



CITY of LIBERAL

P.O. Box 2199 • Liberal, Kansas 67905-2199

CORRECTIVE ACTION PLAN

September 17, 2018

Department of Transportation
Federal Aviation Administration

The City of Liberal, Kansas respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent accounting firm:

Hay•Rice & Associates, Chartered
PO Box 2707
Liberal, Kansas 67905-2707

Audit period: January 1, 2017 – December 31, 2017

The findings from the December 31, 2017 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS – FINANCIAL STATEMENTS

Significant Deficiencies

2017-01. Airport

Condition: Controls were not in place to ensure that airport leases were properly signed and executed.

Recommendation: Procedures should be implemented to ensure that signatures are obtained on all airport leases.

Department of Transportation
Federal Aviation Administration

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Corrective Action Taken: Additional personnel will work to ensure that airport leases are properly signed and executed.

If the Oversight Agency has questions about this Corrective Action Plan, please contact Chris Ford, Director of Finance, at (620) 626-2275.

Sincerely,



Calvin Burke
City Manager



Christopher L. Ford
Director of Finance

CITY OF LIBERAL, KANSAS
Liberal, Kansas

AUDIT REPORT
For the year ended December 31, 2017

CITY OF LIBERAL, KANSAS
FINANCIAL STATEMENTS
For the year ended December 31, 2017

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CITY OF LIBERAL, KANSAS

FINANCIAL SECTION

LIBERAL

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INDEPENDENT AUDITOR'S REPORT

To the City Commission
City of Liberal, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of the Housing Authority of the City of Liberal (a discretely presented component unit), which represents 61 percent and 54 percent, respectively, of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Liberal (a discretely presented component unit), is based on the report of the other auditors.

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 the *Kansas Municipal Audit and Accounting Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

To the City Commission
City of Liberal, Kansas

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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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 56 through 58 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.

To the City Commission
City of Liberal, Kansas

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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Liberal, Kansas' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2018, on our consideration of the City of Liberal, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Liberal, Kansas' internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

September 17, 2018

LIBERAL

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

To the City Commission
City of Liberal, Kansas

We have audited, in accordance with the *Kansas Municipal Audit and Accounting Guide*, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Liberal, Kansas' basic financial statements and have issued our report thereon dated September 17, 2018.

Internal Control Over Financial Reporting

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

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

To the City Commission
City of Liberal, Kansas

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2017-01 that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Liberal, Kansas' Response to Findings

The City of Liberal, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Liberal, Kansas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

September 17, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Liberal, we offer readers of the City of Liberal's financial statements this overview and analysis of the financial activities for the fiscal year ended December 31, 2017. Please read this report in conjunction with the City's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

The assets of the City of Liberal exceeded its liabilities at the close of 2017 by \$94,689,368 (net position). Of this amount, \$211,215 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position increased by \$4,292,449 with the net pension liability of \$10,224,915 required by GASB 68. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as liabilities on the balance sheet. Essentially, GASB 68 requires that the KPERs overall liability is prorated among all participating employers. This resulted in a negative unrestricted net position for governmental activities in the statement of net position.

Without the implementation of GASB 68, the City's net position increased \$3,697,251 due to overall governmental revenues in excess of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Liberal's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the 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 of Liberal's finances, in a manner similar to private-sector business, and can be found on pages 1 – 4 of this report.

The statement of net position presents information on all of the City of Liberal's assets (what the citizens own) and liabilities (what the citizens owe), with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Liberal is improving or deteriorating. Other nonfinancial factors should also be considered, such as changes in the City's property tax base, and the condition of the City's capital assets (roads, buildings, water, and sewer lines) to assess the overall health of the City.

The statement of activities presents information showing how the City of Liberal's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City of Liberal that are supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City of Liberal include general government, public safety, public works, and community service. The business-type activities of the City of Liberal include a municipal airport, sanitation, sewer, and water systems.

The government-wide financial statements include not only the City of Liberal itself but also a legally separate library and a legally separate housing authority, combined under one column heading of "Component Units." Each of these entities has a Board appointed by the City of Liberal Commission. The Commission must also approve bond issuances by either entity. Financial information for these two component units is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Liberal, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Liberal can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Our analysis of the City's major funds begins on page 5. Kansas State law requires certain funds at a minimum. The City of Liberal Commission has established other funds to help it control and manage money for particular purposes (Ex. Convention & Tourism Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (Ex. City Sales Tax Funds). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Liberal maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are each considered major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 59 – 65.

The basic governmental fund financial statements can be found on pages 5 – 11 of this report.

Proprietary Funds

Proprietary funds provide the same type of information as business-type activities in the government-wide financial statements, only in more detail. The City of Liberal uses enterprise funds to account for charging customers for the full cost of the services it provides in its water, sewer, sanitation, and airport operations, which are each considered to be major funds.

The basic proprietary fund financial statements can be found on pages 12 – 19 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Liberal's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 20 – 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 54 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Liberal's compliance with its annually appropriated budget for its general fund. This required supplementary information can be found on pages 55 – 58 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 59 – 93 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the City of Liberal, assets exceeded liabilities by \$94,689,368 at the close of 2017.

The largest portion of the City of Liberal's net position, or 78.83%, reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. The City of Liberal uses these capital assets to provide services to citizens. It is important to note that these assets are not available for future spending. Although the City of Liberal's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

	City of Liberal's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current and other assets	\$32,627,799	\$30,742,359	\$ 7,061,568	\$ 8,793,724	\$ 39,689,367	\$ 39,536,083
Capital assets	<u>45,315,678</u>	<u>51,408,313</u>	<u>33,487,660</u>	<u>33,684,945</u>	<u>78,803,338</u>	<u>85,093,258</u>
Total Assets	<u>\$77,943,477</u>	<u>\$82,150,672</u>	<u>\$40,549,228</u>	<u>\$42,478,669</u>	<u>\$118,492,705</u>	<u>\$124,629,341</u>
Deferred Outflows of Resources	<u>\$ 2,043,294</u>	<u>\$ 1,528,338</u>	<u>-</u>	<u>-</u>	<u>\$ 2,043,294</u>	<u>\$ 1,528,338</u>
Long-term liabilities	\$12,401,630	\$12,170,851	\$ 9,122,544	\$ 7,323,918	\$ 21,524,174	\$ 19,494,769
Other liabilities	<u>750,164</u>	<u>1,850,207</u>	<u>1,364,754</u>	<u>3,259,771</u>	<u>2,114,918</u>	<u>5,109,978</u>
Total Liabilities	<u>\$13,151,794</u>	<u>\$14,021,058</u>	<u>\$10,487,298</u>	<u>\$10,583,689</u>	<u>\$ 23,639,092</u>	<u>\$ 24,604,747</u>
Deferred Inflows of Resources	<u>\$ 6,499,988</u>	<u>\$ 6,863,564</u>	<u>-</u>	<u>-</u>	<u>\$ 6,499,988</u>	<u>\$ 6,863,564</u>
Net Position:						
Net investment in capital assets	\$43,117,631	\$49,281,273	\$24,856,975	\$25,360,465	\$ 67,974,606	\$ 74,641,738
Restricted	20,380,725	17,322,355	2,301,124	2,514,060	22,681,849	19,836,415
Unrestricted	<u>(3,163,367)</u>	<u>(3,809,240)</u>	<u>2,903,831</u>	<u>4,020,455</u>	<u>(259,536)</u>	<u>211,215</u>
Total Net Position	<u>\$60,334,989</u>	<u>\$62,794,388</u>	<u>\$30,061,930</u>	<u>\$31,894,980</u>	<u>\$ 90,396,919</u>	<u>\$ 94,689,368</u>

Governmental Activities

Governmental activities increased the City of Liberal's net position by \$2,459,399 through key elements, as follows:

	City of Liberal's Changes in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 2,096,195	\$ 2,154,193	\$ 8,924,142	\$ 9,875,299	\$11,020,337	\$12,029,492
Operating grants and contributions	518,443	444,703	-	-	518,443	444,703
Capital grants and contributions	1,217,412	2,734,256	3,106,308	81,107	4,323,720	2,815,363
General Revenues:						
Property taxes	5,723,740	5,859,724	-	-	5,723,740	5,859,724
Other taxes	12,698,894	12,167,390	-	-	12,698,894	12,167,390
Other	574,291	646,768	29,785	66,181	604,076	712,949
Total Revenues	<u>\$22,828,975</u>	<u>\$24,007,034</u>	<u>\$12,060,235</u>	<u>\$10,022,587</u>	<u>\$34,889,210</u>	<u>\$34,029,621</u>
<u>Expenses</u>						
General Government	\$ 3,949,941	\$ 5,426,123	\$ -	\$ -	\$ 3,949,941	\$ 5,426,123
Public Safety	6,283,852	6,156,651	-	-	6,283,852	6,156,651
Public Works	3,347,381	3,757,461	-	-	3,347,381	3,757,461
Community Service	2,923,717	4,805,786	-	-	2,923,717	4,805,786
Community/Economic Development	2,384,329	1,170,419	-	-	2,384,329	1,170,419
Water	-	-	3,766,012	3,335,731	3,766,012	3,335,731
Sewer	-	-	2,433,878	2,339,530	2,433,878	2,339,530
Sanitation	-	-	1,845,251	1,744,569	1,845,251	1,744,569
Airport	-	-	1,243,326	1,000,902	1,243,326	1,000,902
Total Expenses	<u>\$18,889,220</u>	<u>\$21,316,440</u>	<u>\$ 9,288,467</u>	<u>\$ 8,420,732</u>	<u>\$28,177,687</u>	<u>\$29,737,172</u>
Fund transfer	\$ (7,462)	\$ (231,195)	\$ 7,462	\$ 231,195	-	-
Increase in Net Position	\$ 3,932,293	\$ 2,459,399	\$ 2,779,230	\$ 1,833,050	\$ 6,711,523	\$ 4,292,449
Net Position, January 1	56,402,696	60,334,989	27,282,700	30,061,930	83,685,396	90,396,919
Prior Period Adjustment	-	-	-	-	-	-
Net Position, December 31	<u>\$60,334,989</u>	<u>\$62,794,388</u>	<u>\$30,061,930</u>	<u>\$31,894,980</u>	<u>\$90,396,919</u>	<u>\$94,689,368</u>

The Statement of Activities format is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance, as expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This format highlights the relative financial burden of each of the functions on the City's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants.

Business-Type Activities

Business-type activities increased the City of Liberal's net position by \$1,833,050, as referenced in the table above.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Liberal uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City of Liberal's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Liberal's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources for spending at the end of the fiscal year.

As of the end of 2017, the City of Liberal's governmental funds reported combined ending fund balances of \$22,848,236, or a decrease of \$3,039,393.

Approximately \$19,849,971 is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available due to prior commitments such as liquidating contracts and purchase orders of the prior period in the amount of \$281,223, or for a variety of other restricted purposes in the amount of \$2,717,042.

Proprietary Funds

The City of Liberal's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the proprietary funds were as follows: the Water Fund totaled \$2,288,910, the Sewer Fund totaled \$1,843,753, the Sanitation Fund totaled \$ (216,189), and the Airport Fund totaled \$103,981.

GENERAL FUND BUDGETARY HIGHLIGHTS

During 2017, the budgeted general fund revenue exceeded the actual amount by \$38,147 and the general fund expenses were less than the budgeted amount by \$1,268,843, which gives an overall favorable amount of \$1,306,990. After transfers there was a favorable amount of \$1,297,945.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had \$85,093,258 invested in capital assets including police and fire equipment, buildings, park facilities, new roads, and water and sewer lines, as follows:

City of Liberal's Capital Assets						
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land	\$ 1,793,540	\$ 1,772,238	\$ 4,173,000	\$ 4,173,000	\$ 5,966,540	\$ 5,945,238
Construction in progress	10,894,415	16,880,244	11,129,622	5,846,988	22,024,037	22,727,232
Buildings	8,937,574	8,935,237	9,594,359	9,603,609	18,531,933	18,538,846
Improvements	8,297,233	8,264,372	34,336,353	41,592,799	42,633,586	49,857,171
Equipment	5,506,951	6,030,910	6,067,261	6,011,391	11,574,212	12,042,301
Vehicles	5,446,879	5,598,266	1,831,229	1,861,811	7,278,108	7,460,077
Streets	60,165,668	61,659,305	-	-	60,165,668	61,659,305
Accumulated depreciation	(55,726,582)	(57,732,259)	(33,644,164)	(35,404,653)	(89,370,746)	(93,136,912)
Total	<u>\$ 45,315,678</u>	<u>\$ 51,408,313</u>	<u>\$ 33,487,660</u>	<u>\$ 33,684,945</u>	<u>\$ 78,803,338</u>	<u>\$ 85,093,258</u>

Additional information on the City of Liberal's capital assets can be found in Note 4 on pages 37 – 39 of this report.

Long-Term Debt

At the end of 2017, the City of Liberal had \$22,249,330 in outstanding bonds, compensated absences, notes, capital leases and pension obligation. Additional long-term debt information can be found in Note 6 on pages 42 – 44 of this report, and is summarized, as follows:

City of Liberal's Long-Term Debt						
	Governmental Activities		Business-Type Activities		Total	
	2016	2017	2016	2017	2016	2017
General obligation bonds	\$ 895,000	\$ 895,000	\$ 4,010,000	\$ 3,365,000	\$ 4,905,000	\$ 4,260,000
Compensated absences	704,508	1,151,895	126,265	144,030	830,773	1,295,925
Capital leases & temporary notes	1,321,463	1,243,956	4,636,521	4,969,534	5,957,984	6,213,490
Net pension obligation	<u>9,617,144</u>	<u>9,021,946</u>	<u>1,359,098</u>	<u>1,202,969</u>	<u>10,976,242</u>	<u>10,224,915</u>
Total	<u>\$12,538,115</u>	<u>\$12,312,797</u>	<u>\$10,131,884</u>	<u>\$ 9,681,533</u>	<u>\$22,669,999</u>	<u>\$21,994,330</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City has taken a focused approach towards maximizing the rate of return on taxpayer funds. We have also expanded our banking relationships wherein we designated all local banks additional depositories and they have the opportunity to bid on City taxpayer funds, based upon the State of Kansas Pooled Money Investment Board rates. Due to the overall state of the economy, we have reduced our budgeted investment earnings, although due to bids we continually receive, we are still optimizing these earnings as much as possible.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Finance Director at City of Liberal, 324 North Kansas Avenue, Liberal, Kansas 67901.

CITY OF LIBERAL, KANSAS

BASIC FINANCIAL STATEMENTS

CITY OF LIBERAL, KANSAS

STATEMENT OF NET POSITION

December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Current Assets				
Cash, including time deposits	\$ 21,446,657	\$ 4,995,697	\$ 26,442,354	\$ 778,040
Taxes receivable	6,603,986	-	6,603,986	593,598
Accounts receivable (net)	70,605	450,558	521,163	432
Receivable from other governments	1,728,415	-	1,728,415	-
Unbilled receivable	-	463,003	463,003	-
Interest receivable	2,599	1,345	3,944	-
Inventory	307,590	322,695	630,285	5,430
Prepaid expenses	204,505	41,339	245,844	13,416
Total current assets	\$ 30,364,357	\$ 6,274,637	\$ 36,638,994	\$ 1,390,916
Noncurrent Assets				
Restricted Assets:				
Cash, including time deposits	\$ 366,086	\$ 2,497,459	\$ 2,863,545	\$ 102,708
Other Assets:				
Deferred bond cost	19,499	37,077	56,576	-
Less – Amortization	(7,583)	(15,449)	(23,032)	-
Capital Assets:				
Construction in progress	16,880,244	5,846,988	22,727,232	-
Land	1,772,238	4,173,000	5,945,238	132,465
Buildings	8,935,237	9,603,609	18,538,846	5,649,015
Improvements other than buildings	8,264,372	41,592,799	49,857,171	573,205
Machinery, equipment, furniture and fixtures	6,030,910	6,011,391	12,042,301	941,902
Vehicles	5,598,266	1,861,811	7,460,077	-
Streets	61,659,305	-	61,659,305	-
Less – Accumulated depreciation	(57,732,259)	(35,404,653)	(93,136,912)	(5,333,130)
Total noncurrent assets	\$ 51,786,315	\$ 36,204,032	\$ 87,990,347	\$ 2,066,165
Total Assets	\$ 82,150,672	\$ 42,478,669	\$ 124,629,341	\$ 3,457,081
DEFERRED OUTFLOWS OF RESOURCES				
Total deferred outflows of resources	\$ 1,528,338	-	\$ 1,528,338	\$ 72,287

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

CITY OF LIBERAL, KANSAS

Statement 1

STATEMENT OF NET POSITION

December 31, 2017

	Primary Government			
	Governmental	Business-Type		Component
	Activities	Activities	Total	Units
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 1,413,488	\$ 758,590	\$ 2,172,078	\$ 18,361
Accrued interest payable	7,757	64,604	72,361	5,945
Accrued wages and benefits	287,016	52,743	339,759	24,409
Unapplied credits	-	14,645	14,645	22,774
Lease purchase contracts – Current	141,946	1,719,189	1,861,135	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	7,895
General obligation bonds payable –				
Current	-	650,000	650,000	-
Notes payable – Current	-	-	-	18,930
Total current liabilities	<u>\$ 1,850,207</u>	<u>\$ 3,259,771</u>	<u>\$ 5,109,978</u>	<u>\$ 98,314</u>
Noncurrent Liabilities				
Deferred bond premium	\$ -	\$ 21,514	\$ 21,514	\$ -
Less – Accretion	-	(9,940)	(9,940)	-
Accrued compensated absences	1,151,895	144,030	1,295,925	18,367
General obligation bonds payable	895,000	2,715,000	3,610,000	-
Notes payable – Net of current portion	-	-	-	286,456
Lease purchase contracts	1,102,010	3,250,345	4,352,355	-
Net pension obligation	<u>9,021,946</u>	<u>1,202,969</u>	<u>10,224,915</u>	<u>385,825</u>
Total noncurrent liabilities	<u>\$12,170,851</u>	<u>\$ 7,323,918</u>	<u>\$19,494,769</u>	<u>\$ 690,648</u>
Total Liabilities	<u>\$14,021,058</u>	<u>\$10,583,689</u>	<u>\$24,604,747</u>	<u>\$ 788,962</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	\$ 6,181,703	-	\$ 6,181,703	\$ 593,598
Pension related	<u>681,861</u>	<u>-</u>	<u>681,861</u>	<u>77,710</u>
Total Deferred Inflows of Resources	<u>\$ 6,863,564</u>	<u>-</u>	<u>\$ 6,863,564</u>	<u>\$ 671,308</u>
NET POSITION				
Net investment in capital assets	\$49,281,273	\$25,360,465	\$74,641,738	\$ 1,658,070
Restricted for:				
Capital projects	4,630,273	2,621,893	7,252,166	-
Debt service	2,249,788	138,721	2,388,509	-
Other purposes	10,442,294	(246,554)	10,195,740	102,708
Unrestricted	<u>(3,809,240)</u>	<u>4,020,455</u>	<u>211,215</u>	<u>308,320</u>
Total Net Position	<u>\$62,794,388</u>	<u>\$31,894,980</u>	<u>\$94,689,368</u>	<u>\$ 2,069,098</u>

