ 23,940	\$ 8,010
2020	39,110	11,738	24,450	7,560
2021	39,959	11,026	24,971	7,100
2022	40,827	10,299	25,503	6,630
2023	41,713	9,556	26,047	6,151
2024 - 2028	222,555	36,059	138,801	23,199
2029 - 2033	247,794	14,911	153,069	9,585
2034	7,879	238	--	--
Total	<u>\$ 678,115</u>	<u>\$ 106,262</u>	<u>\$ 416,781</u>	<u>\$ 68,235</u>

Rail Loan

The City entered into a loan agreement with the Kansas Department of Transportation for a project to build a railroad spur in the Sunflower Commerce Park. The maximum amount of the loan is not to exceed \$421,358. Payments commence upon the completion of the railroad spur at 2% interest. At December 31, 2018, the balance of this loan was \$290,150. Annual debt service requirements as of December 31, 2018 are as follows:

Year	Principal	Interest	Total
2019	\$ 41,097	\$ 5,428	\$ 46,525
2020	41,927	4,598	46,525
2021	42,773	3,752	46,525
2022	43,636	2,889	46,525
2023	44,517	2,008	46,525
2024 - 2025	76,200	1,350	77,550
Total	<u>\$ 290,150</u>	<u>\$ 20,025</u>	<u>\$ 310,175</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

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

D. Interfund Transfers

A summary of interfund transfers by fund type for the year ended December 31, 2018 is as follows:

	Bond and Interest	PBC	Special Highway	Equipment Reserve	Capital Improvements	Total
Transfer from:						
General	\$ 364,623	\$ 1,284,808	\$ 250,000	\$ 50,000	\$ 50,000	\$ 1,999,431
Special Street and Highway	48,619	--	--	--	--	48,619
Solid Waste	--	--	150,000	--	--	150,000
Water	148,005	--	--	--	--	148,005
Sewer	207,984	--	--	--	--	207,984
Total	<u>\$ 769,231</u>	<u>\$ 1,284,808</u>	<u>\$ 400,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 2,554,039</u>

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

Additionally, the Capital Projects Fund constructed assets in the amount of \$214,582 and \$554,240 to the Water and Sewer Funds, respectively. This activity is shown as an expenditure from the Capital Projects Fund and capital contribution revenue to the Water and Sewer Funds, in the fund financial statements. However, this activity is shown within transfers in the government-wide financial statements.

E. Fund Balances

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

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental	Total
Nonspendable	\$ 1,073,697	\$ --	\$ --	\$ --	\$ 8,117,700	\$ --	\$ 9,191,397
Restricted for:							
Bond and interest	--	548,795	--	--	--	--	548,795
Land bank	--	--	--	--	235,865	--	235,865
Capital projects	--	--	2,725,086	--	--	452,218	3,177,304
Public Building Commission	--	--	--	133,557	--	--	133,557
Drug forfeiture	--	--	--	--	--	3,653	3,653
Assigned to:							
Capital projects	--	--	--	--	--	196,426	196,426
Equipment reserve	--	--	--	--	--	26,764	26,764
Unassigned	<u>2,619,969</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,619,969</u>
Total	<u>\$ 3,693,666</u>	<u>\$ 548,795</u>	<u>\$ 2,725,086</u>	<u>\$ 133,557</u>	<u>\$ 8,353,565</u>	<u>\$ 679,061</u>	<u>\$ 16,133,730</u>

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

C. Construction Commitments

The City had outstanding construction commitments for various capital projects and improvements at December 31, 2018 as follows:

Project	Project costs to date	Approved project amount
Prestwick	\$ 244,552	\$ 800,000
Woodlawn Design	144,581	580,025
	<u>\$ 389,133</u>	<u>\$ 1,380,025</u>

D. Commitments to Chisholm Creek Utility Authority

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

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

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

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

Similarly, as required by the bond covenants relating to bonds issued by the Authority, the rates charged by each city participating in the Authority to its residents and businesses should result in the funds necessary for the cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments. Current year operating results of the Authority reflected a loss in comparison with the previous year. Provisions of the revenue bond rate covenant were complied with for 2018.

At year-end, the Authority had revenue bonds, capital leases and a land contract outstanding in the principal and interest amount of \$38,306,374. The debt is more fully described in the audited financial statements of the Authority. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the capital leases and land contract.

