

***CITY OF BEL AIRE, KANSAS***

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

AND

INDEPENDENT AUDITOR'S REPORT



CITY OF BEL AIRE, KANSAS  
FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019  
AND  
INDEPENDENT AUDITOR'S REPORT

City of Bel Aire, Kansas

Financial Statements  
With Supplementary Information

Year Ended December 31, 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report .....	1 - 2
Management's Discussion and Analysis.....	3 - 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Balance Sheet of Governmental Funds to the	
Statement of Net Position .....	14
Statement of Revenues, Expenditures and Changes in Fund	
Balances - Governmental Funds .....	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund	
Balances of Governmental Funds to the Statement of Activities .....	16
Statement of Net Position - Proprietary Funds .....	17
Statement of Revenues, Expenses and Changes in Net	
Position - Proprietary Funds .....	18
Statement of Cash Flows - Proprietary Funds.....	19
Notes to the Financial Statements .....	20 - 55
Required Supplementary Information:	
Notes to Required Supplementary Information .....	56
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Budget and Actual (Budget Basis):	
General Fund.....	57 - 58
Land Bank Fund .....	59
Schedule of City's Proportionate Share of the Collective Net Pension Liability.....	60
Schedule of City's Contributions .....	61
Schedule of Changes in the City's Death & Disability Total OPEB Liability and Related Ratios .	62
Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds.....	63
Combining Schedule of Revenues, Expenditures and Changes	
in Fund Balances - Nonmajor Governmental Funds .....	64
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Governmental Fund - Budget and Actual (Budget Basis):	
Bond and Interest Fund .....	65
Capital Projects Fund .....	66
Public Building Commission .....	67
Special Street and Highway Fund .....	68
Combining Balance Sheet - Nonmajor Enterprise Funds.....	69
Combining Statement of Revenues, Expenses and Changes	
in Net Position - Nonmajor Enterprise Funds .....	70
Combining Statement of Cash Flows - Nonmajor Enterprise Funds .....	71
Schedule of Revenues, Expenditures and Changes in Fund Balance -	
Enterprise Funds - Budget and Actual (Budget Basis):	
Water Fund .....	72
Sewer Fund .....	73
Solid Waste Fund .....	74
Stormwater Fund .....	75

## FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas (City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Bel Aire, Kansas, as of December 31, 2019, 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 required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

July 23, 2020  
Wichita, Kansas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Bel Aire's (City) financial statements provides a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2019. This discussion follows guidelines prescribed by the Governmental Accounting Standards Board (GASB) Statement 34, which enhances comparability between governments. The information presented here should be read in conjunction with the accompanying basic financial statements and the notes to those basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$38,851,196 (net position).
- The City's total net position increased during this fiscal year by \$3,113,012.
- At the close of 2019, the City's governmental funds reported combined ending fund balances of \$16,225,808, an increase of \$92,078 over the prior year.
- At the close of 2019, unassigned fund balance for the General Fund was \$3,549,885 or 61% of revenues for the fund.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### **Government-Wide Financial Statements**

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

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

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



## **Fund Financial Statements**

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

### *Governmental Funds*

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

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

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

### *Proprietary Funds*

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

## **Notes to the Basic Financial Statements**

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

## **Other Supplementary Information**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-Wide Financial Statements						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 38,019,134	\$ 35,622,924	\$ 4,681,129	\$ 4,443,471	\$ 42,700,263	\$ 40,066,395
Capital assets	41,346,266	40,758,921	17,213,759	17,486,855	58,560,025	58,245,776
Total assets	79,365,400	76,381,845	21,894,888	21,930,326	101,260,288	98,312,171
Deferred outflows	2,089,304	2,243,121	55,405	62,265	2,144,709	2,305,386
Long-term liabilities	\$ 59,355,286	\$ 59,770,447	\$ 1,294,203	\$ 1,346,811	\$ 60,649,489	\$ 61,117,258
Other liabilities	770,557	808,098	142,028	127,642	912,585	935,740
Total liabilities	60,125,843	60,578,545	1,436,231	1,474,453	61,562,074	62,052,998
Deferred inflows	2,984,820	2,818,290	6,907	8,085	2,991,727	2,826,375
Net position						
Net investment in capital assets	(12,148,631)	(11,819,298)	16,179,105	16,391,959	4,030,474	4,572,661
Restricted	1,293,540	1,033,397	-	-	1,293,540	1,033,397
Unrestricted	29,199,132	26,014,032	4,328,050	4,118,094	33,527,182	30,132,126
Total net position	\$ 18,344,041	\$ 15,228,131	\$ 20,507,155	\$ 20,510,053	\$ 38,851,196	\$ 35,738,184

### Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets plus deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$38,851,196 at the close of 2019.