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

CITY OF LIBERAL, KANSAS

Statement 2

STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government:								
Administration	\$ 2,482,318	\$ 229,216	-	-	\$ (2,253,102)	-	\$ (2,253,102)	-
Planning commission	2,287	-	-	-	(2,287)	-	(2,287)	-
Building inspection	534,022	199,046	-	-	(334,976)	-	(334,976)	-
Legislative	82,003	-	-	-	(82,003)	-	(82,003)	-
Utility billing	38,170	-	-	-	(38,170)	-	(38,170)	-
Employees' benefits	2,239,638	(651)	-	-	(2,240,289)	-	(2,240,289)	-
Health and welfare	35,000	-	-	-	(35,000)	-	(35,000)	-
Interest and fiscal charges	12,685	-	-	-	(12,685)	-	(12,685)	-
Total general government	\$ 5,426,123	\$ 427,611	-	-	\$ (4,998,512)	-	\$ (4,998,512)	-
Public Safety:								
Police	\$ 3,053,907	\$ 91,265	\$ 12,785	\$ -	\$ (2,949,857)	-	\$ (2,949,857)	-
Fire	1,520,241	10,048	3,809	-	(1,506,384)	-	(1,506,384)	-
Municipal Court	628,432	699,661	-	-	71,229	-	71,229	-
Communications	751,057	435	-	328,600	(422,022)	-	(422,022)	-
Animal control	203,014	23,919	2,521	-	(176,574)	-	(176,574)	-
Total public safety	\$ 6,156,651	\$ 825,328	\$ 19,115	\$ 328,600	\$ (4,983,608)	-	\$ (4,983,608)	-
Public Works:								
Transportation	\$ 2,776,540	\$ 83,231	\$ -	\$2,405,656	\$ (287,653)	-	\$ (287,653)	-
Engineering	30,546	-	-	-	(30,546)	-	(30,546)	-
Recreation	662,213	154,035	155,091	-	(353,087)	-	(353,087)	-
Arkalon	63,432	11,676	39,000	-	(12,756)	-	(12,756)	-
Beautification	231,772	5,025	-	-	(226,747)	-	(226,747)	-
Educational	(307,417)	-	-	-	307,417	-	307,417	-
Street lighting	300,375	4,447	-	-	(295,928)	-	(295,928)	-
Total public works	\$ 3,757,461	\$ 258,414	\$194,091	\$2,405,656	\$ (899,300)	-	\$ (899,300)	-
Community Service:								
Golf course	\$ 597,587	\$ 273,297	\$ 716	-	\$ (323,574)	-	\$ (323,574)	-
Parks	693,389	38,850	1,121	-	(653,418)	-	(653,418)	-
Swimming pool	388,243	121,747	-	-	(266,496)	-	(266,496)	-
Cemetery	142,080	47,186	3,520	-	(91,374)	-	(91,374)	-
Library	592,000	-	-	-	(592,000)	-	(592,000)	-
Educational	1,635,022	-	-	-	(1,635,022)	-	(1,635,022)	-
Air Museum	294,987	44,530	29,563	-	(220,894)	-	(220,894)	-
Convention and Tourism	462,478	14,576	-	-	(447,902)	-	(447,902)	-
Total community service	\$ 4,805,786	\$ 540,186	\$ 34,920	-	\$ (4,230,680)	-	\$ (4,230,680)	-
Community/Economic Development:								
Urban Development and Housing	\$ 511,736	\$ 83,503	\$ -	-	\$ (428,233)	-	\$ (428,233)	-
Economic development	658,683	19,151	196,577	-	(442,955)	-	(442,955)	-
Total community/economic development	\$ 1,170,419	\$ 102,654	\$196,577	-	\$ (871,188)	-	\$ (871,188)	-
Total governmental activities	\$21,316,440	\$2,154,193	\$444,703	\$2,734,256	\$ (15,983,288)	-	\$ (15,983,288)	-

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

CITY OF LIBERAL, KANSAS

Statement 2
(Continued)STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for	Operating	Capital	Changes in Net Position			
		Services & Other	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Business-Type Activities:								
Water	\$ 3,335,731	\$ 4,581,876	-	\$ -	-	\$ 1,246,145	\$ 1,246,145	-
Sewer	2,339,530	3,314,897	-	-	-	975,367	975,367	-
Sanitation	1,744,569	1,709,042	-	-	-	(35,527)	(35,527)	-
Airport	<u>1,000,902</u>	<u>269,484</u>	<u>-</u>	<u>81,107</u>	<u>-</u>	<u>(650,311)</u>	<u>(650,311)</u>	<u>-</u>
Total business-type activities	\$ <u>8,420,732</u>	\$ <u>9,875,299</u>	<u>-</u>	\$ <u>81,107</u>	<u>-</u>	\$ <u>1,535,674</u>	\$ <u>1,535,674</u>	<u>-</u>
Total Primary Government	<u>\$29,737,172</u>	<u>\$12,029,492</u>	<u>\$444,703</u>	<u>\$2,815,363</u>	<u>\$ (15,983,288)</u>	<u>\$ 1,535,674</u>	<u>\$ (14,447,614)</u>	<u>-</u>
Component Units:								
Housing Authority	\$ 753,802	\$ 500,995	\$187,852	-	-	-	-	\$ (64,955)
Library	<u>662,478</u>	<u>64,339</u>	<u>25,421</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(572,718)</u>
Total Component Units	<u>\$ 1,416,280</u>	<u>\$ 565,334</u>	<u>\$213,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ (637,673)</u>
General Revenues:								
Ad valorem property tax					\$ 5,859,724	\$ -	\$ 5,859,724	\$ 592,000
Delinquent tax					280,036	-	280,036	-
Franchise tax					1,950,109	-	1,950,109	-
Motor vehicle tax					822,251	-	822,251	-
Commercial vehicle fees					55,352	-	55,352	-
RHID					83,424	-	83,424	-
Local sales tax					7,752,572	-	7,752,572	-
CID					71,444	-	71,444	-
Liquor tax					98,356	-	98,356	-
Transient guest tax					474,204	-	474,204	-
Highway connecting links					33,139	-	33,139	-
Gasoline tax					546,503	-	546,503	-
Administrative fees					352,500	-	352,500	-
Interest					118,696	48,503	167,199	2,330
Royalties					122,303	17,678	139,981	-
Lease income					53,269	-	53,269	-
Gain or (loss) on disposal of assets					-	-	-	-
Transfer in (out)					<u>(231,195)</u>	<u>231,195</u>	<u>-</u>	<u>-</u>
Total general revenues and transfers					<u>\$ 18,442,687</u>	<u>\$ 297,376</u>	<u>\$ 18,740,063</u>	<u>\$ 594,330</u>
Change in Net Position					\$ 2,459,399	\$ 1,833,050	\$ 4,292,449	\$ (43,343)
Net Position, Beginning					60,334,989	30,061,930	90,396,919	2,112,441
Prior Period Adjustment					-	-	-	-
Net Position, Ending					<u>\$ 62,794,388</u>	<u>\$31,894,980</u>	<u>\$ 94,689,368</u>	<u>\$2,069,098</u>

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

CITY OF LIBERAL, KANSAS

Statement 3

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2017

	General	Capital	Debt	Other	Reclassifications	Total
	Fund	Projects	Service	Governmental	and Eliminations	Governmental
ASSETS	Fund	Fund	Fund	Funds		Funds
Cash, including time deposits	\$2,865,694	\$5,858,196	\$2,249,788	\$10,519,905	-	\$21,493,583
Cash, restricted	-	-	106	365,980	-	366,086
Accounts receivable	70,560	-	-	45	-	70,605
Interest receivable	1,593	-	-	1,006	-	2,599
Due from other funds	-	-	-	-	-	-
Taxes receivable	4,556,861	-	19	2,047,106	-	6,603,986
Receivable from other governments	445,431	50,171	-	1,232,813	-	1,728,415
Inventory	277,672	-	-	29,918	-	307,590
Prepaid expense	104,004	-	-	100,501	-	204,505
Total Assets	<u>\$8,321,815</u>	<u>\$5,908,367</u>	<u>\$2,249,913</u>	<u>\$14,297,274</u>	<u>-</u>	<u>\$30,777,369</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts payable	\$ 123,303	\$1,197,704	\$ 106	\$ 92,375	-	\$ 1,413,488
Accrued wages and benefits	204,468	2,248	-	80,300	-	287,016
Due to other funds	-	-	-	-	-	-
Bank overdraft	-	46,926	-	-	-	46,926
Total liabilities	<u>\$ 327,771</u>	<u>\$1,246,878</u>	<u>\$ 106</u>	<u>\$ 172,675</u>	<u>-</u>	<u>\$ 1,747,430</u>
<u>Deferred Inflows of Resources</u>						
Deferred revenue	<u>\$4,198,045</u>	<u>-</u>	<u>-</u>	<u>\$ 1,983,658</u>	<u>-</u>	<u>\$ 6,181,703</u>
<u>Fund Balances</u>						
Nonspendable for accounts receivable, inventory and prepaid expenses	\$1,258,076	\$ 31,216	\$ 19	\$ 1,427,731	-	\$ 2,717,042
Assigned for encumbrances	10,307	-	-	270,916	-	281,223
Assigned to:						
Special Revenue Funds	-	-	-	10,442,294	-	10,442,294
Capital Projects Funds	-	4,630,273	-	-	-	4,630,273
Debt Service Funds	-	-	2,249,788	-	-	2,249,788
Unassigned	<u>2,527,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,527,616</u>
Total fund balances	<u>\$3,795,999</u>	<u>\$4,661,489</u>	<u>\$2,249,807</u>	<u>\$12,140,941</u>	<u>-</u>	<u>\$22,848,236</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$8,321,815</u>	<u>\$5,908,367</u>	<u>\$2,249,913</u>	<u>\$14,297,274</u>	<u>-</u>	<u>\$30,777,369</u>

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

CITY OF LIBERAL, KANSAS

Statement 3
(Continued)

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES

December 31, 2017

Total Governmental Fund Balances	\$22,848,236
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and deferred outflows of resources used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital assets net of accumulated depreciation of \$57,732,259	51,408,313
Deferred outflows of resources	1,528,338
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred bond cost	19,499
Accumulated amortization	(7,583)
Long-term liabilities and deferred inflows of resources, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(895,000)
Lease purchase contracts payable	(1,243,956)
Accrued interest	(7,757)
Accrued compensated absences	(1,151,895)
Net pension obligation	(9,021,946)
Pension related deferred inflows of resources	<u>(681,861)</u>
Net Position of Governmental Activities	<u>\$62,794,388</u>

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

CITY OF LIBERAL, KANSAS

Statement 4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2017

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Revenues</u>					
Taxes	\$ 6,709,788	\$ -	\$ 261	\$ 2,274,552	\$ 8,984,601
Intergovernmental	2,955,178	203,272	-	8,003,896	11,162,346
Licenses, permits, & fees	177,922	-	-	-	177,922
Charges for services	758,697	-	-	143,832	902,529
Fines and forfeitures	699,661	-	-	-	699,661
Interest income	74,563	-	-	43,619	118,182
Royalty and lease income	174,425	-	-	632	175,057
Entities' share	-	6,200,316	-	-	6,200,316
Contribution	27,000	-	-	213,039	240,039
Miscellaneous	278,860	-	-	1,506,874	1,785,734
General long-term debt issued	-	-	-	-	-
Total revenues	<u>\$11,856,094</u>	<u>\$6,403,588</u>	<u>\$ 261</u>	<u>\$12,186,444</u>	<u>\$30,446,387</u>
<u>Expenditures</u>					
Current Operations:					
General Government:					
Administration	\$ 2,029,560	-	-	\$ -	\$ 2,029,560
Planning commission	2,287	-	-	-	2,287
Building inspection	512,369	-	-	-	512,369
Legislative	81,920	-	-	-	81,920
Utility billing	38,447	-	-	-	38,447
Employees' benefits	-	-	-	1,575,497	1,575,497
Health and welfare	-	-	-	35,000	35,000
Total general gov.	<u>\$ 2,664,583</u>	<u>-</u>	<u>-</u>	<u>\$ 1,610,497</u>	<u>\$ 4,275,080</u>
Public Safety:					
Police	\$ 3,314,675	-	-	\$ (289,620)	\$ 3,025,055
Fire	1,328,796	-	-	32,356	1,361,152
Municipal Court	632,130	-	-	-	632,130
Communications	-	-	-	748,251	748,251
Animal control	217,206	-	-	-	217,206
Total public safety	<u>\$ 5,492,807</u>	<u>-</u>	<u>-</u>	<u>\$ 490,987</u>	<u>\$ 5,983,794</u>

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

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2017

<u>Expenditures (Continued)</u>	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Current Operations (Cont.):					
Public Works:					
Transportation	\$ 854,055	-	-	\$ 3,940,566	\$ 4,794,621
Engineering	29,636	-	-	-	29,636
Recreation	398,141	-	-	271,701	669,842
Arkalon	50,591	-	-	15,961	66,552
Beautification	-	-	-	234,171	234,171
Educational	-	-	-	2,812,987	2,812,987
Street lighting	285,222	-	-	-	285,222
Total public works	\$ 1,617,645	-	-	\$ 7,275,386	\$ 8,893,031
Community Service:					
Golf course	\$ 616,946	-	-	\$ 718	\$ 617,664
Parks	508,884	-	-	1,823	510,707
Swimming pool	168,660	-	-	-	168,660
Cemetery	148,961	-	-	1,093	150,054
Library	-	-	-	592,000	592,000
Educational	-	-	-	1,635,022	1,635,022
Air Museum	-	-	-	354,183	354,183
Convention & Tourism	-	-	-	449,354	449,354
Total community service	\$ 1,443,451	-	-	\$ 3,034,193	\$ 4,477,644
Community/Economic Development:					
Urban Housing and Development	\$ -	\$ 73,749	-	\$ 523,012	\$ 596,761
Economic development	162,639	-	-	525,177	687,816
Total community/economic develop.	\$ 162,639	\$ 73,749	-	\$ 1,048,189	\$ 1,284,577
Debt Service:					
Principal	-	-	\$ -	-	\$ -
Interest & other charges	-	-	7,077	-	7,077
Total debt service	-	-	\$ 7,077	-	\$ 7,077
Capital outlay	-	\$ 7,795,007	-	\$ 448,878	\$ 8,243,885
Total expenditures	\$ 11,381,125	\$ 7,868,756	\$ 7,077	\$ 13,908,130	\$ 33,165,088

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

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS

For the year ended December 31, 2017

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Excess (deficiency) of revenues over expenditures	\$ <u>474,969</u>	\$ <u>(1,465,168)</u>	\$ <u>(6,816)</u>	\$ <u>(1,721,686)</u>	\$ <u>(2,718,701)</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ 170,000	-	-	\$ 1,693,270	\$ 1,863,270
Operating transfers out	(751,445)	-	-	(1,343,020)	(2,094,465)
Temporary bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	\$ <u>(581,445)</u>	<u>-</u>	<u>-</u>	\$ <u>350,250</u>	\$ <u>(231,195)</u>
Net change in fund balances	\$ (106,476)	\$ (1,465,168)	\$ (6,816)	\$ (1,371,436)	\$ (2,949,896)
Fund Balances, Beginning	3,940,616	6,087,225	2,256,604	13,603,184	25,887,629
Other Changes:					
Increase or (decrease) in reserves	<u>(38,141)</u>	<u>39,432</u>	<u>19</u>	<u>(90,807)</u>	<u>(89,497)</u>
Fund Balances, Ending	\$ <u>3,795,999</u>	\$ <u>4,661,489</u>	\$ <u>2,249,807</u>	\$ <u>12,140,941</u>	\$ <u>22,848,236</u>

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

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)

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, 2017

Net Change in Fund Balances – Total Governmental Funds \$ (2,949,896)

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

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 as depreciation expense:

Capital asset purchases capitalized	8,376,649
Capital assets transferred to business-type activities	-
Depreciation expense	(2,226,245)
Basis of assets disposed of	(57,769)
Accretion	(6,500)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenues in the fund:

Current taxes receivable	6,603,986
Prior taxes receivable	(6,467,187)
Current accounts receivable	70,605
Prior accounts receivable	(104,502)
Current due from other funds	-
Prior due from other funds	-
Current receivable from other governments	1,678,244
Prior receivable from other governments	(1,791,904)
Current grants receivable	50,171
Prior grants receivable	(10,740)
Current interest receivable	2,599
Prior interest receivable	(2,058)
Current deferred revenue on receivables	(6,181,703)
Prior deferred revenue on receivables	6,116,724

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

CITY OF LIBERAL, KANSAS

Statement 4
(Continued)

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, 2017

Repayment of debt principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position:

Bond principal payments	-
Capital lease principal payments	136,506
Capital lease principal acquired in current year	(58,999)