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

Bel Aire's scheduled share of payments due to the Authority for currently issued revenue bonds and interest as of December 31, 2018 are as follows:

Year	Interest and Principal
2019	\$ 1,963,094
2018	1,965,945
2020	2,014,147
2022	2,045,325
2023	2,062,257
2024 and thereafter	20,730,276
Total	<u>\$ 30,781,044</u>

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

E. Pension and Other Post-Employment Benefit Plans

Defined Benefit Plans

General Information about the Pension Plan

Plan description: The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

KPERS website at <http://www.kpers.org> or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

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

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

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

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

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.39% for KPERS for the fiscal year ended December 31, 2018.

Contributions to the pension plan from the City were \$145,716 for KPERS for the year ended December 31, 2018.

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

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

At December 31, 2018, the City reported a liability of \$1,331,099 for KPERS for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017 which was rolled forward to June 30, 2018. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the KPERS for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion and change from its proportion measured as of June 30, 2017 were as follows:

<u>Net pension liability as of December 31, 2018</u>				<u>Proportion as of June 30, 2018</u>	<u>Increase (decrease) in proportion from June 30, 2017</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>		
KPERS (local)	\$ 1,087,242	\$ 243,857	\$ 1,331,099	0.096%	0.006%

For the year ended December 31, 2018, the City recognized pension expense of \$174,971 for KPERS. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-Type Activities	Governmental Activities	Business-Type Activities
Difference between expected and actual experience	\$ 3,926	\$ 881	\$ 30,809	\$ 6,911
Net difference between projected and actual earnings on pension plan investments	25,435	5,705	-	-
Changes in proportionate share	140,558	31,525	-	-
Changes in assumptions	47,083	10,560	5,236	1,174
City contributions subsequent to measurement date	60,608	13,594	-	-
Total	<u>\$ 277,610</u>	<u>\$ 62,265</u>	<u>\$ 36,045</u>	<u>\$ 8,085</u>

The \$74,202 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental Activities	Business-Type Activities
2019	\$ 89,045	\$ 19,972
2020	62,325	13,979
2021	13,039	2,925
2022	13,889	3,115
2023	2,659	595
	<u>\$ 180,957</u>	<u>\$ 40,586</u>

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.00%
Salary increases, including wage increases	3.50% to 12.00%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75

Mortality rates were based on the RP-2014 Mortality Table, with age set forwards as well as other adjustments based on different membership groups.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the three-year period ended December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumptions changes adopted by the pension plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.85%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	100%	

Discount rate. The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the state fiscal year 2018 was 1.2%. The local employers are currently contributing the full actuarial contribution rate. The expected employer actuarial contribution rate was modeled for future years, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

Sensitivity of the City's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's KPERS proportionate share of the net pension liability	\$ 1,952,248	\$ 1,331,099	\$ 806,169

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

Defined Contribution Plan 457 plan

The City established a defined contribution plan for certain employees. The plan is administered by the ICMA Retirement Corporation, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. The contribution percentage is 7% and there is no match. The contributions by the City for 2018 were \$7,702.

F. Other Post Employment Benefits

COBRA

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

KPERS Death and Disability OPEB Plan

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

Benefits provided:

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

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

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

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	34
	<u>36</u>

Total OPEB Liability

The City's total OPEB liability of \$83,779 was measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10%, including price inflation
Discount Rate	3.87%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

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

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on an actuarial experience study for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at fiscal year-end 12/31/2017	\$ 109,796
Changes for the year:	
Service cost	6,313
Interest	3,627
Effect of economic/demographic gains or losses	(5,304)
Effect of assumptions changes or inputs	(778)
Benefit payments	(29,875)
Net changes	(26,017)
Balance at fiscal year-end 12/31/2018	\$ 83,779

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 86,405	\$ 83,779	\$ 81,178

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$9,103. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 4,757
Changes in assumptions	-	2,308
Benefit payments subsequent to the measurement date	14,938	-
Total	<u>\$ 14,938</u>	<u>\$ 7,065</u>

The \$14,938 benefit payments made subsequent to the measurement date will be recognized as a reduction in the total OPEB liability for the year ended December 31, 2018. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Deferred (Inflows) of Resources
Year ended December 31:	
2019 \$	(837)
2020	(837)
2021	(837)
2022	(837)
2023	(837)
Thereafter	(2,880)
	<u>\$ (7,065)</u>

Prior period adjustment. The implementation of GASB 75 resulted in a \$109,796 increase to the total OPEB liability, \$1,820 increase to the deferred inflows of resources, \$14,938 increase to the deferred outflows of resources and a \$96,678 decrease to net position as of January 1, 2018 for the KPERS Death & Disability plan.