The City's net investment in capital assets of \$4,030,474 represents capital assets (e.g. land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

The City's net position that represents resources that are subject to external restrictions on how they may be used of \$1,293,540. Restricted net position includes:

- Debt service: \$438,395
- Capital projects: \$148,701
- Public Building Commission: \$226,892;
- Land Bank: \$475,899; and
- Drug forfeiture: \$3,653

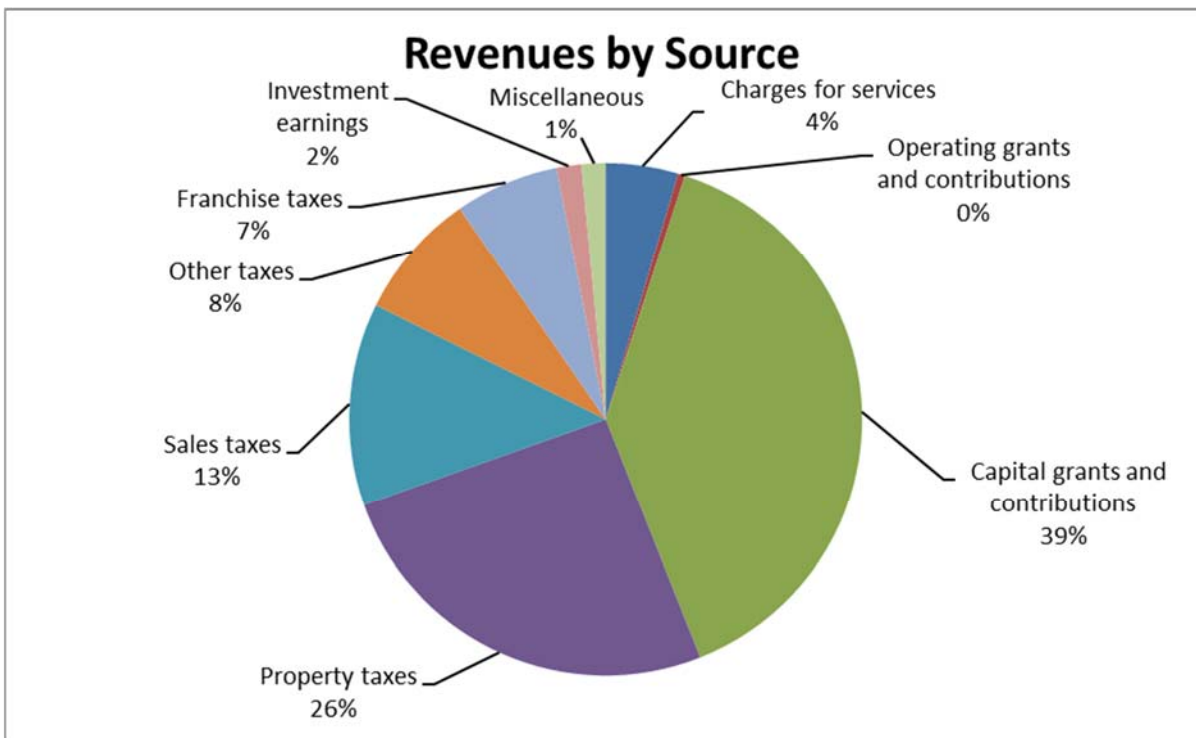
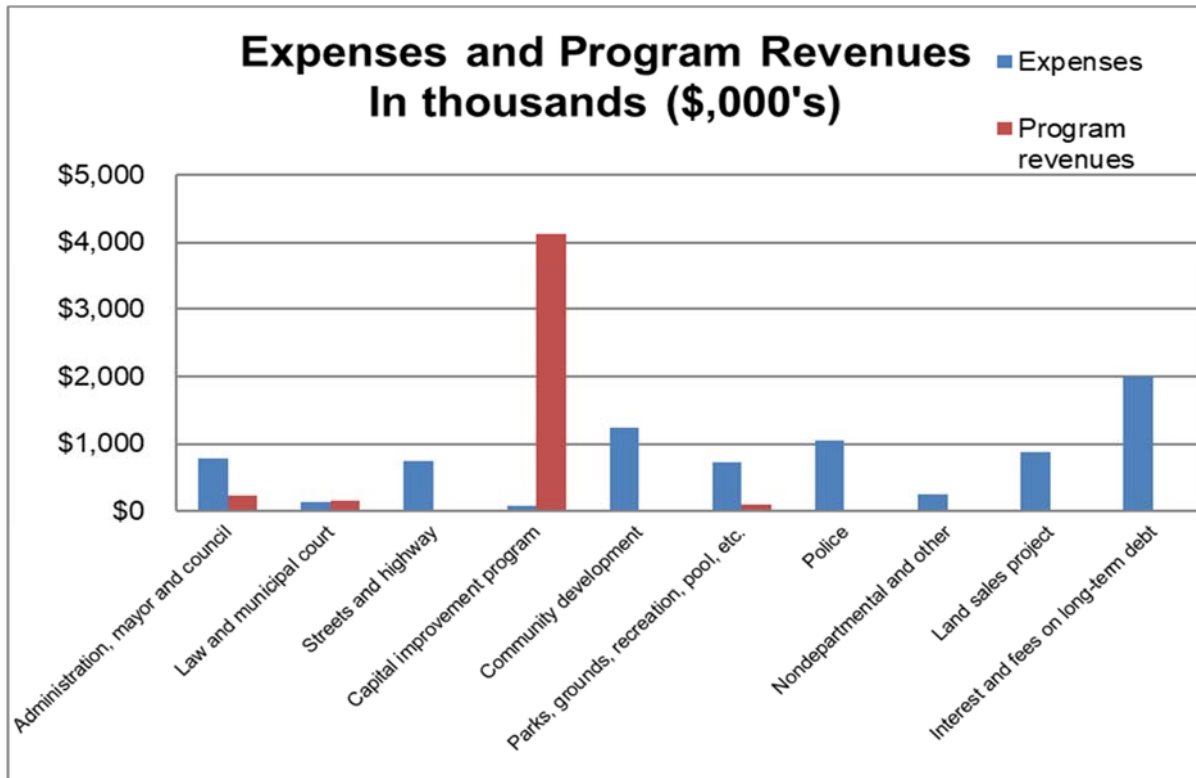
The City's total unrestricted net position is \$33,527,182.