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

Current interest payable	(7,757)
Prior interest payable	8,649

Some assets, such as prepaid insurance and inventory, are reported as reserves
to fund balances in the governmental funds statement so these amounts are
included in the expense accounts on the governmental funds:

Current prepaid maintenance contracts	96,416
Prior prepaid maintenance contracts	(98,436)
Current prepaid insurance	108,089
Prior prepaid insurance	(102,898)
Current inventory	307,591
Prior inventory	(364,494)

Some expense reported in the statement of activities, such as compensated absences
and net pension obligation, do not require the use of current financial resources
and therefore are not reported as expenditures in governmental funds:

Current compensated absences	(1,151,895)
Prior compensated absences	704,508
Current net pension obligation	(9,021,946)
Prior net pension obligation	9,617,144
Net change in deferred outflows of resources	(514,956)
Net change in pension deferred inflows of resources	<u>(298,597)</u>

Change in Net Position on Governmental Activities \$ 2,459,399

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

CITY OF LIBERAL, KANSAS

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2017

	Business-Type Activities				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
ASSETS					
<u>Current Assets</u>					
Cash, including time deposits	\$ 2,503,457	\$ 2,095,998	\$ 281,074	\$ 115,168	\$ 4,995,697
Accounts receivable (net)	165,516	130,626	105,996	48,420	450,558
Unbilled receivable	220,352	136,775	105,876	-	463,003
Interest receivable	593	452	197	103	1,345
Inventory	180,937	63,885	77,873	-	322,695
Prepaid expenses	18,924	8,585	7,479	6,351	41,339
Total current assets	<u>\$ 3,089,779</u>	<u>\$ 2,436,321</u>	<u>\$ 578,495</u>	<u>\$ 170,042</u>	<u>\$ 6,274,637</u>
<u>Noncurrent Assets</u>					
Restricted Assets:					
Cash, including time deposits	\$ 642,649	\$ 492,324	\$ 912,494	\$ 449,992	\$ 2,497,459
Other Assets:					
Deferred bond cost	37,077	-	-	-	37,077
Less – Amortization	(15,449)	-	-	-	(15,449)
Capital Assets:					
Construction in progress	630,942	4,798,062	315,400	102,584	5,846,988
Land	757,219	1,042,226	51,349	2,322,206	4,173,000
Buildings	708,850	7,362,878	95,763	1,436,118	9,603,609
Improvements other than buildings	18,521,288	6,541,246	2,136	16,528,129	41,592,799
Machinery, equipment, furniture and fixtures	3,410,032	1,742,208	621,203	237,948	6,011,391
Vehicles	333,709	218,926	887,156	422,020	1,861,811
Less – Accumulated deprec.	(11,983,092)	(12,051,628)	(1,479,108)	(9,890,825)	(35,404,653)
Total noncurrent assets	<u>\$ 13,043,225</u>	<u>\$ 10,146,242</u>	<u>\$ 1,406,393</u>	<u>\$ 11,608,172</u>	<u>\$ 36,204,032</u>
Total Assets	<u>\$ 16,133,004</u>	<u>\$ 12,582,563</u>	<u>\$ 1,984,888</u>	<u>\$ 11,778,214</u>	<u>\$ 42,478,669</u>

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

CITY OF LIBERAL, KANSAS

Statement 5

STATEMENT OF NET POSITION – PROPRIETARY FUNDS

December 31, 2017

	Business-Type Activities				
	Water	Sewer	Sanitation	Airport	Totals
LIABILITIES					
<u>Current Liabilities</u>					
Payable from Current Assets:					
Accounts payable	\$ 195,323	\$ 203,970	\$ 357,317	\$ 1,980	\$ 758,590
Accrued interest payable	37,050	27,554	-	-	64,604
Accrued wages and benefits	20,917	13,639	16,100	2,087	52,743
Unapplied credits	<u>9,020</u>	<u>-</u>	<u>1,383</u>	<u>4,242</u>	<u>14,645</u>
Total current liabilities payable from current assets	\$ 262,310	\$ 245,163	\$ 374,800	\$ 8,309	\$ 890,582
Payable from Restricted Assets:					
Current portion of general obligation bonds	650,000	-	-	-	650,000
Current portion of lease purchase	<u>241,154</u>	<u>1,478,035</u>	<u>-</u>	<u>-</u>	<u>1,719,189</u>
Total current liabilities	\$ <u>1,153,464</u>	\$ <u>1,723,198</u>	\$ <u>374,800</u>	\$ <u>8,309</u>	\$ <u>3,259,771</u>
<u>Noncurrent Liabilities</u>					
Deferred bond premium	\$ 21,514	\$ -	\$ -	\$ -	\$ 21,514
Less – Amortization	(9,940)	-	-	-	(9,940)
Accrued compensated absences	55,064	39,648	44,049	5,269	144,030
General obligation bonds payable	2,715,000	-	-	-	2,715,000
Lease purchase payable	892,835	2,357,510	-	-	3,250,345
Net pension obligation	<u>483,495</u>	<u>307,757</u>	<u>359,234</u>	<u>52,483</u>	<u>1,202,969</u>
Total noncurrent liabilities	\$ <u>4,157,968</u>	\$ <u>2,704,915</u>	\$ <u>403,283</u>	\$ <u>57,752</u>	\$ <u>7,323,918</u>
Total Liabilities	\$ <u>5,311,432</u>	\$ <u>4,428,113</u>	\$ <u>778,083</u>	\$ <u>66,061</u>	\$ <u>10,583,689</u>
NET POSITION					
Net investment in capital assets	\$ 7,890,013	\$ 5,818,373	\$ 493,899	\$ 11,158,180	\$ 25,360,465
Restricted for:					
Capital projects	999,896	333,504	929,095	359,398	2,621,893
Other purposes	(357,247)	158,820	-	90,594	(107,833)
Unrestricted	<u>2,288,910</u>	<u>1,843,753</u>	<u>(216,189)</u>	<u>103,981</u>	<u>4,020,455</u>
Total Net Position	\$ <u>10,821,572</u>	\$ <u>8,154,450</u>	\$ <u>1,206,805</u>	\$ <u>11,712,153</u>	\$ <u>31,894,980</u>

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

CITY OF LIBERAL, KANSAS

Statement 6

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2017

	Business-Type Activities				
	Water	Sewer	Sanitation	Airport	Totals
<u>Operating Revenues</u>					
Charges for services	\$4,546,518	\$3,314,824	\$1,709,039	\$ 259,709	\$ 9,830,090
Other sales or services	<u>35,358</u>	<u>73</u>	<u>3</u>	<u>9,775</u>	<u>45,209</u>
Total operating revenues	<u>\$4,581,876</u>	<u>\$3,314,897</u>	<u>\$1,709,042</u>	<u>\$ 269,484</u>	<u>\$ 9,875,299</u>
<u>Operating Expenses</u>					
Production:					
Salaries and wages	\$ 72,938	-	-	-	\$ 72,938
Employees' benefits	27,066	-	-	-	27,066
Power, fuel and electrical					
power	582,615	-	-	-	582,615
Repairs and maintenance	159,424	-	-	-	159,424
Other contractual	8,626	-	-	-	8,626
Operating supplies	15,375	-	-	-	15,375
Gas and oil	<u>9,054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,054</u>
Total production expenses	<u>\$ 875,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 875,098</u>
Transmission and Distribution:					
Salaries and wages	\$ 323,237	-	-	-	\$ 323,237
Employees' benefits	99,150	-	-	-	99,150
Repairs and maintenance	201,005	-	-	-	201,005
Vehicle insurance	4,038	-	-	-	4,038
Other contractual	6,449	-	-	-	6,449
Gas and oil	12,489	-	-	-	12,489
Other	<u>6,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,337</u>
Total transmission and distribution expenses	<u>\$ 652,705</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 652,705</u>
Vector Control:					
Other	<u>\$ 5,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 5,839</u>

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

CITY OF LIBERAL, KANSAS

Statement 6
(Continued)

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2017

	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
Operating Expenses (Continued)					
Pick-up Service:					
Salaries and wages	-	-	\$ 465,095	-	\$ 465,095
Employees' benefits	-	-	161,137	-	161,137
Repairs and maintenance	-	-	107,096	-	107,096
Landfill service	-	-	517,647	-	517,647
Other contractual	-	-	1,816	-	1,816
Gas and oil	-	-	67,171	-	67,171
Equipment and vehicle ins.	-	-	17,940	-	17,940
Operational supplies	-	-	95,255	-	95,255
Total pick-up service exp.	-	-	\$1,433,157	-	\$ 1,433,157
Plant Operations:					
Salaries and wages	-	\$ 115,437	-	-	\$ 115,437
Employees' benefits	-	64,804	-	-	64,804
Utilities	-	331,187	-	-	331,187
Repairs and maintenance	-	119,896	-	-	119,896
Other contractual	-	1,001	-	-	1,001
Operating supplies	-	472,948	-	-	472,948
Gas and oil	-	18,555	-	-	18,555
Total plant operations expense	-	\$1,123,828	-	-	\$ 1,123,828
Line Operations:					
Salaries and wages	-	\$ 47,127	-	-	\$ 47,127
Employees' benefits	-	16,786	-	-	16,786
Repairs and maintenance	-	48,873	-	-	48,873
Telephone	-	1,448	-	-	1,448
Operating supplies	-	7,782	-	-	7,782
Gas and oil	-	4,301	-	-	4,301
Total line operations exp.	-	\$ 126,317	-	-	\$ 126,317

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

CITY OF LIBERAL, KANSAS

Statement 6
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2017

	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
<u>Operating Expenses (Continued)</u>					
Administrative, General and Billings:					
Salaries and wages	\$ 217,917	\$ 230,095	\$ -	\$ 68,506	\$ 516,518
Employees' benefits	64,622	87,755	-	(17,399)	134,978
Repairs and maintenance	18,694	3,739	-	129,194	151,627
Audit and legal fees	7,700	5,100	5,500	4,500	22,800
Travel and meetings	6,942	2,794	-	2,008	11,744
Office supplies and expenses	3,933	9,788	-	2,019	15,740
Sales tax	45,878	-	-	-	45,878
Property taxes	-	-	-	34,294	34,294
Utilities and telephone	9,527	5,890	12,754	28,810	56,981
Insurance	27,413	24,561	-	21,140	73,114
Depreciation	765,481	361,199	79,758	897,819	2,104,257
Laboratory expense	-	10,991	-	-	10,991
State water plan	26,922	-	-	-	26,922
Franchise fees	250,000	100,000	100,000	-	450,000
Bad debt expense	19,524	20,376	11,306	-	51,206
Engineering fees	6,093	18,418	-	(214,722)	(190,211)
Clean drinking water fee	25,240	-	-	-	25,240
Other	31,794	9,476	-	42,233	83,503
Administration	152,443	102,443	102,094	2,500	359,480
Total administrative exp.	<u>\$1,680,123</u>	<u>\$ 992,625</u>	<u>\$ 311,412</u>	<u>\$ 1,000,902</u>	<u>\$ 3,985,062</u>
Total operating exp.	<u>\$3,213,765</u>	<u>\$2,242,770</u>	<u>\$1,744,569</u>	<u>\$ 1,000,902</u>	<u>\$ 8,202,006</u>
Net Operating Income	<u>\$1,368,111</u>	<u>\$1,072,127</u>	<u>\$ (35,527)</u>	<u>\$ (731,418)</u>	<u>\$ 1,673,293</u>

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

CITY OF LIBERAL, KANSAS

Statement 6
(Continued)STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION – PROPRIETARY FUNDS

For the year ended December 31, 2017

	Business-Type Activities				
	Water	Sewer	Sanitation	Airport	Totals
<u>Non-Operating Revenue (Expense)</u>					
Interest income	\$ 20,725	\$ 15,693	\$ 8,067	\$ 4,018	\$ 48,503
Royalty income	-	-	-	17,678	17,678
Interest and fiscal charges	(116,185)	(96,760)	-	-	(212,945)
Amortization of deferred bond cost	(7,415)	-	-	-	(7,415)
Accretion of deferred bond premium	1,634	-	-	-	1,634
Grants and other funding	-	-	-	81,107	81,107
Transfer in (out)	-	-	-	231,195	231,195
Total non-operating revenue (expense)	<u>\$ (101,241)</u>	<u>\$ (81,067)</u>	<u>\$ 8,067</u>	<u>\$ 333,998</u>	<u>\$ 159,757</u>
Change in Net Position	\$ 1,266,870	\$ 991,060	\$ (27,460)	\$ (397,420)	\$ 1,833,050
Net Position, Beginning of year	<u>9,554,702</u>	<u>7,163,390</u>	<u>1,234,265</u>	<u>12,109,573</u>	<u>30,061,930</u>
Net Position, End of year	<u>\$10,821,572</u>	<u>\$8,154,450</u>	<u>\$1,206,805</u>	<u>\$11,712,153</u>	<u>\$31,894,980</u>

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

CITY OF LIBERAL, KANSAS

Statement 7

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2017

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 4,521,768	\$ 3,250,537	\$ 1,693,805	\$ 248,690	\$ 9,714,800
Cash paid to suppliers and employees	(2,385,380)	(1,738,571)	(1,359,124)	(139,972)	(5,623,047)
Other sales and miscellaneous income	<u>35,358</u>	<u>73</u>	<u>3</u>	<u>9,775</u>	<u>45,209</u>
Net cash provided (used) by operating activities	\$ <u>2,171,746</u>	\$ <u>1,512,039</u>	\$ <u>334,684</u>	\$ <u>118,493</u>	\$ <u>4,136,962</u>
<u>Cash Flows from Non-Capital Financing Activities</u>					
Interest paid	\$ (121,282)	-	-	\$ -	\$ (121,282)
Grant income	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,107</u>	<u>81,107</u>
Net cash provided (used) by non-capital financing activities	\$ <u>(121,282)</u>	<u>-</u>	<u>-</u>	\$ <u>81,107</u>	\$ <u>(40,175)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of capital assets	\$ (661,648)	\$ (765,293)	\$ (315,400)	\$ (559,201)	\$ (2,301,542)
Cash received on issuance of lease purchase contract	-	677,011	-	-	677,011
Operating transfer in (out)	-	-	-	231,195	231,195
Payment on lease purchase contract	(235,201)	(185,291)	-	-	(420,492)
Payment on general obligation bonds	<u>(645,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(645,000)</u>
Net cash provided (used) for capital and related financing activities	\$ <u>(1,541,849)</u>	\$ <u>(273,573)</u>	\$ <u>(315,400)</u>	\$ <u>(328,006)</u>	\$ <u>(2,458,828)</u>
<u>Cash Flows from Investing Activities</u>					
Interest income	\$ 20,400	\$ 15,420	\$ 7,991	\$ 3,991	\$ 47,802
Royalty revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,678</u>	<u>17,678</u>
Net cash provided by investing activities	\$ <u>20,400</u>	\$ <u>15,420</u>	\$ <u>7,991</u>	\$ <u>21,669</u>	\$ <u>65,480</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 529,015	\$ 1,253,886	\$ 27,275	\$ (106,737)	\$ 1,703,439
Cash and Cash Equivalents at Beginning of Year	<u>2,617,091</u>	<u>1,334,436</u>	<u>1,166,293</u>	<u>671,897</u>	<u>5,789,717</u>
Cash and Cash Equivalents at End of Year	\$ <u>3,146,106</u>	\$ <u>2,588,322</u>	\$ <u>1,193,568</u>	\$ <u>565,160</u>	\$ <u>7,493,156</u>

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

CITY OF LIBERAL, KANSAS

Statement 7
(Continued)

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the year ended December 31, 2017

	<u>Business-Type Activities</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	<u>Totals</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ <u>1,368,111</u>	\$ <u>1,072,127</u>	\$ <u>(35,527)</u>	\$ <u>(731,418)</u>	\$ <u>1,673,293</u>
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation expense	\$ 765,481	\$ 361,199	\$ 79,758	\$ 897,819	\$ 2,104,257
Changes in Assets and Liabilities:					
Decrease (increase) in accounts receivable	(4,565)	(43,876)	(2,654)	(13,924)	(65,019)
Decrease (increase) in prepaid expenses	(2,182)	(24)	(184)	650	(1,740)
Decrease (increase) in inventory	27,934	(19,010)	22,405	-	31,329
(Decrease) increase in unapplied credits	(661)	(35)	(1,274)	2,905	935
(Decrease) increase in accrued compensated absences	824	5,240	9,663	2,038	17,765
(Decrease) increase in accounts payable	78,120	150,992	299,469	518	529,099
(Decrease) increase in accrued salaries	1,196	588	1,454	(66)	3,172
(Decrease) increase in net pension obligation	(62,512)	(15,162)	(38,426)	(40,029)	(156,129)
Total adjustments	\$ <u>803,635</u>	\$ <u>439,912</u>	\$ <u>370,211</u>	\$ <u>849,911</u>	\$ <u>2,463,669</u>
Net Cash Provided by Operating Activities	\$ <u>2,171,746</u>	\$ <u>1,512,039</u>	\$ <u>334,684</u>	\$ <u>118,493</u>	\$ <u>4,136,962</u>

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

CITY OF LIBERAL, KANSAS

Statement 8

STATEMENT OF NET POSITION
FIDUCIARY FUNDS
 December 31, 2017

	<u>Agency Funds</u>						
	<u>Insurance</u>	<u>Municipal Court</u>	<u>Health Insurance Reserve</u>	<u>Employee Cafeteria Fund</u>	<u>Payroll Fund</u>	<u>Evidence Fund</u>	<u>Total</u>
ASSETS							
Cash, including time deposits	<u>\$269,366</u>	<u>\$ 2,020</u>	<u>\$876,160</u>	<u>\$ 263</u>	<u>-</u>	<u>\$ 35,362</u>	<u>\$1,183,171</u>
LIABILITIES							
Due others	<u>\$269,366</u>	<u>\$ 2,020</u>	<u>\$876,160</u>	<u>\$ 263</u>	<u>-</u>	<u>\$ 35,362</u>	<u>\$1,183,171</u>