G. Concentrations

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

H. Tax Abatements

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

GASB 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the citizens of those governments.

The City enters into property tax abatement agreements with local businesses under the state Economic Development Opportunity Act of 2006. Under the Act, localities may grant property tax abatements of a maximum of ten years at up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. See further information regarding IRB's, including the amount outstanding at December 31, 2018, at Footnote III.C. – Conduit Debt.

The County Appraiser determines the full value of the property, noting the value that has been exempted through the program. The County Treasurer computes the taxes due on the appraised value only on the taxable portion of the property. For the fiscal year ended December 31, 2018, all of the buildings associated with tax abatements were still under construction; therefore, the City abated property taxes totaling \$174,951 under this program. These agreements also include performance measurements that the business must achieve. If the performance measurements are not met, the tax abatement will be removed and the business will have to pay their full property taxes.

H. Pending Governmental Accounting Standards

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

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability and a corresponding deferred outflow of resources for AROs when the liability is incurred and reasonable estimable. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for estimating the liability and the estimated remaining useful life of the associated tangible capital asset. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when demands for resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resource based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of

City of Bel Aire, Kansas

Notes to the Financial Statements

December 31, 2018

IV. OTHER INFORMATION (CONTINUED)

resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2020.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, improves financial reporting by providing more relevant information about capital assets and the cost of borrowing for a reporting period. It also enhances the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. Provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2020.

GASB Statement No. 90, *Major Equity Interests*, improves consistency and comparability of reporting a government's majority equity interest in a legally separate organization, and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. Provisions of this statement are effective for financial statements for the City's year ending December 31, 2019.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. It clarifies the existing definition of conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. Provisions of this statement are effective for financial statements for the City's year ending December 31, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

City of Bel Aire, Kansas

Notes to Required Supplementary Information

December 31, 2018

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

For the City, this information includes:

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

Budgetary Comparison Schedule

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

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
Year ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Taxes and shared revenue:				
Ad valorem tax	\$ 2,583,163	\$ 2,583,163	\$ 2,521,355	\$ (61,808)
Delinquent tax	40,000	40,000	59,241	19,241
Motor vehicle tax	356,309	356,309	416,886	60,577
Sales tax	1,184,500	1,184,500	1,259,045	74,545
Franchise tax	609,000	609,000	662,193	53,193
Court fines	171,000	171,000	164,661	(6,339)
Licenses, permits and fees	294,350	294,350	176,385	(117,965)
Recreation fees	104,200	104,200	113,408	9,208
Rents and note collections	43,000	43,000	46,983	3,983
Intergovernmental	41,500	41,500	44,318	2,818
Interest	1,000	1,000	22,550	21,550
Other	29,500	29,500	40,082	10,582
Total revenues	5,457,522	5,457,522	5,527,107	69,585
Expenditures:				
City Administration:				
Personnel services	522,510	522,510	528,918	6,408
Contractual services	38,500	38,500	19,404	(19,096)
Operating expenses	26,000	26,000	27,187	1,187
Community Development:				
Personnel services	192,200	192,200	152,289	(39,911)
Contractual services	15,000	15,000	10,067	(4,933)
Operating expenses	18,400	18,400	10,115	(8,285)
Law and Municipal Court:				
Personnel services	59,500	59,500	57,792	(1,708)
Contractual services	59,700	59,700	51,422	(8,278)
Operating expenses	4,600	4,600	4,941	341
Parks and Grounds:				
Personnel services	106,900	106,900	106,479	(421)
Contractual services	45,000	45,000	37,021	(7,979)
Operating expenses	41,400	41,400	25,657	(15,743)
Capital outlay	6,000	6,000	13,597	7,597
Police:				
Personnel services	795,000	795,000	749,590	(45,410)
Contractual services	75,500	75,500	73,296	(2,204)
Operating expenses	94,000	94,000	82,775	(11,225)
Capital outlay	21,584	21,584	12,545	(9,039)
Recreation:				
Personnel services	228,100	228,100	190,652	(37,448)
Contractual services	50,500	50,500	50,441	(59)
Operating expenses	38,700	38,700	23,357	(15,343)
Senior Center:				
Personnel services	60,550	60,550	16,396	(44,154)
Contractual services	5,600	5,600	4,702	(898)
Operating expenses	9,400	9,400	5,367	(4,033)