<b>Condensed Statement of Changes in Net Position</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Revenues:						
Program revenues:						
Charges for services	\$ 484,029	\$ 480,583	\$ 5,455,704	\$ 5,301,278	\$ 5,939,733	\$ 5,781,861
Operating grants and contributions	47,394	44,318	-	-	47,394	44,318
Capital grants and contributions	4,136,257	1,132,373	-	-	4,136,257	1,132,373
General revenues:						
Property taxes	2,714,456	2,521,355	-	-	2,714,456	2,521,355
Sales taxes	1,352,797	1,277,730	-	-	1,352,797	1,277,730
Other taxes	852,970	976,919	-	-	852,970	976,919
Franchise taxes	696,341	609,703	-	-	696,341	609,703
Investment earnings	165,975	119,589	48,482	23,870	214,457	143,459
Miscellaneous	160,575	628,654	16,013	15,104	176,588	643,758
Total revenues	10,610,794	7,791,224	5,520,199	5,340,252	16,130,993	13,131,476
Expenses:						
Administration, mayor and council	791,723	609,242	-	-	791,723	609,242
Law and municipal court	143,251	114,300	-	-	143,251	114,300
Streets and highway	745,671	459,243	-	-	745,671	459,243
Capital improvement program	77,004	85,854	-	-	77,004	85,854
Community development	1,246,552	1,239,303	-	-	1,246,552	1,239,303
Parks, grounds, recreation, pool, etc.	729,763	789,751	-	-	729,763	789,751
Police	1,045,485	895,291	-	-	1,045,485	895,291
Nondepartmental and other	249,528	218,584	-	-	249,528	218,584
Land sales project	885,898	1,434,619	-	-	885,898	1,434,619
Interest and fees on long-term debt	2,005,415	1,727,537	-	-	2,005,415	1,727,537
Water	-	-	2,355,796	2,106,758	2,355,796	2,106,758
Sewer	-	-	2,265,959	1,934,656	2,265,959	1,934,656
Solid Waste and Stormwater	-	-	475,936	401,640	475,936	401,640
Total expenses	7,920,290	7,573,724	5,097,691	4,443,054	13,017,981	12,016,778
Increase in net position before transfers	2,690,504	217,500	422,508	897,198	3,113,012	1,114,698
Transfers	425,406	(262,833)	(425,406)	262,833	-	-
Increase (decrease) in net position	3,115,910	(45,333)	(2,898)	1,160,031	3,113,012	1,114,698
Net position - beginning of year	15,228,131	15,370,142	20,510,053	19,350,022	35,738,184	34,720,164
Prior period adjustment	-	(96,678)	-	-	-	(96,678)
Net position - end of year	\$ 18,344,041	\$ 15,228,131	\$ 20,507,155	\$ 20,510,053	\$ 38,851,196	\$ 35,738,184