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

CITY OF LIBERAL, KANSAS

Statement 9

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
 December 31, 2017

	<u>Insurance</u>	<u>Municipal</u> <u>Court</u>	<u>Health</u> <u>Insurance</u> <u>Reserve</u>	<u>Employee</u> <u>Cafeteria</u> <u>Fund</u>	<u>Payroll</u> <u>Fund</u>	<u>Evidence</u> <u>Fund</u>	<u>Total</u>
ADDITIONS							
Payroll withholdings and employer taxes and benefits	\$7,024,712	\$ -	\$ 24,794	\$ 4,824	\$ 5,592	\$ -	\$7,059,922
Bonds posted	<u>-</u>	<u>52,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,050</u>	<u>67,906</u>
Total additions	<u>\$7,024,712</u>	<u>\$ 52,856</u>	<u>\$ 24,794</u>	<u>\$ 4,824</u>	<u>\$ 5,592</u>	<u>\$ 15,050</u>	<u>\$7,127,828</u>
DEDUCTIONS							
Personnel services	\$6,984,754	\$ -	-	\$ 5,294	\$ 5,618	\$ -	\$6,995,666
Contractual services	<u>-</u>	<u>74,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,463</u>	<u>76,221</u>
Total deductions	<u>\$6,984,754</u>	<u>\$ 74,758</u>	<u>-</u>	<u>\$ 5,294</u>	<u>\$ 5,618</u>	<u>\$ 1,463</u>	<u>\$7,071,887</u>
Change in Net Position	\$ 39,958	\$ (21,902)	\$ 24,794	\$ (470)	\$ (26)	\$ 13,587	\$ 55,941
Net Position – Beginning of Year	<u>229,408</u>	<u>23,922</u>	<u>851,366</u>	<u>733</u>	<u>26</u>	<u>21,775</u>	<u>1,127,230</u>
Net Position – End of Year	<u>\$ 269,366</u>	<u>\$ 2,020</u>	<u>\$876,160</u>	<u>\$ 263</u>	<u>-</u>	<u>\$ 35,362</u>	<u>\$1,183,171</u>

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Liberal, Kansas is a municipal corporation governed by an elected five-member commission. The City's major operations include police and fire protection, library, parks, recreation, public works and general administrative services. In addition, the City owns and operates a water, sewer and sanitation system.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

Discretely presented component units of the City of Liberal, Kansas are as follows:

1. Housing Authority – An appointed City board operates the City’s housing projects. The authority can sue and be sued, and can buy, sell or lease real property. Bond issuances must be approved by the City. The authority has a year end of September 30. Copies of the financial statements may be obtained from the Housing Authority located at Parklane Towers, 1401 N. New York Ave., Liberal, Kansas.
2. Library Board – An appointed City board operates the municipal library. The City Commissioners must approve acquisition or disposition of real property. Bond issuances must also be approved by the City’s governing body. Copies of the financial statements may be obtained from the Library located at 519 N. Kansas, Liberal, Kansas.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the City (primary government) as a whole. They include all funds of the reporting entity except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each on which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

1. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally or administratively restricted to expenditures for certain purposes.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Governmental Funds (Continued):

Capital Projects Fund

The Capital Projects Fund is used to account for resources restricted for the acquisition or construction of specific capital projects or items (other than those financed by enterprise funds). The reporting entity includes only one Capital Projects Fund and it is used to account for the acquisition of capital assets with transfers made from the General Fund.

Debt Service Fund

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt and the financing of special assessments that are general obligations of the City (other than debt service payments made by enterprise funds).

Proprietary Fund:

Enterprise Fund

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

Fiduciary Funds (Not included in government-wide statements):

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

The government reports the following major governmental funds:

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 Capital Projects Fund accounts for financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The government reports the following major proprietary funds:

The Water Fund accounts for the water services to residents of the City and some residents of the County.

The Sewer Fund accounts for the sewer services to residents of the City and some residents of the County.

The Sanitation Fund accounts for the pick-up service of trash and garbage to the residents of the City and some residents of the County.

The Airport Fund accounts for all income and revenue derived from the operations of the Airport Industrial Park.

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 City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents

For the purpose of the Statement of Net Position, “cash, including time deposits” includes all demand and savings accounts and certificates of deposits of the City. For the purposes of the proprietary fund Statement of Cash Flows, “cash and cash equivalents” includes all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of three months or less.

Receivables and Payables

Activity between funds that are outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The City records water revenue billed to its customers when meters are read on a monthly basis. Charges for sewage treatment and refuse services are billed monthly.

Only amounts of delinquent tax collected by the County Treasurer are included as receivables. Records of back tax are such that it is impracticable to ascertain the amounts that represent receivables.

Receivables of the general and special revenue funds are not available as resources that can be used to finance the current year operations of the City and, consequently, are offset by reserves in the fund statements for control purposes.

With the exception of back taxes, accounts receivable, which were considered doubtful as to collectability, have been charged off. Therefore, a provision for uncollectible accounts has not been recognized for statement presentation.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

Inventories and Prepaid Items

Inventories in the general fund consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method. Inventories are expensed when purchased for fund financials and expensed when used for government-wide financials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide financial statements.

Capital Assets

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and improvements	30 to 50 years
Motor vehicles and motorized equipment	3 to 7 years
Furniture, machinery and equipment	5 to 8 years
Extensions	50 years
Infrastructure	20 to 90 years

The City has a collection of airplanes presented for public exhibition and education that is being preserved for future generations. The proceeds from sales of any pieces of the collection are used to purchase other acquisitions. The collection is not capitalized or depreciated as part of capital assets.

Compensated Absences

The City accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. Sick leave is not required to be accrued as of December 31, 2017.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

Government-Wide and Proprietary Fund Net Position

Government-wide and proprietary fund net position is divided into three components:

Net Investment in Capital Assets – Consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.

Restricted Net Position – Consists of net position that is restricted by the City's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.

Unrestricted – All other net position is reported in this category.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Position or Equity (Continued)

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by a formal action by City Commission ordinance or resolution.

Assigned – Amounts that are designated by City officials for a particular purpose.

Unassigned – All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures and Expenses

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB 33. In applying GASB Statement No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Collection of current year property taxes by the County Treasurer is not completed, apportioned, nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and, therefore, are not susceptible to accrual.

Expenditures

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased. Principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

- A. Annual budgets are adopted for most City funds. Such budgets are based on expected expenditures by program within a fund and estimated resources by source for all funds. Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:
 - a. Preparation of the budget for the succeeding calendar year on or before August 1st.
 - b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
 - c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
 - d. Adoption of the final budget on or before August 25th.
- B. For day-to-day management control, expenditures plus encumbrances may not exceed budget at the expenditure-type (i.e., personnel services, other operations and maintenance, etc.) level of each cost center (activity within a program within a fund).
- C. 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 that time. Any unused budgeted expenditure authority lapses at year end.
- D. 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.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

- E. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplementary Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.
 - F. A legal operating budget is not required for capital projects funds, fiduciary type funds, and the following special revenue funds:
 - a. Municipal Equipment Fund
 - b. Bequest Fund
 - c. Diversion Program Fund
 - d. Cemetery Perpetual Fund
 - e. Fire Insurance Proceeds Fund
 - f. Police Step Grant Fund
 - g. Nighttime Seatbelt Grant Fund
 - h. Edward Byrne Memorial Fund
- Spending in funds, which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.
- G. During the year ended December 31, 2017 the City did not over expend the legal operating budget in any fund.

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. For budgetary purposes, appropriations lapse at fiscal year end, except for the portion related to encumbered amounts. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitment will be honored during the subsequent year.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 3: DEPOSITS AND INVESTMENTS

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

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

Custodial Credit Risk – Deposits – Custodial credit risk for deposits is the risk that in the event of a bank failure, the City of Liberal's deposits may not be returned or the City of Liberal will not be able to recover collateral securities in the possession of an outside party. The City of Liberal's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service, as determined by a rating of C minus or above by independent rating agencies. Collateral agreements must be approved prior to deposit of funds as provided by law. The City of Liberal Commission approves and designates a list of authorized depository institutions based on evaluation of solicited responses and certifications provided by financial institutions and recommendations of an evaluation committee and/or the City of Liberal Finance Director. Custodial credit risk for deposits is not formally addressed by bond indentures or pension trust policy. Indentures require that restricted deposits be maintained by the trustee bank specified in the indenture. Pension trust investment policy restricts uninvested cash to minimal balances generally covered by the FDIC.

Deposits of the City of Liberal's reporting entity are insured or collateralized with securities held by the City of Liberal, its agent, or by the pledging financial institutions' trust department or agent in the name of the City of Liberal or applicable public trust.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 3: DEPOSITS AND INVESTMENTS (Continued)

At December 31, 2017, the City of Liberal's carrying amount of deposits, including certificates of deposit, was \$22,239,447 and the bank balance was \$22,721,554. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the remaining \$21,721,554 was collateralized with securities held by the pledging financial institution's agent in the City of Liberal's name.

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

As of December 31, 2017, the City of Liberal's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Risk</u>
Primary Government			
<u>Pooled Investments</u>			
Kansas Municipal Investment Pool:			
General Government	\$8,087,921	\$8,087,921	
Health Insurance Reserve	151,438	151,438	

Government pools are considered a cash equivalent on the government-wide statement of net position.

City Investment Policy

The City of Liberal's current investment policy is complying with state statutes as to type of investments allowed. The City is currently in the process of developing a policy that will be more detailed in the assessment of credit risk and interest rate risk.

The City has historically only used investments in U.S. Agency Notes with short-term maturities. These policies have left the City with relatively low levels of credit risk and interest rate risk.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 1,793,540	\$ -	\$ 21,302	-	\$ 1,772,238
Construction in progress	<u>10,894,415</u>	<u>7,645,008</u>	<u>1,659,179</u>	<u>-</u>	<u>16,880,244</u>
Total capital assets, not being depreciated	<u>\$12,687,955</u>	<u>\$ 7,645,008</u>	<u>\$1,680,481</u>	<u>-</u>	<u>\$18,652,482</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 8,937,574	\$ 7,400	\$ 9,737	\$ -	\$ 8,935,237
Structures and improvements other than buildings	8,297,233	1,108	33,969	-	8,264,372
Machinery, equipment, furniture and fixtures	5,506,951	623,255	100,296	1,000	6,030,910
Vehicles	5,446,879	261,200	109,813	-	5,598,266
Streets and other assets	<u>60,165,668</u>	<u>1,497,857</u>	<u>4,220</u>	<u>-</u>	<u>61,659,305</u>
Total capital assets, being depreciated	<u>\$88,354,305</u>	<u>\$ 2,390,820</u>	<u>\$ 258,035</u>	<u>\$ 1,000</u>	<u>\$90,488,090</u>
<u>Less – Accumulated Depreciation for:</u>					
Buildings	\$ 5,422,306	\$ 227,857	\$ 10,477	\$ -	\$ 5,639,686
Structures and improvements other than buildings	3,956,617	342,380	32,535	-	4,266,462
Machinery, equipment, furniture and fixtures	4,690,924	254,957	95,763	1,000	4,851,118
Vehicles	4,675,452	284,552	78,573	-	4,881,431
Streets and other assets	<u>36,981,283</u>	<u>1,116,499</u>	<u>4,220</u>	<u>-</u>	<u>38,093,562</u>
Total accumulated depreciation	<u>\$55,726,582</u>	<u>\$ 2,226,245</u>	<u>\$ 221,568</u>	<u>\$ 1,000</u>	<u>\$57,732,259</u>
Total Capital Assets, Being Depreciated, Net	<u>\$32,627,723</u>	<u>\$ 164,575</u>	<u>\$ 36,467</u>	<u>-</u>	<u>\$32,755,831</u>
Governmental Activities Capital Assets, Net	<u>\$45,315,678</u>	<u>\$ 7,809,583</u>	<u>\$1,716,948</u>	<u>-</u>	<u>\$51,408,313</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Business-Type Activities:					
Capital Assets, not Being Depreciated:					
Land	\$ 4,173,000	\$ -	\$ -	-	\$ 4,173,000
Construction in progress	<u>11,129,622</u>	<u>2,006,501</u>	<u>7,289,135</u>	-	<u>5,846,988</u>
Total capital assets, not being depreciated	<u>\$15,302,622</u>	<u>\$ 2,006,501</u>	<u>\$7,289,135</u>	-	<u>\$10,019,988</u>
Capital Assets, Being Depreciated:					
Buildings	\$ 9,594,359	\$ 9,250	\$ -	\$ -	\$ 9,603,609
Structures and improvements other than buildings	34,336,353	7,289,135	32,689	-	41,592,799
Machinery, equipment, furniture and fixtures	6,067,260	239,145	294,014	(1,000)	6,011,391
Vehicles	<u>1,831,229</u>	<u>46,647</u>	<u>16,065</u>	-	<u>1,861,811</u>
Total capital assets, being depreciated	<u>\$51,829,201</u>	<u>\$ 7,584,177</u>	<u>\$ 342,768</u>	<u>\$ (1,000)</u>	<u>\$59,069,610</u>
<u>Less</u> – Accumulated Depreciation for:					
Buildings	\$ 8,069,819	\$ 208,243	\$ -	\$ -	\$ 8,278,062
Structures and improvements other than buildings	20,579,557	1,414,065	32,689	-	21,960,933
Machinery, equipment, furniture and fixtures	3,556,393	401,058	294,014	(1,000)	3,662,437
Vehicles	<u>1,438,395</u>	<u>80,891</u>	<u>16,065</u>	-	<u>1,503,221</u>
Total accumulated depreciation	<u>\$33,644,164</u>	<u>\$ 2,104,257</u>	<u>\$ 342,768</u>	<u>\$ (1,000)</u>	<u>\$35,404,653</u>
Total Capital Assets, Being Depreciated, Net	<u>\$18,185,037</u>	<u>\$ 5,479,920</u>	-	-	<u>\$23,664,957</u>
Business-Type Activities Capital Assets, Net	<u>\$33,487,659</u>	<u>\$ 7,486,421</u>	<u>\$7,289,135</u>	-	<u>\$33,684,945</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

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

Governmental Activities:

General Government:

Administration	\$ 114,512
Building inspection	8,100
Utility billing	914

Public Safety:

Police	180,935
Fire	184,624
Municipal Court	7,328
Communications	2,757
Traffic Control	1,749

Public Works:

Transportation	1,193,906
Engineering	1,126
Recreation	49,613
Arkalon	12,810
Beautification	266
Street lighting	11,314

Community Service:

Golf course	28,634
Parks	119,804
Swimming pool	219,090
Cemetery	11,537
Air Museum	11,851
Convention and Tourism	13,341

Community/Economic Development:

Urban Development and Housing	571
Economic Development	<u>51,463</u>

Total Governmental Activities Depreciation Expense \$2,226,245

Business-Type Activities:

Water	\$ 765,481
Sewer	361,199
Sanitation	79,758
Airport	<u>897,819</u>

Total Business-Type Activities Depreciation Expense \$2,104,257

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2017 is as follows:

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Air Museum Fund	\$ 137,042
	Bequest Fund	30,503
	Communication Center Fund	492,900
	Municipal Equipment Reserve	91,000
Snow Removal Reserve	Municipal Equipment Reserve	841,908
Tourism Fund	Air Museum Fund	99,917
Airport (non-cash)	General Fund	1,000
Crime & Prevention – Drugs & Alcohol	General Fund	<u>170,000</u>
Total		<u>\$1,864,270</u>

The transfers listed above were made according to the approved budget except for the transfers to the Bond and Interest Fund, which were made in accordance with KSA 12-6a16.

Note 6: LONG-TERM DEBT

Lease Purchase Contracts

The City of Liberal, Kansas has entered into several lease purchase contracts. Contracts outstanding at year end are as follows:

<u>Fund</u>	<u>Interest Rates</u>	<u>Amount</u>
General	4.724%	\$ 776,833
General	4.32%	58,999
General	2.30%	215,297
General	2.72%	192,827
Water	2.50%	<u>1,133,989</u>
		<u>\$2,377,945</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 6: LONG-TERM DEBT (Continued)

Lease Purchase Contracts (Continued)

Lease purchase debt service requirements to maturity, including \$290,074 of interest, are as follows:

<u>Year</u>	<u>General</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Total</u>
2018	\$ 187,779	\$ 267,965	\$ 455,744
2019	187,799	267,965	455,744
2020	187,799	267,965	455,744
2021	187,799	267,965	455,744
2022	172,055	133,984	306,039
2023-2026	<u>539,004</u>	<u>-</u>	<u>539,004</u>
	<u>\$1,462,175</u>	<u>\$1,205,844</u>	<u>\$2,668,019</u>

KDHE Revolving Loans

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for the Engineering and Administrative portion of the Sewer Plant & Interceptor Line Project. The loan was entered into on February 2, 2015 with an interest rate of 2.20% and a maximum amount of \$2,985,000. As of December 31, 2017, \$1,077,648 had been drawn on this loan and the payback amount was \$185,292. Principal payments of \$163,461 were made in 2017. The payback period for the amount of the loan remaining is 19 years.