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
General Fund
Year ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Mayor and Council:				
Personnel services	13,100	13,100	12,837	(263)
Contractual services	6,700	6,700	7,861	1,161
Operating expenses	13,500	13,500	15,302	1,802
Central Park Pool:				
Personnel services	25,550	25,550	23,441	(2,109)
Contractual services	14,000	14,000	14,720	720
Operating expenses	9,650	9,650	9,289	(361)
Economic Development:				
Personnel services	73,800	73,800	23,166	(50,634)
Contractual services	106,100	106,100	54,321	(51,779)
Operating expenses	35,200	35,200	128,327	93,127
Nondepartmental:				
Personnel services	6,000	6,000	3,500	(2,500)
Contractual services	161,900	161,900	76,084	(85,816)
Operating expenses	17,000	17,000	138,723	121,723
Capital outlay	10,000	10,000	-	(10,000)
Transfer out	2,641,457	2,641,457	1,999,431	(642,026)
Land project	314,000	314,000	352,507	38,507
Total expenditures	<u>5,962,601</u>	<u>5,962,601</u>	<u>5,113,519</u>	<u>(849,082)</u>
Net change in fund balance	<u>\$ (505,079)</u>	<u>\$ (505,079)</u>	413,588	<u>\$ 918,667</u>
Fund balance, beginning of year			<u>2,690,846</u>	
Fund balance, end of year			<u>\$ 3,104,434</u>	
Explanation of difference between budgetary and GAAP fund balance:				
Accrued revenues			<u>589,232</u>	
GAAP fund balance at end of year			<u>\$ 3,693,666</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Land Bank Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Residential lot sales	\$ 100,000	\$ 100,000	\$ 84,377	\$ (15,623)
Commercial lot sales	50,000	50,000	-	(50,000)
Interest	-	-	4,096	4,096
Total revenues	150,000	150,000	88,473	(61,527)
Expenditures:				
Special assessments	400,000	400,000	329,889	(70,111)
Contractual services	15,000	15,000	28,611	13,611
Total expenditures	415,000	415,000	358,500	(56,500)
Net change in fund balance	<u>\$ (265,000)</u>	<u>\$ (265,000)</u>	(270,027)	<u>\$ (5,027)</u>
Fund balance, beginning of year			<u>505,892</u>	
Fund balance, end of year			<u>\$ 235,865</u>	
Explanation of difference between budgetary and GAAP fund balance:				
Property held for resale			<u>8,117,700</u>	
GAAP fund balance at end of year			<u>\$ 8,353,565</u>	

City of Bel Aire, Kansas
Required Supplementary Information
December 31, 2018

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Measurement Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
City's proportion of the collective net pension liability	0.096%	0.090%	0.087%	0.076%	0.076%	0.070%
City's proportionate share of the net pension liability	\$ 1,331,099	\$ 1,298,316	\$ 1,353,388	\$ 1,002,884	\$ 931,409	\$ 1,065,989
City's covered payroll^	\$ 1,594,160	\$ 1,477,171	\$ 1,450,432	\$ 1,257,280	\$ 1,208,004	\$ 1,128,446
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	83%	88%	93%	80%	77%	94%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

*GASB 68 requires presentation of ten years. As of December 31, 2018, only six years of information is available.

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

City of Bel Aire, Kansas
Required Supplementary Information
December 31, 2018

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

	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 145,716	\$ 133,898	\$ 138,160	\$ 130,342	\$ 107,294	\$ 97,298
Contributions in relation to the contractually required contribution	(145,716)	(133,898)	(138,160)	(130,342)	(107,294)	(97,298)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll [^]	\$ 1,736,656	\$ 1,569,560	\$ 1,337,466	\$ 1,374,918	\$ 1,107,270	\$ 1,106,921
Contributions as a percentage of covered payroll	8.39%	8.53%	10.33%	9.48%	9.69%	8.79%

*GASB 68 requires presentation of ten years. As of December 31, 2018, only six years of information is available.

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

Changes in benefit terms for KPERS. Effective January 1, 2014, KPERS 1 member's employee contribution rate increased to 5.0 percent and then on January 1, 2015, increase to 6.0 percent, with an increase in benefit multiplier to 1.85 percent for future years of service. For KPERS 2 members retired after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85 percent multiplier for all years of service.