### **Analysis of Changes in Net Position**

The City's net position increased during the fiscal year by a total of \$3,113,012 including these changes:

- Charges for services increased \$157,872 mostly due to an increase in water and sewer services provided of \$154,426.
- Capital grants and contributions increased by \$3,003,884 due to an increase in special assessments.
- General revenues decreased \$165,315 with the largest decrease in miscellaneous revenues of \$467,170 due to a one-time rail loan reimbursement received in fiscal year 2018. General tax revenues increased from fiscal year 2018.
- Expenses of governmental activities were comparable to the prior year with an increase of \$346,566.
- Expenses of business-type activities increased by \$654,637 primarily due to significant maintenance projects undertaken in 2019.



The charts above illustrate the City's governmental expenses and program revenues by function, and revenues by source. The interest on long-term debt represents the largest portion of 2019 expenses, followed by land sales projects.

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

## **ANALYSIS OF THE FUND FINANCIAL STATEMENTS**

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

At the end of 2019, the City's governmental funds reported combined ending fund balances of \$16,225,808 including:

- Nonspendable: \$7,959,589;
- Restricted by external requirements and laws: \$4,045,321;
- Assigned to capital projects or other uses: \$671,013; and
- Unassigned funds available for use at the City's discretion: \$3,549,885.

The General Fund is the primary operating fund for the City. At the end of 2019, total fund balance of the General Fund was \$3,801,606. The fund balance increased by \$107,940 during the fiscal year due to increases in taxes and franchise fees.

The Bond and Interest Fund had an increase in fund balance of \$213,341 due to an increase in transfers from other funds.

The Capital Projects Fund had a decrease in fund balance of \$297,046 due to the spending of temporary note proceeds for capital projects.

The Public Building Commission had an increase in fund balance of \$93,335 due to proceeds from a land sale in 2019.

The Land Bank had a decrease in fund balance of \$169,798 due to an increase in special assessment expenditures.

Nonmajor government had a combined increase in fund balance of \$144,306, due to transfer activity involving the nonmajor funds.

The Water Funds, and other nonmajor proprietary funds remained comparable to the prior year with increases in net position of \$80,370 and \$47,825, respectively.

The Sewer Fund had a decrease in fund balance of \$131,093 due to an increase in maintenance expenditures on existing sewer infrastructure.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. Motor vehicle and sales tax collections were more than budgeted for 2019, while property taxes and licenses, permits and fees came in under budget. Overall budgeted revenues were comparable to actual results. Additionally, the City's transfers out were lower than budgeted.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets, net of accumulated depreciation, was \$58,560,025 as of December 31, 2019. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets, bridges, streetlights, and traffic signals.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 4,240,325	\$ 4,240,325	\$ 534,040	\$ 534,040	\$ 4,774,365	\$ 4,774,365
Land project	6,705,161	6,865,891	-	-	6,705,161	6,865,891
Construction in progress	522,331	187,050	19,508	202,083	541,839	389,133
City hall	1,913,605	1,979,986	-	-	1,913,605	1,979,986
Swimming pool	495,755	521,398	-	-	495,755	521,398
Other structures and equipment	1,166,197	1,167,023	16,660,211	16,750,732	17,826,408	17,917,755
Infrastructure	26,302,892	25,797,248	-	-	26,302,892	25,797,248
Total	<u>\$ 41,346,266</u>	<u>\$ 40,758,921</u>	<u>\$ 17,213,759</u>	<u>\$ 17,486,855</u>	<u>\$ 58,560,025</u>	<u>\$ 58,245,776</u>

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

### Long-Term Debt

At December 31, 2019 the City had total long-term bonds outstanding of \$57,365,000. This amount included \$31,960,000 of general obligation bonds backed by the full faith and credit of the City, \$4,990,000 in temporary notes which will be repaid with an issuance of general obligation bonds and \$20,415,000 in revenue bonds with the Public Building Commission.