The City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for the Construction portion of the Sewer Plant & Interceptor Line Project. The loan was entered into on April 22, 2015 with an interest rate of 2.11% and a maximum amount of \$26,643,080. As of December 31, 2017, \$2,851,552 had been drawn on this loan and the payback amount was \$ -0-. Principal payment of \$ -0- were made in 2017. The payback period for the amount of the loan remaining is 20 years.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 6: LONG-TERM DEBT (Continued)

KDHE Revolving Loans (Continued)

<u>Fund</u>	<u>Interest Rates</u>	<u>Amount</u>
Sewer	2.20%	\$ 920,119
Sewer	2.11%	<u>2,915,426</u>
		<u>\$3,835,545</u>

KDHE Revolving Loan requirements to maturity, including \$991,110 of interest are as follows:

<u>Year</u>	<u>Sewer Fund</u>
2018	\$1,825,154
2019	1,825,154
2020	<u>185,237</u>
	<u>\$3,835,545</u>

General Obligation Bonds

The City of Liberal, Kansas issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be issued to refund both general obligation and revenue bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	0.80%	\$ 895,000
Business-type activities – Water	3.00% - 4.00%	<u>3,365,000</u>
		<u>\$4,260,000</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 6: LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$895,000	\$ 7,160	\$ 650,000	\$ 77,568
2019	-	-	670,000	65,823
2020	-	-	595,000	52,887
2021	-	-	300,000	40,212
2022	-	-	320,000	30,712
2023-2025	-	-	830,000	33,106
	<u>\$895,000</u>	<u>\$ 7,160</u>	<u>\$3,365,000</u>	<u>\$ 300,308</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 895,000	\$ -	\$ -	\$ 895,000	\$ -
Capital leases	1,321,464	58,999	136,507	1,243,956	141,946
Compensated absences	704,508	1,406,895	704,508	1,406,895	1,406,895
Net pension obligation	<u>9,617,144</u>	<u>9,021,946</u>	<u>9,617,144</u>	<u>9,021,946</u>	<u>9,021,946</u>
Governmental activity					
long-term liabilities	<u>\$12,538,116</u>	<u>\$10,487,840</u>	<u>\$10,458,159</u>	<u>\$12,567,797</u>	<u>\$10,570,787</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 6: LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities (Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities:					
General obligation bonds	\$ 4,010,000	\$ -	\$ 645,000	\$3,365,000	\$ 650,000
Capital leases	1,369,190	-	235,201	1,133,989	241,154
KDHE revolving loan	3,267,331	731,675	163,461	3,835,545	1,478,034
Compensated absences	126,265	144,030	126,265	144,030	144,030
Net pension obligation	<u>1,359,098</u>	<u>1,202,968</u>	<u>1,359,098</u>	<u>1,202,968</u>	<u>1,202,968</u>
Business-type activity					
long-term liabilities	<u>\$10,131,884</u>	<u>\$2,078,673</u>	<u>\$2,529,025</u>	<u>\$9,681,532</u>	<u>\$3,716,186</u>

Note 7: DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Liberal, Kansas participates in a cost-sharing multiple-employer pension plan, as defined in Governmental Accounting Standards Board No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERs), a body corporate and an instrumentality of the State of Kansas. KPERs provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
 - o State/School employees
 - o Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Plan Description (Continued)

Those employees participating in the Pension Plan for the City are included in the Public Employees, and Police and Firemen employee groups.

KPERS issues a stand-alone comprehensive annual financial report, which is available on the KPERS website at www.kpers.org.

Benefits Provided

Benefits are established by statute and may only be changed by the General Assembly. Members (except Police and Firemen) with ten or more years of credited service may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of credited service equal 85 "points" (Police and Firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member'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 State of Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

The 2012 Legislature made changes affecting new hires, current members 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

Member contributions are established by state law and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation for each of the three state wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers, which includes the state and the school employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2017.

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rates for City employees are as follows:

	<u>Actuarial</u> <u>Employer</u> <u>Rate</u>	<u>Statutory</u> <u>Employer</u> <u>Capped Rate</u>
Local government employees	8.46%	8.46%
Police and Firemen	19.03%	19.03%

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

Member contribution rates as a percentage of eligible compensation in fiscal year 2017 are 6.00% for Local employees and 7.15% for Police and Firemen.

Employer Allocations

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 of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in KPERS' schedule of employer and nonemployer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer.

The allocation percentages for the City's share of the collective pension amounts as of December 31, 2017 are based on the ratio of its contributions to the total of the employer and nonemployer contributions of the group for the fiscal year ended December 31, 2017.

The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. As of June 30, 2017, the City's proportion for the Local employees group was 0.349068%, which was a decrease of 0.006921% from its proportion measured at June 30, 2016. At June 30, 2017, the City's proportion for the Police and Firemen group was 0.551170%, which was an increase of 0.037676% from its proportion measured at June 30, 2016.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability

At December 31, 2017, the City reported a liability of \$5,056,096 and \$5,168,819, respectively, for its total proportionate share of the net pension liability for the Local and Police and Firemen groups.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75%
Wage inflation	3.50%
Salary increases, including wage increases	3.50%-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 Healthy Annuitant Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2016.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015.

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, 2017 are summarized in the following table:

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Long-term Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47.00%	6.80%
Fixed income	13.00	1.25
Yield driven	8.00	6.55
Real return	11.00	1.71
Real estate	11.00	5.05
Alternatives	8.00	9.85
Short-term investments	<u>2.00</u>	(0.25)
Total	<u>100.00%</u>	

Discount Rate

The discount rate used 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 State, School, and Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERs employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for Police and Firemen and Judges. Future employer contribution rates were also modeled for Police and Firemen and Judges assuming all actuarial assumptions are met in 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 LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	<u>1% Decrease</u> <u>(6.75%)</u>	<u>Discount Rate</u> <u>(7.75%)</u>	<u>1% Increase</u> <u>(8.75%)</u>
Local	\$ 7,281,882	\$ 5,056,096	\$3,179,844
Police and Firemen	<u>7,332,714</u>	<u>5,168,819</u>	<u>3,357,329</u>
	<u>\$14,614,596</u>	<u>\$10,224,915</u>	<u>\$6,537,173</u>

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions as shown in the following tables. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive plan members in the beginning of the measurement period. Investment gains and losses are recognized over a fixed five year period.

	<u>Deferred Outflows of Resources</u>		
	<u>Local</u>	<u>Police & Firemen</u>	<u>Total</u>
Differences between expected and actual experience	\$ 24,454	\$249,867	\$ 274,321
Net difference between projected and actual earnings on pension plan investments	158,602	191,481	350,083
Changes in assumptions	272,291	360,930	633,221
Changes in proportion	<u>206,036</u>	<u>64,677</u>	<u>270,713</u>
	<u>\$661,383</u>	<u>\$866,955</u>	<u>\$1,528,338</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)

	<u>Deferred Inflows of Resources</u>		
	<u>Local</u>	<u>Police & Firemen</u>	<u>Total</u>
Differences between expected and actual experience	\$174,829	\$ 38,665	\$213,494
Net differences between projected and actual earnings on pension plan investments	-	-	-
Changes of assumptions	36,972	23,099	60,071
Changes in proportion	<u>170,655</u>	<u>237,641</u>	<u>408,296</u>
	<u>\$382,456</u>	<u>\$299,405</u>	<u>\$681,861</u>

The net deferred outflows of resources and (deferred inflows) of resources as of June 30, 2017 that will be recognized in pension expense in future years are as follows:

<u>Fiscal Year</u>	<u>Local</u>	<u>Police & Firemen</u>	<u>Total</u>
2018	\$ (16,314)	\$102,645	\$ 86,331
2019	189,833	296,694	486,527
2020	150,976	174,396	325,372
2021	(53,530)	(21,959)	(75,489)
2022	<u>7,962</u>	<u>15,773</u>	<u>23,735</u>
	<u>\$278,927</u>	<u>\$567,549</u>	<u>\$846,476</u>

Pension Expense

For the year ended December 31, 2017, the City recognized Local pension expense of \$477,109 and Police and Firemen pension expense of \$676,300, which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 8: RISK MANAGEMENT

The local government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

The City of Liberal, Kansas established a health benefit plan for active full time employees who are working full normal work-weeks (not less than 30 hours) and are receiving full compensation. The City participates in a fully-insured benefit plan where claims are administered and processed through Blue Cross/Blue Shield of Kansas. The benefit year is a period of 12 months starting on January 1 and ending December 31.

Note 9: CONTINGENT LIABILITIES AND COMMITMENTS

Federal Assistance

The City of Liberal participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2017.

It is possible that the City's compliance with applicable grant agreements may be established at some future date. The amount of expenditures which may be disallowed by the grantor agencies cannot be determined at this date, although the City expects such amounts, if any, to be immaterial.

Environmental Issues

Environmental issues pertaining to the City of Liberal are subject to state and federal requirements. The amount of expenditures required, if any, is not presently ascertainable.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 10: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued 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 of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2017, there was one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$1,000,000.

Note 11: AIRPORT LEASES

The City of Liberal leases space at the municipal airport to individuals and businesses. The lease contracts are for one year terms. The revenue is reported in the Airport Proprietary Fund.

Note 12: TAX ABATEMENTS

The City enters into property tax abatement agreements with local developers under Kansas statutes 12-5241 et seq., which authorizes a city to designate rural housing incentive districts. Under the statutes, the City is authorized to reimburse the developer for all or a portion of the costs of implementing the development through the use of property tax increments allocated to the City under the provisions of the statute.

For the year ended December 31, 2017, property taxes abated totaled \$83,424 under the rural housing incentive districts program.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2017

(Continued)

Note 12: TAX ABATEMENTS (Continued)

The City enters into sales tax abatement agreements with local developers under Kansas statutes 12-6a26 et seq., which enables a city to create a district for the purpose of financing various improvements from specially designated revenues, including assessments and/or a CID sales tax of up to 2%. Under the statutes, the City is authorized to reimburse the developer for expenditures that are for economic development purposes.

For the year ended December 31, 2017, sales taxes abated totaled \$71,444 under the community improvement district program. The City's share of the abated sales taxes was \$3,548.

Note 13: CONTINGENCIES

The City of Liberal, Kansas has addressed the Federal Aviation Administration (FAA) inquiry regarding the allocation of land sale proceeds from the sale of City property. The City resolved the matter with the FAA, resulting in no financial impact.

A personnel matter that occurred in January 2018 resulted in the pay-out of a contract that increased the City's accrued wages and benefits in the amount of \$164,711. This same matter also resulted in the pay-out of a settlement that increased the City's accounts payable in the amount of \$64,828. This created a net liability for the City of \$229,539.

A personnel matter that occurred in January 2018 will probably result in the pay-out of a contract; therefore, accrued wages and benefits were increased in the amount of \$160,000. There is a possibility that a court will deem the party is not entitled to any compensation or is entitled to additional compensation of up to approximately \$255,000 beyond the accrued amount.

Note 14: SUBSEQUENT EVENTS

The City of Liberal's management has evaluated events and transactions through September 17, 2018, the date which the financial statements were available to be issued.

CITY OF LIBERAL, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERAL, KANSAS

Schedule 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2017

<u>Revenues</u>	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes:			
Ad valorem property tax	\$4,141,739	\$3,967,136	\$ (174,603)
Delinquent tax	75,000	178,313	103,313
Franchise	1,900,000	1,888,843	(11,157)
Motor vehicle tax	556,502	554,380	(2,122)
Commercial vehicle fees	49,206	37,692	(11,514)
RHID	-	83,424	83,424
Total taxes	<u>\$6,722,447</u>	<u>\$6,709,788</u>	<u>\$ (12,659)</u>
Intergovernmental:			
Local sales tax	\$2,750,000	\$2,459,856	\$ (290,144)
CID	-	71,444	71,444
Private club liquor tax	42,000	32,617	(9,383)
Highway connecting links	33,000	33,139	139
Administrative fees	<u>355,000</u>	<u>352,500</u>	<u>(2,500)</u>
Total intergovernmental	<u>\$3,180,000</u>	<u>\$2,949,556</u>	<u>\$ (230,444)</u>
Licenses, Permits, and Fees:			
Building permits	\$ 51,000	\$ 92,057	\$ 41,057
Occupational licenses	35,000	31,348	(3,652)
Other licenses and fees	35,500	24,745	(10,755)
Vehicle inspections	<u>35,000</u>	<u>29,772</u>	<u>(5,228)</u>
Total licenses, permits, and fees	<u>\$ 156,500</u>	<u>\$ 177,922</u>	<u>\$ 21,422</u>
Charges for Services:			
Cemetery	\$ 36,200	\$ 47,186	\$ 10,986
Park fees, concessions	30,500	38,850	8,350
Swimming pool, concessions	178,000	121,747	(56,253)
Vehicle service charges	12,000	463	(11,537)
Recreation	134,400	124,386	(10,014)
Arkalon Park revenues	9,400	11,676	2,276
Golf course fees and other	332,000	273,297	(58,703)
Police	4,800	3,833	(967)
Animal shelter	16,800	23,919	7,119
Building Inspection Department:			
Mowing and demolition	35,000	113,340	78,340
Zoning and planning fees	<u>2,500</u>	<u>-</u>	<u>(2,500)</u>
Total charges for services	<u>\$ 791,600</u>	<u>\$ 758,697</u>	<u>\$ (32,903)</u>

CITY OF LIBERAL, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
<u>Revenues (Continued)</u>			
Fines and Fees:			
Municipal Court	\$ <u>744,700</u>	\$ <u>699,661</u>	\$ <u>(45,039)</u>
Use of Money and Property:			
Interest	\$ <u>10,100</u>	\$ <u>74,563</u>	\$ <u>64,463</u>
Royalties and leases	<u>108,600</u>	<u>122,303</u>	<u>13,703</u>
Raw water sales	<u>53,000</u>	<u>52,122</u>	<u>(878)</u>
Total use of money and property	\$ <u>171,700</u>	\$ <u>248,988</u>	\$ <u>77,288</u>
Miscellaneous:			
Other	\$ <u>31,000</u>	\$ <u>278,860</u>	\$ <u>247,860</u>
Contributions	\$ <u>20,000</u>	\$ <u>27,000</u>	\$ <u>7,000</u>
Grant proceeds	<u>-</u>	\$ <u>5,622</u>	\$ <u>5,622</u>
Total Revenues	\$ <u>11,817,947</u>	\$ <u>11,856,094</u>	\$ <u>38,147</u>
<u>Expenditures</u>			
General Government:			
Administration	\$ <u>2,008,200</u>	\$ <u>1,924,204</u>	\$ <u>83,996</u>
Planning Commission	<u>6,300</u>	<u>2,287</u>	<u>4,013</u>
Building inspection	<u>511,000</u>	<u>512,369</u>	<u>(1,369)</u>
Legislative	<u>78,000</u>	<u>81,920</u>	<u>(3,920)</u>
Building maintenance	<u>119,000</u>	<u>103,506</u>	<u>15,494</u>
Utility billing	<u>48,000</u>	<u>38,447</u>	<u>9,553</u>
Total general government	\$ <u>2,770,500</u>	\$ <u>2,662,733</u>	\$ <u>107,767</u>
Public Safety:			
Police	\$ <u>3,658,000</u>	\$ <u>3,279,457</u>	\$ <u>378,543</u>
Fire	<u>1,355,000</u>	<u>1,328,796</u>	<u>26,204</u>
Municipal court	<u>684,000</u>	<u>632,130</u>	<u>51,870</u>
Animal control	<u>271,000</u>	<u>217,206</u>	<u>53,794</u>
Total public safety	\$ <u>5,968,000</u>	\$ <u>5,457,589</u>	\$ <u>510,411</u>
Economic Development	\$ <u>169,000</u>	\$ <u>162,639</u>	\$ <u>6,361</u>

CITY OF LIBERAL, KANSAS

Schedule 1
(Continued)SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

For the year ended December 31, 2017

<u>Expenditures (Continued)</u>	<u>Original & Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Public Works:			
Transportation	\$ 993,000	\$ 854,055	\$ 138,945
Engineering	48,000	29,636	18,364
Recreation	484,000	401,041	82,959
Arkalon	61,000	50,591	10,409
Street lighting	<u>365,000</u>	<u>285,222</u>	<u>79,778</u>
Total public works	<u>\$ 1,951,000</u>	<u>\$ 1,620,545</u>	<u>\$ 330,455</u>
Community Service:			
Golf course	\$ 708,000	\$ 616,946	\$ 91,054
Parks	589,300	508,884	80,416
Swimming pool	297,000	168,660	128,340
Cemetery	<u>163,000</u>	<u>148,961</u>	<u>14,039</u>
Total community service	<u>\$ 1,757,300</u>	<u>\$ 1,443,451</u>	<u>\$ 313,849</u>
Total expenditures	<u>\$12,615,800</u>	<u>\$11,346,957</u>	<u>\$ 1,268,843</u>
Revenues over (under) expenditures	\$ (797,853)	\$ 509,137	\$ 1,306,990
Other Fund Financing Sources (Uses):			
Operating transfer (out)	<u>(572,400)</u>	<u>(581,445)</u>	<u>(9,045)</u>
Revenues over (under) expenditures and other financing sources (uses)	<u>\$ (1,370,253)</u>	<u>\$ (72,308)</u>	<u>\$ 1,297,945</u>
Fund Balances, January 1	1,370,253	3,940,616	2,570,363
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	-	(38,141)	(38,141)
Encumbrances	<u>-</u>	<u>(34,168)</u>	<u>(34,168)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 3,795,999</u>	<u>\$ 3,795,999</u>

CITY OF LIBERAL, KANSAS

OTHER SUPPLEMENTARY INFORMATION

CITY OF LIBERAL, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2017

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks & Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
ASSETS								
Cash, including time deposits	\$ 1,047	\$ 90,712	\$134,617	\$ 886,516	\$ 76,065	\$ -	\$1,257,720	\$ 41,269
Cash, restricted	-	-	46,654	-	319,326	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-
Taxes receivable	534,074	26,229	-	1,486,803	-	-	-	-
Receivable from other governments	-	-	-	-	138,811	7,286	102,156	7,286
Interest receivable	-	-	30	-	-	-	-	-
Inventory	-	-	-	-	-	-	15,446	-
Prepaid expenses	-	-	20,981	41,272	1,098	-	3,885	-
Total Assets	<u>\$535,121</u>	<u>\$116,941</u>	<u>\$202,282</u>	<u>\$2,414,591</u>	<u>\$535,300</u>	<u>\$ 7,286</u>	<u>\$1,379,207</u>	<u>\$ 48,555</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	-	-	\$ 660	\$ 64,828	\$ 2,041	-	\$ 9,189	-
Accrued wages and benefits	-	-	17,715	28,744	5,238	-	3,453	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	-	-	<u>\$ 18,375</u>	<u>\$ 93,572</u>	<u>\$ 7,279</u>	-	<u>\$ 12,642</u>	-
<u>Deferred Inflows of Resources</u>								
Deferred revenue	<u>\$517,575</u>	<u>\$ 25,406</u>	-	<u>\$1,440,677</u>	-	-	-	-
<u>Fund Balances</u>								
Nonspendable for receivables	\$ -	\$ 823	\$ 30	\$ 46,126	\$138,811	\$ 7,286	\$ 102,156	\$ 7,286
Nonspendable for prepaid expenses	16,499	-	20,981	41,272	1,098	-	3,885	-
Nonspendable for inventory	-	-	-	-	-	-	15,446	-
Assigned for encumbrances	-	-	-	-	-	-	-	-
Assigned to Special Revenue Funds	1,047	90,712	162,896	792,944	388,112	-	1,245,078	41,269
Total fund balances	<u>\$ 17,546</u>	<u>\$ 91,535</u>	<u>\$183,907</u>	<u>\$ 880,342</u>	<u>\$528,021</u>	<u>\$ 7,286</u>	<u>\$1,366,565</u>	<u>\$ 48,555</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$535,121</u>	<u>\$116,941</u>	<u>\$202,282</u>	<u>\$2,414,591</u>	<u>\$535,300</u>	<u>\$ 7,286</u>	<u>\$1,379,207</u>	<u>\$ 48,555</u>