January 1, 2015, the KPERS 3 cash balance plan became effective. Members enrolled in this plan are ones first employed in a KPERS covered position on or after January 1, 2015, or KPERS 1 or KPERS 2 members who left employment before vesting and returned to employment on or after January 1, 2015. The retirement benefit is an annuity based on the account balance at retirement.

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

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

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

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

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

City of Bel Aire, Kansas
Required Supplementary Information
December 31, 2018

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

Last Two Fiscal Years*

	2018	2017
Measurement Date	June 30, 2018	June 30, 2017
Total OPEB liability		
Service cost	\$ 6,313	\$ 6,051
Interest	3,627	3,515
Effect of economic/demographic gains or losses	(5,304)	-
Effect of assumptions changes or inputs	(778)	(2,030)
Benefit payments	(29,875)	(29,875)
Net change in total OPEB liability	(26,017)	(22,339)
Total OPEB liability - beginning	109,796	132,135
Total OPEB liability - ending	<u>\$ 83,779</u>	<u>\$ 109,796</u>
Covered-employee payroll	<u>\$ 1,594,160</u>	<u>\$ 1,477,171</u>
Total OPEB liability as a percentage of covered-employee payroll	5.26%	7.43%

* GASB 75 requires presentation of ten years. As of December 31, 2018, only two years of information is available.

There are no assets accumulated in the trust to pay related benefits.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period:

- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

SUPPLEMENTARY INFORMATION

City of Bel Aire, Kansas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	
Assets:							
Cash, including investments	\$ 451,913	\$ 880	\$ 1,552	\$ 1,221	\$ 196,426	\$ 26,764	\$ 678,756
Receivables	5,056	-	-	-	-	-	5,056
Total assets	<u>\$ 456,969</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 196,426</u>	<u>\$ 26,764</u>	<u>\$ 683,812</u>
Liabilities							
Accounts and retainage payable	\$ 2,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,640
Accrued liabilities	2,111	-	-	-	-	-	2,111
Total liabilities	<u>4,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,751</u>
Fund balance:							
Restricted	452,218	880	1,552	1,221	-	-	455,871
Assigned	-	-	-	-	196,426	26,764	223,190
Total fund balance	<u>452,218</u>	<u>880</u>	<u>1,552</u>	<u>1,221</u>	<u>196,426</u>	<u>26,764</u>	<u>679,061</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 456,969</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 196,426</u>	<u>\$ 26,764</u>	<u>\$ 683,812</u>

City of Bel Aire, Kansas
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Special Revenue Funds				Capital Project Funds		Total Nonmajor Governmental Funds
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	
Revenues:							
Taxes and shared revenues	\$ 306,711	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,711
Miscellaneous	-	-	-	-	11,169	19,146	30,315
Total revenues	306,711	-	-	-	11,169	19,146	337,026
Expenditures:							
Streets and highways	282,596	-	-	-	-	-	282,596
Capital outlay	248,471	-	-	-	77,393	230,466	556,330
Total expenditures	531,067	-	-	-	77,393	230,466	838,926
Excess of revenues over (under) expenditures	(224,356)	-	-	-	(66,224)	(211,320)	(501,900)
Other financing sources (uses):							
Transfers in	400,000	-	-	-	50,000	50,000	500,000
Transfers out	(48,619)	-	-	-	-	-	(48,619)
Total other financing sources (uses)	351,381	-	-	-	50,000	50,000	451,381
Net change in fund balance	127,025	-	-	-	(16,224)	(161,320)	(50,519)
Fund balance, beginning of year	325,193	880	1,552	1,221	212,650	188,084	729,580
Fund balance, end of year	<u>\$ 452,218</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 196,426</u>	<u>\$ 26,764</u>	<u>\$ 679,061</u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Bond and Interest Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Special assessments	\$ 2,360,168	2,360,168	\$ 2,065,897	\$ (294,271)
Delinquent tax	-	-	195,323	195,323
Interest	-	-	519	519
Transfer in	1,413,213	1,413,213	769,231	(643,982)
Total revenues	<u>3,773,381</u>	<u>3,773,381</u>	<u>3,030,970</u>	<u>(742,411)</u>
Expenditures:				
Fees	-	-	856	856
Principal payments	1,915,000	1,915,000	1,815,000	(100,000)
Interest expense	1,413,798	1,413,798	881,473	(532,325)
Total expenditures	<u>3,328,798</u>	<u>3,328,798</u>	<u>2,697,329</u>	<u>(631,469)</u>
Net change in fund balance	<u>\$ 444,583</u>	<u>\$ 444,583</u>	333,641	<u>\$ (110,942)</u>
Fund balance, beginning of year			<u>215,154</u>	
Fund balance, end of year			<u>\$ 548,795</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget Basis
Capital Projects Fund
For the Year Ended December 31, 2018