CITY OF LIBERAL, KANSAS

Schedule 2
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2017

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Educational Sales Tax</u>	<u>Air Museum</u>	<u>Municipal Equipment Reserve</u>
ASSETS								
Cash, including time deposits	\$479,723	\$1,191,089	\$377,791	\$1,790,411	\$2,143,325	\$ -	\$ 63,496	\$1,528,387
Cash, restricted	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	45	-	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Receivable from other governments	32,325	96,978	32,326	96,978	387,909	323,258	7,500	-
Interest receivable	78	194	62	292	350	-	-	-
Inventory	-	-	-	156	-	-	14,316	-
Prepaid expenses	<u>881</u>	<u>1,130</u>	<u>-</u>	<u>23,152</u>	<u>678</u>	<u>-</u>	<u>7,424</u>	<u>-</u>
Total Assets	<u>\$513,007</u>	<u>\$1,289,391</u>	<u>\$410,179</u>	<u>\$1,911,034</u>	<u>\$2,532,262</u>	<u>\$323,258</u>	<u>\$ 92,736</u>	<u>\$1,528,387</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	\$ 402	\$ 4,429	\$ 1,289	\$ 4,908	\$ 54	-	\$ 3,904	\$ 284
Accrued wages and benefits	4,159	4,079	-	5,520	4,463	-	6,005	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>\$ 4,561</u>	<u>\$ 8,508</u>	<u>\$ 1,289</u>	<u>\$ 10,428</u>	<u>\$ 4,517</u>	<u>-</u>	<u>\$ 9,909</u>	<u>\$ 284</u>
<u>Deferred Inflows of Resources</u>								
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balances</u>								
Nonspendable for receivables	\$ 32,403	\$ 97,172	\$ 32,388	\$ 97,315	\$ 388,259	\$323,258	\$ 7,500	\$ -
Nonspendable for prepaid expenses	881	1,130	-	23,152	678	-	7,424	-
Nonspendable for inventory	-	-	-	156	-	-	14,316	-
Assigned for encumbrances	-	-	-	-	-	-	-	270,916
Assigned to Special Revenue Funds	<u>475,162</u>	<u>1,182,581</u>	<u>376,502</u>	<u>1,779,983</u>	<u>2,138,808</u>	<u>-</u>	<u>53,587</u>	<u>1,257,187</u>
Total fund balances	<u>\$508,446</u>	<u>\$1,280,883</u>	<u>\$408,890</u>	<u>\$1,900,606</u>	<u>\$2,527,745</u>	<u>\$323,258</u>	<u>\$ 82,827</u>	<u>\$1,528,103</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$513,007</u>	<u>\$1,289,391</u>	<u>\$410,179</u>	<u>\$1,911,034</u>	<u>\$2,532,262</u>	<u>\$323,258</u>	<u>\$ 92,736</u>	<u>\$1,528,387</u>

CITY OF LIBERAL, KANSAS

Schedule 2
(Continued)COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2017

	<u>Bequest</u>	<u>Diversion Program</u>	<u>Cemetery Perpetual</u>	<u>Fire Insurance Proceeds</u>	<u>Police Step Grant</u>	<u>Nighttime Seatbelt Grant</u>	<u>Edward Byrne Memorial</u>	<u>Total Nonmajor Special Revenue</u>
ASSETS								
Cash, including time deposits	\$185,416	\$246,431	\$ 23,495	\$ 696	-	-	\$ 1,699	\$10,519,905
Cash, restricted	-	-	-	-	-	-	-	365,980
Accounts receivable	-	-	-	-	-	-	-	45
Taxes receivable	-	-	-	-	-	-	-	2,047,106
Receivable from other governments	-	-	-	-	-	-	-	1,232,813
Interest receivable	-	-	-	-	-	-	-	1,006
Inventory	-	-	-	-	-	-	-	29,918
Prepaid expenses	-	-	-	-	-	-	-	100,501
Total Assets	<u>\$185,416</u>	<u>\$246,431</u>	<u>\$ 23,495</u>	<u>\$ 696</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$14,297,274</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
<u>Liabilities</u>								
Accounts payable	\$ 387	-	-	-	-	-	-	\$ 92,375
Accrued wages and benefits	924	-	-	-	-	-	-	80,300
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>\$ 1,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 172,675</u>
<u>Deferred Inflows of Resources</u>								
Deferred revenue	-	-	-	-	-	-	-	\$ 1,983,658
<u>Fund Balances</u>								
Nonspendable for receivables	\$ -	\$ -	\$ -	\$ -	-	-	\$ -	\$ 1,280,813
Nonspendable for prepaid expenses	-	-	-	-	-	-	-	117,000
Nonspendable for inventory	-	-	-	-	-	-	-	29,918
Assigned for encumbrances	-	-	-	-	-	-	-	270,916
Assigned to Special Revenue Funds	<u>184,105</u>	<u>246,431</u>	<u>23,495</u>	<u>696</u>	<u>-</u>	<u>-</u>	<u>1,699</u>	<u>10,442,294</u>
Total fund balances	<u>\$184,105</u>	<u>\$246,431</u>	<u>\$ 23,495</u>	<u>\$ 696</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$12,140,941</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$185,416</u>	<u>\$246,431</u>	<u>\$ 23,495</u>	<u>\$ 696</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$14,297,274</u>

CITY OF LIBERAL, KANSAS

Schedule 3

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2017

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks & Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
<u>Revenues</u>								
Taxes	\$593,047	\$ 29,233	\$ -	\$1,652,272	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	328,600	-	547,734	32,617	471,727	32,617
Charges for services	-	-	-	-	-	-	14,356	-
Use of money and property	-	-	1,165	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other	-	-	435	(651)	-	-	220	-
Grants	-	-	-	-	983,432	-	-	-
General long-term debt issued	-	-	-	-	-	-	-	-
Total Revenues	<u>\$593,047</u>	<u>\$ 29,233</u>	<u>\$ 330,200</u>	<u>\$1,651,621</u>	<u>\$1,531,166</u>	<u>\$ 32,617</u>	<u>\$ 486,303</u>	<u>\$ 32,617</u>
<u>Expenditures</u>								
Public safety	\$ -	\$ 18,686	\$ 748,251	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	697,188	32,617	-	-
Community services	592,000	-	-	-	-	-	449,354	-
Health and welfare	-	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	1,575,497	-	-	-	-
Urban development and housing	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total Expenditures	<u>\$592,000</u>	<u>\$ 18,686</u>	<u>\$ 748,251</u>	<u>\$1,575,497</u>	<u>\$ 697,188</u>	<u>\$ 32,617</u>	<u>\$ 449,354</u>	<u>\$ 35,000</u>
Revenues over (under) Expenditures	\$ 1,047	\$ 10,547	\$ (418,051)	\$ 76,124	\$ 833,978	\$ -	\$ 36,949	\$ (2,383)
Other Financing Sources (Uses):								
Operating transfers in (out)	-	-	492,900	-	(841,908)	-	(99,917)	-
Fund Balances, January 1	16,271	81,000	109,090	804,644	537,046	7,118	1,456,842	50,770
Other Changes:								
Increase or (decrease) in reserves	<u>228</u>	<u>(12)</u>	<u>(32)</u>	<u>(426)</u>	<u>(1,095)</u>	<u>168</u>	<u>(27,309)</u>	<u>168</u>
Fund Balances, December 31	<u>\$ 17,546</u>	<u>\$ 91,535</u>	<u>\$ 183,907</u>	<u>\$ 880,342</u>	<u>\$ 528,021</u>	<u>\$ 7,286</u>	<u>\$1,366,565</u>	<u>\$ 48,555</u>

CITY OF LIBERAL, KANSAS

Schedule 3
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2017

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Educational Sales Tax</u>	<u>Air Museum</u>	<u>Municipal Equipment Reserve</u>
<u>Revenues</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	181,712	537,560	179,186	537,560	2,150,241	1,791,868	30,000	-
Charges for services	7,550	-	-	19,206	-	-	40,502	-
Use of money and property	3,195	7,656	2,745	12,675	14,281	1,874	-	-
Contributions	-	-	-	-	-	-	1,932	-
Other	-	44,072	-	-	1,422,224	-	-	30,599
Grants	-	-	-	196,577	-	-	-	-
General long-term debt issued	-	-	-	-	-	-	-	-
Total Revenues	<u>\$192,457</u>	<u>\$ 589,288</u>	<u>\$ 181,931</u>	<u>\$ 766,018</u>	<u>\$3,586,746</u>	<u>\$ 1,793,742</u>	<u>\$ 72,434</u>	<u>\$ 30,599</u>
<u>Expenditures</u>								
Public safety	\$ -	\$ -	\$ (293,834)	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	234,171	-	-	-	3,243,378	2,812,987	-	-
Community services	-	-	-	-	-	1,635,022	314,063	-
Health and welfare	-	-	-	-	-	-	-	-
Employees' benefits	-	-	-	-	-	-	-	-
Urban development and housing	-	523,012	-	-	-	-	-	-
Economic development	-	-	-	525,177	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	448,878
Total Expenditures	<u>\$234,171</u>	<u>\$ 523,012</u>	<u>\$ (293,834)</u>	<u>\$ 525,177</u>	<u>\$3,243,378</u>	<u>\$ 4,448,009</u>	<u>\$ 314,063</u>	<u>\$ 448,878</u>
Revenues over (under) Expenditures	\$ (41,714)	\$ 66,276	\$ 475,765	\$ 240,841	\$ 343,368	\$ (2,654,267)	\$ (241,629)	\$ (418,279)
Other Financing Sources (Uses):								
Operating transfers in (out)	-	-	(170,000)	(231,195)	-	-	236,959	932,908
Fund Balances, January 1	554,574	1,219,960	104,942	1,896,721	2,206,935	2,996,518	91,098	1,013,474
Other Changes:								
Increase or (decrease) in reserves	(4,414)	(5,353)	(1,817)	(5,761)	(22,558)	(18,993)	(3,601)	-
Fund Balances, December 31	<u>\$508,446</u>	<u>\$1,280,883</u>	<u>\$ 408,890</u>	<u>\$1,900,606</u>	<u>\$2,527,745</u>	<u>\$ 323,258</u>	<u>\$ 82,827</u>	<u>\$1,528,103</u>

CITY OF LIBERAL, KANSAS

Schedule 3
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR SPECIAL REVENUE FUNDS

For the year ended December 31, 2017

	<u>Bequest</u>	<u>Diversion Program</u>	<u>Cemetery Perpetual</u>	<u>Fire Insurance Proceeds</u>	<u>Police Step Grant</u>	<u>Nighttime Seatbelt Grant</u>	<u>Edward Byrne Memorial</u>	<u>Total Nonmajor Special Revenue</u>
<u>Revenues</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	\$ 2,274,552
Intergovernmental	-	-	-	-	-	-	-	6,821,422
Charges for services	4,543	57,675	-	-	-	-	-	143,832
Use of money and property	-	-	632	28	-	-	-	44,251
Contributions	207,587	-	3,520	-	-	-	-	213,039
Other	-	-	-	9,975	-	-	-	1,506,874
Grants	-	-	-	-	2,465	-	-	1,182,474
General long-term debt issued	-	-	-	-	-	-	-	-
Total Revenues	<u>\$212,130</u>	<u>\$ 57,675</u>	<u>\$ 4,152</u>	<u>\$ 10,003</u>	<u>\$ 2,465</u>	<u>-</u>	<u>-</u>	<u>\$12,186,444</u>
<u>Expenditures</u>								
Public safety	\$ 5,418	-	\$ -	\$ 10,001	\$ 2,465	-	-	\$ 490,987
Public works	255,045	-	-	-	-	-	-	7,275,386
Community services	43,156	-	598	-	-	-	-	3,034,193
Health and welfare	-	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	-	-	-	-	1,575,497
Urban development and housing	-	-	-	-	-	-	-	523,012
Economic development	-	-	-	-	-	-	-	525,177
Capital outlay	-	-	-	-	-	-	-	448,878
Total Expenditures	<u>\$303,619</u>	<u>-</u>	<u>\$ 598</u>	<u>\$ 10,001</u>	<u>\$ 2,465</u>	<u>-</u>	<u>-</u>	<u>\$13,908,130</u>
Revenues over (under) Expenditures	\$ (91,489)	\$ 57,675	\$ 3,554	\$ 2	-	-	\$ -	\$ (1,721,686)
Other Financing Sources (Uses):								
Operating transfers in (out)	30,503	-	-	-	-	-	-	350,250
Fund Balances, January 1	245,091	188,756	19,941	694	-	-	1,699	13,603,184
Other Changes:								
Increase or (decrease) in reserves	-	-	-	-	-	-	-	(90,807)
Fund Balances, December 31	<u>\$184,105</u>	<u>\$246,431</u>	<u>\$ 23,495</u>	<u>\$ 696</u>	<u>-</u>	<u>-</u>	<u>\$ 1,699</u>	<u>\$12,140,941</u>

CITY OF LIBERAL, KANSAS

Schedule 4-1

LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$516,066	\$494,444	\$ (21,622)
Delinquent tax	500	24,197	23,697
Commercial vehicle fees	6,128	4,703	(1,425)
Motor vehicle tax	<u>69,306</u>	<u>69,703</u>	<u>397</u>
Total Revenues	\$592,000	\$593,047	\$ 1,047
<u>Expenditures</u>			
Community Services:			
Appropriations to Library Board	<u>592,000</u>	<u>592,000</u>	<u>-</u>
Revenues over (under) Expenditures	-	\$ 1,047	\$ 1,047
Fund Balances, January 1	-	16,271	16,271
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>228</u>	<u>228</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 17,546</u>	<u>\$ 17,546</u>

CITY OF LIBERAL, KANSAS

Schedule 4-2

SPECIAL FIRE EQUIPMENT RESERVE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 25,232	\$ 24,210	\$ (1,022)
Delinquent tax	1,000	1,274	274
Commercial vehicle fees	306	236	(70)
Motor vehicle tax	<u>3,462</u>	<u>3,513</u>	<u>51</u>
Total Revenues	\$ <u>30,000</u>	\$ <u>29,233</u>	\$ <u>(767)</u>
<u>Expenditures</u>			
Public Safety – Fire Protection:			
Capital outlay	\$ 11,500	\$ -	\$ 11,500
Issuance cost	-	-	-
Capital lease payment	18,500	18,686	(186)
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	\$ <u>30,000</u>	\$ <u>18,686</u>	\$ <u>11,314</u>
Revenues over (under) Expenditures	-	\$ 10,547	\$ 10,547
Fund Balances, January 1	-	81,000	81,000
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(12)</u>	<u>(12)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>91,535</u>	\$ <u>91,535</u>

CITY OF LIBERAL, KANSAS

Schedule 4-3

COMMUNICATION CENTER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Seward County	\$ 328,600	\$ 328,600	\$ -
Use of Money and Property:			
Interest	-	1,165	1,165
Other	<u>-</u>	<u>435</u>	<u>435</u>
Total Revenues	\$ <u>328,600</u>	\$ <u>330,200</u>	\$ <u>1,600</u>
<u>Expenditures</u>			
Public Safety:			
Personnel services	\$ 715,500	\$ 686,996	\$ 28,504
Operation and maintenance	100,900	61,255	39,645
Capital outlay	<u>5,100</u>	<u>-</u>	<u>5,100</u>
Total Expenditures	\$ <u>821,500</u>	\$ <u>748,251</u>	\$ <u>73,249</u>
Revenues over (under) Expenditures	\$ (492,900)	\$ (418,051)	\$ 74,849
Other Financing Sources (Uses):			
Operating transfer in	492,900	492,900	-
Fund Balances, January 1	-	109,090	109,090
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expense	<u>-</u>	<u>(32)</u>	<u>(32)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>183,907</u>	\$ <u>183,907</u>

CITY OF LIBERAL, KANSAS

Schedule 4-4

EMPLOYEES' BENEFITS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$1,434,187	\$1,373,934	\$ (60,253)
Delinquent tax	30,000	67,806	37,806
Commercial vehicle fees	17,126	13,170	(3,956)
Motor vehicle tax	193,687	197,362	3,675
Other income	<u>-</u>	<u>(651)</u>	<u>(651)</u>
Total Revenues	\$1,675,000	\$1,651,621	\$ (23,379)
<u>Expenditures</u>			
Employees' Benefits	<u>1,695,000</u>	<u>1,575,497</u>	<u>119,503</u>
Revenues over (under) Expenditures	\$ (20,000)	\$ 76,124	\$ 96,124
Fund Balances, January 1	20,000	804,644	784,644
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expense	<u>-</u>	<u>(426)</u>	<u>(426)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 880,342</u>	<u>\$880,342</u>

CITY OF LIBERAL, KANSAS

Schedule 4-5

SPECIAL CITY STREETS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
State of Kansas – Gasoline tax	\$ 545,360	\$ 547,734	\$ 2,374
Other:			
Miscellaneous	<u>-</u>	<u>983,432</u>	<u>983,432</u>
Total Revenues	\$ 545,360	\$1,531,166	\$ 985,806
<u>Expenditures</u>			
Public works	<u>655,000</u>	<u>697,188</u>	<u>(42,188)</u>
Revenues over (under) Expenditures	\$ (109,640)	\$ 833,978	\$ 943,618
Other Financing Sources (Uses):			
Operating transfer (out)	-	(841,908)	(841,908)
Fund Balances, January 1	109,640	537,046	427,406
Other Changes:			
Increase or (Decrease) in Reserves:			
Encumbrances	<u>-</u>	<u>(1,095)</u>	<u>(1,095)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 528,021</u>	<u>\$ 528,021</u>

CITY OF LIBERAL, KANSAS

Schedule 4-6

SPECIAL PARKS AND RECREATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 42,000	\$ 32,617	\$ (9,383)
<u>Expenditures</u>			
Public Works:			
Maintenance	<u>42,000</u>	<u>32,617</u>	<u>9,383</u>
Revenues over (under) Expenditures	-	\$ -	\$ -
Fund Balances, January 1	-	7,118	7,118
Other Changes:			
Increase (decrease) in reserves	<u>-</u>	<u>168</u>	<u>168</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 7,286</u>	<u>\$ 7,286</u>

CITY OF LIBERAL, KANSAS

Schedule 4-7

TOURISM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transient guest tax	\$ 628,000	\$ 471,727	\$ (156,273)
Charges for sales and services	13,000	14,356	1,356
Other:			
Miscellaneous	<u>-</u>	<u>220</u>	<u>220</u>
Total Revenues	\$ <u>641,000</u>	\$ <u>486,303</u>	\$ <u>(154,697)</u>
<u>Expenditures</u>			
Community Services:			
Personnel services	\$ 159,200	\$ 146,798	\$ 12,402
Operations	343,100	227,556	115,544
Capital improvements	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total Expenditures	\$ <u>577,300</u>	\$ <u>449,354</u>	\$ <u>127,946</u>
Revenues over (under) Expenditures	\$ 63,700	\$ 36,949	\$ (26,751)
Other Financing Sources (Uses):			
Operating transfer (out)	(109,000)	(99,917)	9,083
Fund Balances, January 1	45,300	1,456,842	1,411,542
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, prepaid expense and inventory	<u>-</u>	<u>(27,309)</u>	<u>(27,309)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>1,366,565</u>	\$ <u>1,366,565</u>

CITY OF LIBERAL, KANSAS

Schedule 4-8

SPECIAL ALCOHOLIC TREATMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 35,000	\$ 32,617	\$ (2,383)
<u>Expenditures</u>			
Health – Alcoholic Treatment:			
Contractual services	<u>35,000</u>	<u>35,000</u>	<u>-</u>
Revenues over (under) Expenditures	-	\$ (2,383)	\$ (2,383)
Fund Balances, January 1	-	50,770	50,770
Other Changes:			
Increase or (decrease) in reserves	<u>-</u>	<u>168</u>	<u>168</u>
Fund Balances, December 31	<u>-</u>	\$ <u>48,555</u>	\$ <u>48,555</u>

CITY OF LIBERAL, KANSAS

Schedule 4-9

SPECIAL CITY BEAUTIFICATION FUND
(5% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 175,000	\$181,712	\$ 6,712
Use of Money and Property:			
Interest	-	3,195	3,195
Charges for Services:			
Tree cost sharing	<u>5,000</u>	<u>7,550</u>	<u>2,550</u>
Total Revenues	\$ <u>180,000</u>	\$ <u>192,457</u>	\$ <u>12,457</u>
<u>Expenditures</u>			
Public works:			
Personnel services	\$ 166,300	\$154,041	\$ 12,259
Contractual services	<u>285,700</u>	<u>80,130</u>	<u>205,570</u>
Total Expenditures	\$ <u>452,000</u>	\$ <u>234,171</u>	\$ <u>217,829</u>
Revenues over (under) Expenditures	\$ (272,000)	\$ (41,714)	\$230,286
Fund Balances, January 1	272,000	554,574	282,574
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expense	<u>-</u>	<u>(4,414)</u>	<u>(4,414)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>508,446</u>	\$ <u>508,446</u>

CITY OF LIBERAL, KANSAS

Schedule 4-10

SPECIAL HOUSING FUND
(15% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 525,000	\$ 537,560	\$ 12,560
Use of Money and Property:			
Interest	-	7,656	7,656
Other:			
Miscellaneous	<u>-</u>	<u>44,072</u>	<u>44,072</u>
Total Revenues	\$ 525,000	\$ 589,288	\$ 64,288
<u>Expenditures</u>			
Urban Development & Housing:			
Project expense	<u>1,028,000</u>	<u>523,012</u>	<u>504,988</u>
Revenues over (under) Expenditures	\$ (503,000)	\$ 66,276	\$ 569,276
Fund Balances, January 1	503,000	1,219,960	716,960
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	<u>-</u>	<u>(5,353)</u>	<u>(5,353)</u>
Fund Balances, December 31	<u>-</u>	<u>\$1,280,883</u>	<u>\$1,280,883</u>

CITY OF LIBERAL, KANSAS

Schedule 4-11

SPECIAL CRIME PREVENTION DRUGS AND ALCOHOL FUND
(5% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
 For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 175,000	\$ 179,186	\$ 4,186
Use of Money and Property:			
Interest	<u> -</u>	<u> 2,745</u>	<u> 2,745</u>
Total Revenues	\$ 175,000	\$ 181,931	\$ 6,931
<u>Expenditures</u>			
Public Safety:			
Program expense	<u> 428,000</u>	<u> (293,834)</u>	<u> 721,834</u>
Revenues over (under) Expenditures	\$ (253,000)	\$ 475,765	\$ 728,765
Other Financing Sources (Uses):			
Operating transfer in (out)	-	(170,000)	(170,000)
Fund Balances, January 1	253,000	104,942	(148,058)
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u> -</u>	<u> (1,817)</u>	<u> (1,817)</u>
Fund Balances, December 31	<u> -</u>	\$ <u>408,890</u>	\$ <u>408,890</u>

CITY OF LIBERAL, KANSAS

Schedule 4-12

SPECIAL ECONOMIC DEVELOPMENT FUND
(15% OF 1% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 525,000	\$ 537,560	\$ 12,560
Charges for services	19,000	19,206	206
Use of Money and Property:			
Interest	-	12,675	12,675
Grant proceeds	<u>214,200</u>	<u>196,577</u>	<u>(17,623)</u>
Total Revenues	\$ 758,200	\$ 766,018	\$ 7,818
<u>Expenditures</u>			
Economic Development:			
Project expense	<u>2,702,000</u>	<u>525,177</u>	<u>2,176,823</u>
Revenues over (under) Expenditures	\$ (1,943,800)	\$ 240,841	\$2,184,641
Other Financing Sources (Uses):			
Operating transfer in (out)	-	(231,195)	(231,195)
Fund Balances, January 1	1,943,800	1,896,721	(47,079)
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(5,761)</u>	<u>(5,761)</u>
Fund Balances, December 31	<u>-</u>	<u>\$1,900,606</u>	<u>\$1,900,606</u>

CITY OF LIBERAL, KANSAS

Schedule 4-13

STREET DRAINAGE AND OTHER CAPITAL IMPROVEMENTS FUND

(60% OF 1% SALES TAX)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 2,100,000	\$2,150,241	\$ 50,241
Use of Money and Property:			
Interest	-	14,281	14,281
Other:			
Miscellaneous	<u>-</u>	<u>1,422,224</u>	<u>1,422,224</u>
Total Revenues	\$ 2,100,000	\$3,586,746	\$1,486,746
<u>Expenditures</u>			
Public Works:			
Entity's share	<u>4,735,000</u>	<u>3,243,378</u>	<u>1,491,622</u>
Revenues over (under) Expenditures	\$ (2,635,000)	\$ 343,368	\$2,978,368
Fund Balances, January 1	2,635,000	2,206,935	(428,065)
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(22,558)</u>	<u>(22,558)</u>
Fund Balances, December 31	<u>-</u>	<u>\$2,527,745</u>	<u>\$2,527,745</u>

CITY OF LIBERAL, KANSAS

Schedule 4-14

EDUCATIONAL SALES TAX FUND
(1/2% SALES TAX)
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 1,900,000	\$ 1,791,868	\$ (108,132)
Use of Money and Property:			
Interest	<u> -</u>	<u> 1,874</u>	<u> 1,874</u>
Total Revenues	\$ <u>1,900,000</u>	\$ <u>1,793,742</u>	\$ <u>(106,258)</u>
<u>Expenditures</u>			
Public Works:			
Administrative expenses	\$ 5,000	\$ 3,235	\$ 1,765
Appropriations to USD 480	2,395,000	1,631,787	763,213
Project expense	<u>2,000,000</u>	<u>2,812,987</u>	<u>(812,987)</u>
Total Expenditures	\$ <u>4,400,000</u>	\$ <u>4,448,009</u>	\$ <u>(48,009)</u>
Revenues over (under) Expenditures	\$ (2,500,000)	\$ (2,654,267)	\$ (154,267)
Fund Balances, January 1	2,500,000	2,996,518	496,518
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u> -</u>	<u> (18,993)</u>	<u> (18,993)</u>
Fund Balances, December 31	<u> -</u>	\$ <u>323,258</u>	\$ <u>323,258</u>

CITY OF LIBERAL, KANSAS

Schedule 4-15

AIR MUSEUM FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transient guest tax	\$ 30,000	\$ 30,000	\$ -
Charges for Services:			
Admission	36,000	22,425	(13,575)
Gift shop and concessions	36,500	17,562	(18,938)
Contributions	1,500	1,932	432
Use of Money and Property:			
Rent	<u>500</u>	<u>515</u>	<u>15</u>
Total Revenues	\$ <u>104,500</u>	\$ <u>72,434</u>	\$ <u>(32,066)</u>
<u>Expenditures</u>			
Community Services:			
Personnel services	\$ 241,000	\$ 200,452	\$ 40,548
Operation and maintenance	<u>139,000</u>	<u>113,611</u>	<u>25,389</u>
Total Expenditures	\$ <u>380,000</u>	\$ <u>314,063</u>	\$ <u>65,937</u>
Revenues over (under) Expenditures	\$ (275,500)	\$ (241,629)	\$ 33,871
Other Financing Sources (Uses):			
Operating transfer in (out)	258,500	236,959	(21,541)
Fund Balances, January 1	17,000	91,098	74,098
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, inventory and prepaid expense	<u>-</u>	<u>(3,601)</u>	<u>(3,601)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>82,827</u>	\$ <u>82,827</u>

CITY OF LIBERAL, KANSAS

Schedule 5

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2017

	Improvement Projects					
	<u>6 Points</u> <u>Pavement</u> <u>& Signals</u>	<u>15th Street</u> <u>Drainage #5</u>	<u>15th Street</u> <u>Drainage #6</u>	<u>Mary Frame</u> <u>Park</u> <u>Renovation</u>	<u>South Park/</u> <u>Pine Street</u>	<u>Mahuron</u> <u>Park</u> <u>Phase 2</u>
ASSETS						
Cash and time deposits	\$141,030	-	-	\$ 12,232	\$ 23,164	-
Due from other funds	-	-	-	-	-	-
Receivables/Prepaid expense	-	-	-	-	-	-
Total Assets	<u>\$141,030</u>	<u>-</u>	<u>-</u>	<u>\$ 12,232</u>	<u>\$ 23,164</u>	<u>-</u>
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Bank overdraft	-	-	-	\$ -	-	-
Vouchers payable	-	-	-	285	-	-
Total liabilities	-	-	-	<u>\$ 285</u>	-	-
<u>Fund Balances</u>						
Nonspendable for receivables/ Prepaid expense	\$ -	-	-	\$ -	\$ -	-
Assigned	<u>141,030</u>	<u>-</u>	<u>-</u>	<u>11,947</u>	<u>23,164</u>	<u>-</u>
Total fund balances	<u>\$141,030</u>	<u>-</u>	<u>-</u>	<u>\$ 11,947</u>	<u>\$ 23,164</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$141,030</u>	<u>-</u>	<u>-</u>	<u>\$ 12,232</u>	<u>\$ 23,164</u>	<u>-</u>

CITY OF LIBERAL, KANSAS

Schedule 5
(Continued)COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2017

	Improvement Projects						
	<u>City Hall Construction</u>	<u>Animal Shelter Expansion</u>	<u>Air Museum Rebrand</u>	<u>Ball Fields Project</u>	<u>South Kansas Avenue</u>	<u>Widen 8th Street</u>	<u>Clay & Hwy 54 Lights</u>
ASSETS							
Cash and time deposits	\$ 37,715	\$ 26,594	\$ 75,000	\$ 47,732	\$1,705,261	-	\$225,591
Due from other funds	-	-	-	-	-	-	-
Receivables/Prepaid expense	-	-	-	-	-	-	-
Total Assets	<u>\$ 37,715</u>	<u>\$ 26,594</u>	<u>\$ 75,000</u>	<u>\$ 47,732</u>	<u>\$1,705,261</u>	<u>-</u>	<u>\$225,591</u>
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Bank overdraft	-	-	-	-	\$ -	-	-
Vouchers payable	-	-	-	-	1,189,653	-	-
Total liabilities	-	-	-	-	<u>\$1,189,653</u>	-	-
<u>Fund Balances</u>							
Nonspendable for receivables/ Prepaid expense	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
Assigned	<u>37,715</u>	<u>26,594</u>	<u>75,000</u>	<u>47,732</u>	<u>515,608</u>	-	<u>225,591</u>
Total fund balances	<u>\$ 37,715</u>	<u>\$ 26,594</u>	<u>\$ 75,000</u>	<u>\$ 47,732</u>	<u>\$ 515,608</u>	<u>-</u>	<u>\$225,591</u>
Total Liabilities and Fund Balances	<u>\$ 37,715</u>	<u>\$ 26,594</u>	<u>\$ 75,000</u>	<u>\$ 47,732</u>	<u>\$1,705,261</u>	<u>-</u>	<u>\$225,591</u>

CITY OF LIBERAL, KANSAS

Schedule 5
(Continued)COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
December 31, 2017

	Improvement Projects					
	<u>New City Pool</u>	<u>Depot Parking Lot</u>	<u>Pre- Development Grant</u>	<u>Moderate Income Housing</u>	<u>Soccer Complex Project</u>	<u>USD 480 MacArthur Site</u> <u>USD 480 Smith Site</u>
ASSETS						
Cash and time deposits	-	\$ 19,650	\$ -	-	\$350,587	\$284,654
Due from other funds	-	-	-	-	-	-
Receivables/Prepaid expense	-	-	31,216	-	-	18,955
Total Assets	-	\$ 19,650	\$ 31,216	-	\$350,587	\$ 18,955
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Bank overdraft	-	-	\$ 27,971	-	\$ -	\$ 18,955
Vouchers payable	-	-	3,245	-	6,471	-
Total liabilities	-	-	\$ 31,216	-	\$ 6,471	\$ 18,955
<u>Fund Balances</u>						
Nonspendable for receivables/ Prepaid expense	-	\$ -	\$ 31,216	-	\$ -	\$ -
Assigned	-	19,650	(31,216)	-	344,116	284,654
Total fund balances	-	\$ 19,650	-	-	\$344,116	\$284,654
Total Liabilities and Fund Balances	-	\$ 19,650	\$ 31,216	-	\$350,587	\$ 18,955

CITY OF LIBERAL, KANSAS

Schedule 5
(Continued)COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2017

	Improvement Projects							
	<u>USD 480</u> <u>Pine</u> <u>Site</u>	<u>USD 480</u> <u>Western</u> <u>Site</u>	<u>Willow</u> <u>Tree</u> <u>Irrigation</u>	<u>Northeast</u> <u>Industrial</u> <u>Park</u>	<u>Airport</u> <u>Industrial</u> <u>Park</u>	<u>Centennial</u> <u>& Kansas</u> <u>Project</u>	<u>US 54</u> <u>West</u> <u>Entrance</u>	<u>Total</u>
ASSETS								
Cash and time deposits	\$2,643,187	-	\$ 24,134	\$ 9,686	-	\$173,248	\$ 17,373	\$5,858,196
Due from other funds	-	-	-	-	-	-	-	-
Receivables/Prepaid expense	-	-	-	-	-	-	-	50,171
Total Assets	<u>\$2,643,187</u>	<u>-</u>	<u>\$ 24,134</u>	<u>\$ 9,686</u>	<u>-</u>	<u>\$173,248</u>	<u>\$ 17,373</u>	<u>\$5,908,367</u>
LIABILITIES AND FUND BALANCES								
<u>Liabilities</u>								
Bank overdraft	-	-	\$ -	-	-	-	-	\$ 46,926
Vouchers payable	-	-	298	-	-	-	-	1,199,952
Total liabilities	-	-	<u>\$ 298</u>	-	-	-	-	<u>\$1,246,878</u>
<u>Fund Balances</u>								
Nonspendable for receivables/								
Prepaid expense	\$ -	-	\$ -	\$ -	-	\$ -	\$ -	\$ 31,216
Assigned	<u>2,643,187</u>	-	<u>23,836</u>	<u>9,686</u>	-	<u>173,248</u>	<u>17,373</u>	<u>4,630,273</u>
Total fund balances	<u>\$2,643,187</u>	-	<u>\$ 23,836</u>	<u>\$ 9,686</u>	-	<u>\$173,248</u>	<u>\$ 17,373</u>	<u>\$4,661,489</u>
Total Liabilities and Fund Balances	<u>\$2,643,187</u>	<u>-</u>	<u>\$ 24,134</u>	<u>\$ 9,686</u>	<u>-</u>	<u>\$173,248</u>	<u>\$ 17,373</u>	<u>\$5,908,367</u>