	Actual Amounts Budgetary Basis
Revenues:	
Capital contributions	\$ 470,990
Interest	49,320
Total revenues	<u>520,310</u>
Expenditures:	
Cost of issuance	5,005
Rail Grant	2,300
Sunflower Commerce Park	9,946
Rock Spring	939,351
Chapel Landing	144,581
The Courtyards at Elk Creek	846
Prestwick	244,552
Deer Run	-
Temporary note and bond principal	215,284
Temporary note and bond interest	131,876
Total expenditures	<u>1,693,741</u>
Net change in fund balance	(1,173,431)
Fund balance, beginning of year	<u>3,898,517</u>
Fund balance, end of year	<u><u>\$ 2,725,086</u></u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget Basis
Public Building Commission
For the Year Ended December 31, 2018

	Actual Amounts Budgetary Basis
Revenues:	
Industrial land sales	\$ 32,329
Effluent sales	56,798
Transfer in	1,284,808
Total revenues	<u>1,373,935</u>
Expenditures:	
Fees	2,715
Bond principal	585,000
Bond interest	735,044
Total expenditures	<u>1,322,759</u>
Net change in fund balance	51,176
Fund balance, beginning of year	82,381
Fund balance, end of year	<u><u>\$ 133,557</u></u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Special Street and Highway Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Taxes and Shared Revenue:				
State gas tax	\$ 194,020	\$ 194,020	\$ 212,013	\$ 17,993
County gas tax	85,650	85,650	94,698	9,048
Transfer in	400,000	400,000	400,000	-
Total revenues	679,670	679,670	706,711	27,041
Expenditures:				
Personnel services	123,600	123,600	108,357	(15,243)
Contractual services	90,500	90,500	91,822	1,322
Operating expense	96,100	96,100	82,417	(13,683)
Capital outlay	400,000	400,000	248,471	(151,529)
Transfer out	48,619	48,619	48,619	-
Total expenditures	758,819	758,819	579,686	(179,133)
Net change in fund balance	\$ (79,149)	\$ (79,149)	127,025	\$ 206,174
Fund balance, beginning of year			325,193	
Fund balance, end of year			<u>\$ 452,218</u>	

City of Bel Aire, Kansas
Combining Balance Sheet
Nonmajor Enterprise Funds
December 31, 2018

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Assets:			
Cash, including investments	\$ 258,652	\$ 146,941	\$ 405,593
Accounts receivable	33,525	-	33,525
Total assets	<u>292,177</u>	<u>146,941</u>	<u>439,118</u>
Liabilities:			
Accounts payable	32,582	-	32,582
Total liabilities	<u>32,582</u>	<u>-</u>	<u>32,582</u>
Net position:			
Unrestricted	259,595	146,941	406,536
Total net position	<u>\$ 259,595</u>	<u>\$ 146,941</u>	<u>\$ 406,536</u>

City of Bel Aire, Kansas
Combining Statement of Revenues, Expenses and Changes in
Net Position - Nonmajor Enterprise Funds
For the Year Ended December 31, 2018

	Solid Waste	Stormwater	Total Nonmajor Enterprise
Operating revenues:			
Utility income	\$ 515,220	\$ 84,557	\$ 599,777
Total operating revenues	515,220	84,557	599,777
Operating expenses:			
Contractual services	384,617	17,023	401,640
Total operating expenses	384,617	17,023	401,640
Operating income (loss)	130,603	67,534	198,137
Non-operating revenues (expenses):			
Transfers out	(150,000)	-	(150,000)
Change in net position	(19,397)	67,534	48,137
Net position, beginning of year	278,992	79,407	358,399
Net position, end of year	<u>\$ 259,595</u>	<u>\$ 146,941</u>	<u>\$ 406,536</u>

City of Bel Aire, Kansas
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2018