CITY OF LIBERAL, KANSAS

Schedule 6

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2017

	<u>Improvement Projects</u>						
	<u>6 Points</u>	<u>15th Street</u>	<u>15th Street</u>	<u>Mary Frame</u>	<u>South Park/</u>	<u>Mahuron</u>	<u>Mahuron</u>
	<u>Pavement</u>	<u>Drainage #5</u>	<u>Drainage #6</u>	<u>Park</u>	<u>Pine Street</u>	<u>Park</u>	<u>Park</u>
	<u>& Signals</u>			<u>Renovation</u>			<u>Phase 2</u>
<u>Revenues</u>							
Entities' share	\$100,000	\$ 448	\$980,108	-	-	\$ 1,231	\$ 45,000
Grants:							
State of Kansas	-	-	-	-	-	-	-
Total Revenues	<u>\$100,000</u>	<u>\$ 448</u>	<u>\$980,108</u>	<u>-</u>	<u>-</u>	<u>\$ 1,231</u>	<u>\$ 45,000</u>
<u>Expenditures</u>							
Construction cost	\$ 39,716	\$ 448	\$976,988	\$ 77,768	\$ 16,912	\$ 1,231	\$ 292
Engineering/architect	-	-	3,120	-	-	-	-
Other	-	-	-	16,956	-	-	3,350
Total Expenditures	<u>\$ 39,716</u>	<u>\$ 448</u>	<u>\$980,108</u>	<u>\$ 94,724</u>	<u>\$ 16,912</u>	<u>\$ 1,231</u>	<u>\$ 3,642</u>
Excess or (deficiency) of Revenues over Expenditures	\$ 60,284	-	-	\$ (94,724)	\$ (16,912)	-	\$ 41,358
Fund Balances, January 1	80,746	-	-	106,671	40,076	-	-
Other Financing Sources (Uses):							
Increase (decrease) in reserves	-	-	-	-	-	-	-
Fund Balances, December 31	<u>\$141,030</u>	<u>-</u>	<u>-</u>	<u>\$ 11,947</u>	<u>\$ 23,164</u>	<u>-</u>	<u>\$ 41,358</u>

CITY OF LIBERAL, KANSAS

Schedule 6
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2017

	Improvement Projects						
	<u>City Hall</u> <u>Construction</u>	<u>Animal</u> <u>Shelter</u> <u>Expansion</u>	<u>Air</u> <u>Museum</u> <u>Rebrand</u>	<u>Ball</u> <u>Fields</u> <u>Project</u>	<u>South</u> <u>Kansas</u> <u>Avenue</u>	<u>Widen</u> <u>8th Street</u>	<u>Clay &</u> <u>Hwy 54</u> <u>Lights</u>
<u>Revenues</u>							
Entities' share	-	\$ 7,401	\$ 75,000	-	\$ 450,000	-	\$1,168,091
Grants:							
State of Kansas	-	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>\$ 7,401</u>	<u>\$ 75,000</u>	<u>-</u>	<u>\$ 450,000</u>	<u>-</u>	<u>\$1,168,091</u>
<u>Expenditures</u>							
Construction cost	\$ -	\$ 1,341	-	\$ 27,943	\$ 2,887,414	-	\$ 989,000
Engineering/architect	-	-	-	-	4,974	-	(40,000)
Other	<u>5,061</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>3,358</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>\$ 5,061</u>	<u>\$ 1,341</u>	<u>-</u>	<u>\$ 327,943</u>	<u>\$ 2,895,746</u>	<u>-</u>	<u>\$ 949,000</u>
Excess or (deficiency) of Revenues over Expenditures	\$ (5,061)	\$ 6,060	\$ 75,000	\$ (327,943)	\$ (2,445,746)	-	\$ 219,091
Fund Balances, January 1	42,776	20,534	-	375,675	2,961,354	-	6,500
Other Financing Sources (Uses): Increase (decrease) in reserves	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 37,715</u>	<u>\$ 26,594</u>	<u>\$ 75,000</u>	<u>\$ 47,732</u>	<u>\$ 515,608</u>	<u>-</u>	<u>\$ 225,591</u>

CITY OF LIBERAL, KANSAS

Schedule 6
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2017

	Improvement Projects						
	<u>New</u> <u>City</u> <u>Pool</u>	<u>Depot</u> <u>Parking</u> <u>Lot</u>	<u>Pre-</u> <u>Development</u> <u>Grant</u>	<u>Moderate</u> <u>Income</u> <u>Housing</u>	<u>Soccer</u> <u>Complex</u> <u>Project</u>	<u>USD 480</u> <u>MacArthur</u> <u>Site</u>	<u>USD 480</u> <u>Smith</u> <u>Site</u>
<u>Revenues</u>							
Entities' share	\$201,938	\$ 8,000	\$ -	\$ -	\$ 40,000	\$246,081	\$ (149,760)
Grants:							
State of Kansas	-	-	53,272	150,000	-	-	-
Total Revenues	<u>\$201,938</u>	<u>\$ 8,000</u>	<u>\$ 53,272</u>	<u>\$150,000</u>	<u>\$ 40,000</u>	<u>\$246,081</u>	<u>\$ (149,760)</u>
<u>Expenditures</u>							
Construction cost	\$201,938	\$ 21,850	\$ -	\$ -	\$ 303,014	\$ 14,649	\$ 18,955
Engineering/architect	-	-	-	-	3,141	-	-
Other	-	1,895	73,749	150,000	21,112	-	-
Total Expenditures	<u>\$201,938</u>	<u>\$ 23,745</u>	<u>\$ 73,749</u>	<u>\$150,000</u>	<u>\$ 327,267</u>	<u>\$ 14,649</u>	<u>\$ 18,955</u>
Excess or (deficiency) of Revenues over Expenditures	-	\$ (15,745)	\$ (20,477)	-	\$ (287,267)	\$231,432	\$ (168,715)
Fund Balances, January 1	-	35,395	-	-	631,383	53,222	149,760
Other Financing Sources (Uses): Increase (decrease) in reserves	-	-	20,477	-	-	-	18,955
Fund Balances, December 31	<u>-</u>	<u>\$ 19,650</u>	<u>-</u>	<u>-</u>	<u>\$ 344,116</u>	<u>\$284,654</u>	<u>-</u>

CITY OF LIBERAL, KANSAS

Schedule 6
(Continued)COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – NONMAJOR CAPITAL PROJECTS FUNDS

For the year ended December 31, 2017

	Improvement Projects							
	<u>USD 480</u> <u>Pine</u> <u>Site</u>	<u>USD 480</u> <u>Western</u> <u>Site</u>	<u>Willow</u> <u>Tree</u> <u>Irrigation</u>	<u>Northeast</u> <u>Industrial</u> <u>Park</u>	<u>Airport</u> <u>Industrial</u> <u>Park</u>	<u>Centennial</u> <u>& Kansas</u> <u>Project</u>	<u>US 54</u> <u>West</u> <u>Entrance</u>	<u>Total</u>
<u>Revenue</u>								
Entities' share	\$3,233,854	\$ (209,771)	\$ 2,695	-	-	-	-	\$ 6,200,316
Grants:								
State of Kansas	-	-	-	-	-	-	-	203,272
Total Revenues	<u>\$3,233,854</u>	<u>\$ (209,771)</u>	<u>\$ 2,695</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 6,403,588</u>
<u>Expenditures</u>								
Construction cost	\$1,050,298	\$ (414)	\$ 38,803	-	-	\$ 597,245	\$ 3,999	\$ 7,269,390
Engineering/architect	-	-	-	-	-	52,650	-	23,885
Other	-	-	-	-	-	-	-	575,481
Total Expenditures	<u>\$1,050,298</u>	<u>\$ (414)</u>	<u>\$ 38,803</u>	<u>-</u>	<u>-</u>	<u>\$ 649,895</u>	<u>\$ 3,999</u>	<u>\$ 7,868,756</u>
Excess or (deficiency) of Revenues over Expenditures	\$2,183,556	\$ (209,357)	\$ (36,108)	\$ -	-	\$ (649,895)	\$ (3,999)	\$ (1,465,168)
Fund Balances, January 1	459,631	209,357	59,944	9,686	-	823,143	21,372	6,087,225
Other Financing Sources (Uses):								
Increase (decrease) in reserves	-	-	-	-	-	-	-	39,432
Fund Balances, December 31	<u>\$2,643,187</u>	<u>-</u>	<u>\$ 23,836</u>	<u>\$ 9,686</u>	<u>-</u>	<u>\$ 173,248</u>	<u>\$ 17,373</u>	<u>\$ 4,661,489</u>

CITY OF LIBERAL, KANSAS

Schedule 7

BOND AND INTEREST FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2017

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Delinquent tax	\$ -	\$ 261	\$ 261
Special assessments	<u>30,000</u>	<u>-</u>	<u>(30,000)</u>
Total Revenues	\$ <u>30,000</u>	\$ <u>261</u>	\$ <u>(29,739)</u>
<u>Expenditures</u>			
Interest coupons	\$ 30,000	\$ 7,160	\$ 22,840
Miscellaneous	<u>5,000</u>	<u>(83)</u>	<u>5,083</u>
Total Expenditures	\$ <u>35,000</u>	\$ <u>7,077</u>	\$ <u>27,923</u>
Revenues over (under) Expenditures	\$ (5,000)	\$ (6,816)	\$ (1,816)
Fund Balances, January 1	5,000	2,256,604	2,251,604
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and encumbrances	<u>-</u>	<u>19</u>	<u>19</u>
Fund Balances, December 31	<u>-</u>	<u>\$2,249,807</u>	<u>\$2,249,807</u>

CITY OF LIBERAL, KANSAS

Schedule 8

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS – SCHEDULE BY SOURCE
December 31, 2017

Governmental Funds Capital Assets:

Land	\$ 1,772,238
Buildings	8,935,237
Structures and improvements other than buildings	8,264,372
Machinery, equipment, furniture and fixtures	6,030,910
Vehicles	5,598,266
Streets and other assets	61,659,305
Construction in progress	<u>16,880,244</u>

Total Governmental Funds Capital Assets \$109,140,572

CITY OF LIBERAL, KANSAS

Schedule 9

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY

For the year ended December 31, 2017

Function and Activity	<u>Governmental</u> <u>Fund Capital</u> <u>Assets</u>				<u>Governmental</u> <u>Fund Capital</u> <u>Assets</u>			
	<u>01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>12/31/17</u>			
General Government:								
Administration	\$ 3,061,023	\$ 35,971	\$ 98,626	\$ 10,902	\$ 3,009,270			
Building inspection	108,087	883	-	(13,882)	95,088			
Legislative	(5,195)	-	-	-	(5,195)			
Utility billing	5,963	1,297	-	-	7,260			
Finance & personnel	35,735	2,184	-	(2,354)	35,565			
City Manager	8,091	3,374	-	(2)	11,463			
Building maintenance	2,878	-	-	-	2,878			
Data processing	231,004	1,756	-	1,052	233,812			
Total general government	\$ 3,447,586	\$ 45,465	\$ 98,626	\$ (4,284)	\$ 3,390,141			
Public Safety:								
Police	\$ 3,908,715	\$ 150,872	\$ 67,081	\$ -	\$ 3,992,506			
Fire	5,392,911	3,726	-	3,133	5,399,770			
Municipal Court	21,430	10,986	-	-	32,416			
Public Safety & animal control	144,037	-	-	15,949	159,986			
Communications	54,947	-	-	-	54,947			
Total public safety	\$ 9,522,040	\$ 165,584	\$ 67,081	\$ 19,082	\$ 9,639,625			
Public Works:								
Transportation	\$ 66,964,799	\$ 6,050,211	\$ 1,207,580	\$ 77,738	\$ 71,885,168			
Engineering	16,469	-	-	-	16,469			
Recreation	1,607,749	57,791	2,700	-	1,662,840			
Arkalon	1,194,580	15,938	-	1,000	1,211,518			
Street lighting	2,849,309	2,897,845	-	-	5,747,154			
Airport	2,553,325	-	10,157	-	2,543,168			
Total public works	\$ 75,186,231	\$ 9,021,785	\$ 1,220,437	\$ 78,738	\$ 83,066,317			
Community Service:								
Golf course	\$ 2,151,385	\$ 159,154	\$ 68,173	\$ -	\$ 2,242,366			
Parks	3,178,576	241,585	38,508	(58,023)	3,323,630			
Swimming pool	5,762,262	203,279	11,689	-	5,953,852			
Economic development	816,509	144,551	417,932	-	543,128			
Cemetery	397,793	50,694	-	(33,461)	415,026			
Tourism	263,966	-	-	-	263,966			
Housing	96,392	-	14,092	-	82,300			
Air Museum	160,629	700	680	(1,052)	159,597			
Beautification	58,891	3,031	1,298	-	60,624			
Total community service	\$ 12,886,403	\$ 802,994	\$ 552,372	\$ (92,536)	\$ 13,044,489			
Total Governmental Funds								
Capital Assets	\$101,042,260	\$10,035,828	\$1,938,516	\$ 1,000	\$109,140,572			

CITY OF LIBERAL, KANSAS

Schedule 10

SCHEDULE OF CITY'S PROPORTIONATE SHARE
OF THE NET DEFINED PENSION PLAN LIABILITY
 December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.90%	0.94%	0.92%	0.91%
City's proportionate share of the net pension liability	\$10,224,914	\$10,976,242	\$8,689,338	\$7,854,394
City's covered-employee payroll	9,123,612	8,376,582	7,561,179	7,552,629
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	112.07%	131.03%	114.92%	104.00%
Plan fiduciary net position as a percentage of the total pension liability	72.05%	69.22%	73.33%	74.35%

CITY OF LIBERAL, KANSAS

Schedule 11

SCHEDULE OF CITY'S CONTRIBUTIONS
TO DEFINED PENSION PLAN
 December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 1,089,298	\$ 1,154,287	\$ 1,066,526	\$ 932,856	\$ 858,267	\$ 928,679	\$ 839,817
Contributions in relation to the contractually required contribution	<u>(1,089,298)</u>	<u>(1,154,287)</u>	<u>(1,066,526)</u>	<u>(932,856)</u>	<u>(858,267)</u>	<u>(928,679)</u>	<u>(839,817)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ <u>9,123,612</u>	\$ <u>8,376,582</u>	\$ <u>7,561,179</u>	\$ <u>7,552,629</u>	\$ <u>7,906,407</u>	\$ <u>9,255,330</u>	\$ <u>9,357,895</u>
Contributions as a percentage of covered-employee payroll	11.94%	13.78%	14.11%	12.35%	10.86%	10.03%	8.97%

LIBERAL

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the City Commission
City of Liberal, Kansas

Report on Compliance for Each Major Federal Program

We have audited the City of Liberal, Kansas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Liberal, Kansas' major federal programs for the year ended December 31, 2017. The City of Liberal, Kansas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Liberal, Kansas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the *Kansas Municipal Audit and Accounting Guide*; auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Liberal, Kansas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Liberal, Kansas' compliance.

To the City Commission
City of Liberal, Kansas

Page 2

Opinion on Each Major Federal Program

In our opinion, the City of Liberal, Kansas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City of Liberal, Kansas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Liberal, Kansas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal, Kansas' internal control over compliance.

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

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

To the City Commission
City of Liberal, Kansas

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

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

September 17, 2018

CITY OF LIBERAL, KANSAS

Schedule 12SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2017

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Rural Development: Rural Self-Help Housing Technical Assistance	10.420	2017	\$ 53,272	\$ 73,749
U.S. Department of Transportation Federal Aviation Administration: Airport Improvement Program	20.106	2017	81,107	270,145
U.S. Department of Justice: Bulletproof Vest Partnership Program	16.607	2017	5,622	19,309
U.S. Department of Transportation Passed Through Kansas Department of Transportation: State and Community Highway Safety	20.600	2017	2,465	2,465
U.S. Department of Transportation Passed Through Southwest Kansas Regional Transportation Council, Inc.: Public Transportation Assistance Project	20.509	2017	149,534	149,534
U.S. Department of Homeland Security Federal Emergency Management Agency Passed Through Kansas Adjutant General: Disaster Grants – Public Assistance	97.036	2017	983,432	983,432
U.S. Environmental Protection Agency Kansas Department of Health and Environment: Kansas Water Pollution Control Revolving Loan Fund – Capitalization Grants	66.458	2017	<u>598,092</u>	<u>2,915,426</u>
Total Expenditures of Federal Awards			<u>\$1,873,524</u>	<u>\$4,414,060</u>

CITY OF LIBERAL, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2017

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Liberal, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City of Liberal, Kansas, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Liberal, Kansas.

Note B: Subrecipient Grant Agreement

There were no subrecipient agreements at December 31, 2017.

Note C: Indirect Cost Rate

The City of Liberal, Kansas has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note D: Noncash Assistance and Cumulative Endowment Funds

The City of Liberal, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2017.

Note E: Federal Loan or Loan Guarantee Programs

For the year 2017, there were no loans or loan guarantees outstanding at year end.

Note F: There was no interest subsidy received by the City of Liberal, Kansas under a federal loan or loan guarantee program.

CITY OF LIBERAL, KANSAS

Schedule 13

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Liberal, Kansas were prepared in accordance with GAAP.
2. One significant deficiency relating to the audit of the financial statements is reported. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of the City of Liberal, Kansas were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal awards that were considered material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the City of Liberal, Kansas expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Liberal, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:
Capitalization Grants CFDA #66.458
Disaster Grants CFDA #97.036
8. The threshold used for distinguishing between type A and B programs was \$750,000.
9. The City of Liberal, Kansas was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS

Significant Deficiencies

2017-01. Airport

Condition: Controls were not in place to ensure that airport leases were properly signed and executed.

Criteria: Internal controls should be in place to provide reasonable assurance that airport leases will be properly signed and executed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2017

B. FINDINGS – FINANCIAL STATEMENTS (Continued)

Significant Deficiencies (Continued)

2017-01. Airport (Continued)

Cause: There were no procedures in place to require signatures on airport leases.

Effect: Airport leases may not be paid.

Recommendation: Procedures should be implemented to ensure that signatures are obtained on all airport leases.

Views of Responsible Officials and Planned Corrective Action: Management agrees with the recommendation and procedures have already been put in place.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.