	Solid Waste	Stormwater	Total
Cash flows from operating activities:			
Cash received from customers	\$ 512,827	\$ 84,557	\$ 597,384
Payments to suppliers for goods and services	(382,949)	(17,023)	(399,972)
Net cash flow from operating activities	129,878	67,534	197,412
Cash flows from non-capital financing activities:			
Transfers to other funds	(150,000)	-	(150,000)
Net cash flow from non-capital financing activities	(150,000)	-	(150,000)
Net increase in cash and cash equivalents	(20,122)	67,534	47,412
Cash and cash equivalents, beginning of the year	278,774	79,407	358,181
Cash and cash equivalents, end of the year	<u>\$ 258,652</u>	<u>\$ 146,941</u>	<u>\$ 405,593</u>
Reconciliation of operating income to net cash flow from operating activities:			
Operating income	\$ 130,603	\$ 67,534	\$ 198,137
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in accounts receivable	(2,393)	-	(2,393)
Change in accounts payable	1,668	-	1,668
Net cash flow from operating activities	<u>\$ 129,878</u>	<u>\$ 67,534</u>	<u>\$ 197,412</u>

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Water Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 2,238,000	\$ 2,238,000	\$ 2,434,031	\$ 196,031
Interest income	-	-	9,112	9,112
Miscellaneous	3,000	3,000	14,907	11,907
Total revenues	<u>2,241,000</u>	<u>2,241,000</u>	<u>2,458,050</u>	<u>217,050</u>
Expenditures:				
Personnel services	168,800	168,800	149,168	(19,632)
Contractual services	1,641,000	1,641,000	1,489,984	(151,016)
Commodities	106,000	106,000	274,831	168,831
Capital outlay	72,951	72,951	-	(72,951)
Debt service	54,475	54,475	36,475	(18,000)
Transfer out	198,005	198,005	148,005	(50,000)
Total expenditures	<u>2,241,231</u>	<u>2,241,231</u>	<u>2,098,463</u>	<u>(142,768)</u>
Net change in fund balance	<u>\$ (231)</u>	<u>\$ (231)</u>	359,587	<u>\$ 359,818</u>
Fund balance, beginning of year			1,139,983	
Fund balance, end of year			<u>\$ 1,499,570</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Sewer Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 1,947,600	\$ 1,947,600	\$ 2,253,242	\$ 305,642
Interest income	-	-	14,758	14,758
Miscellaneous	-	-	197	197
Total revenues	<u>1,947,600</u>	<u>1,947,600</u>	<u>2,268,197</u>	<u>320,597</u>
Expenditures:				
Personnel services	281,314	281,314	280,914	(400)
Contractual services	1,351,000	1,351,000	1,055,820	(295,180)
Commodities	226,000	226,000	174,257	(51,743)
Capital outlay	3,800	3,800	-	(3,800)
Debt service	53,101	53,101	22,495	(30,606)
Transfer out	207,985	207,985	207,984	(1)
Total expenditures	<u>2,123,200</u>	<u>2,123,200</u>	<u>1,741,470</u>	<u>(381,730)</u>
Net change in fund balance	<u>\$ (175,600)</u>	<u>\$ (175,600)</u>	526,727	<u>\$ 702,327</u>
Fund balance, beginning of year			1,536,314	
Fund balance, end of year			<u>\$ 2,063,041</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Solid Waste Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 460,000	\$ 460,000	\$ 512,827	\$ 52,827
Total revenues	460,000	460,000	512,827	52,827
Expenditures:				
Contractual services	410,000	410,000	384,617	(25,383)
Transfers Out	150,000	150,000	150,000	-
Total expenditures	560,000	560,000	534,617	(25,383)
Net change in fund balance	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	(21,790)	<u>\$ 78,210</u>
Fund balance, beginning of year			247,860	
Fund balance, end of year			<u>\$ 226,070</u>	

City of Bel Aire, Kansas
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - Budget Basis
Stormwater Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over/ (Under)
	Original	Final		
Revenues:				
Utility income	\$ 75,000	\$ 75,000	\$ 84,557	\$ 9,557
Total revenues	75,000	75,000	84,557	9,557
Expenditures:				
Contractual services	21,000	21,000	17,023	(3,977)
Capital Outlay	50,000	50,000	-	(50,000)
Total expenditures	71,000	71,000	17,023	(53,977)
Net change in fund balance	<u>\$ 4,000</u>	<u>\$ 4,000</u>	67,534	<u>\$ 63,534</u>
Fund balance, beginning of year			79,407	
Fund balance, end of year			<u>\$ 146,941</u>	