Total long-term bonds payable decreased by \$465,000 during the fiscal year due to bond issuances being less than the repayment of debt made during the year.

The City had \$1,034,654 of outstanding revolving loan funds for water and sewer fund projects and \$249,053 of outstanding rail loan funds for a capital project.

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

Kansas statutes limit the amount of general obligation debt a governmental entity may issue to 30% of its total assessed valuation. After subtracting deductions allowed by the statutes, the current debt limit for the City is \$22,564,675 and debt outstanding subject to the limit is \$15,331,500, leaving \$7,233,175 in legal debt margin.

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

<b>Outstanding Bonds</b> <b>General Obligation and Revenue Bonds</b>		
	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
General obligation bonds	\$ 31,960,000	\$ 27,890,000
Temporary notes	4,990,000	8,805,000
Revenue bonds - Public Building Commission	20,415,000	21,135,000
Total	<u>\$ 57,365,000</u>	<u>\$ 57,830,000</u>

### **Economic Factors**

Property tax collections increased 7.66% over 2019 and the positive trend has continued into the first half of 2020. The assessed valuation increased 5.8% in 2019.

### **REQUESTS FOR INFORMATION**

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

## BASIC FINANCIAL STATEMENTS



# City of Bel Aire, Kansas

## Statement of Net Position

December 31, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash, including investments	\$ 8,102,793	\$ 4,298,150	\$ 12,400,943
Receivables, net	22,208,473	382,979	22,591,452
Property held for resale	7,707,868	-	7,707,868
Capital assets:			
Land and construction in progress	11,467,817	553,548	12,021,365
Other capital assets, net of depreciation	29,878,449	16,660,211	46,538,660
Total assets	<u>79,365,400</u>	<u>21,894,888</u>	<u>101,260,288</u>
<b>Deferred outflows of resources:</b>			
Deferred refunding	1,832,356	-	1,832,356
Deferred outflows - OPEB	13,357	-	13,357
Deferred outflows - pensions	243,591	55,405	298,996
Total deferred outflows of resources	<u>2,089,304</u>	<u>55,405</u>	<u>2,144,709</u>
<b>Liabilities:</b>			
Accounts payable	399,854	121,836	521,690
Accrued wages	46,962	20,192	67,154
Interest payable	323,741	-	323,741
Long-term liabilities			
Due within one year	5,130,960	66,783	5,197,743
Due in more than one year	54,224,326	1,227,420	55,451,746
Total liabilities	<u>60,125,843</u>	<u>1,436,231</u>	<u>61,562,074</u>
<b>Deferred inflows of resources:</b>			
Deferred property tax receivable	2,938,273	-	2,938,273
Deferred inflows - OPEB	16,184	-	16,184
Deferred inflows - pensions	30,363	6,907	37,270
Total deferred inflows of resources	<u>2,984,820</u>	<u>6,907</u>	<u>2,991,727</u>
<b>Net position:</b>			
Net investment in capital assets	(12,148,631)	16,179,105	4,030,474
Restricted for:			
Debt service	438,395	-	438,395
Capital projects	148,701	-	148,701
Public Building Commission	226,892	-	226,892
Land Bank	475,899	-	475,899
Drug forfeiture	3,653	-	3,653
Unrestricted	29,199,132	4,328,050	33,527,182
Total net position	<u>\$ 18,344,041</u>	<u>\$ 20,507,155</u>	<u>\$ 38,851,196</u>

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

**City of Bel Aire, Kansas**  
**Statement of Activities**  
For the Year Ended December 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Business-type Activities	Total
<b>Governmental activities:</b>							
Administration, mayor and council	\$ 791,723	\$ 190,751	\$ 47,394	\$ -	\$ (553,578)	\$ -	\$ (553,578)
Law and municipal court	143,251	159,568	-	-	16,317	-	16,317
Streets and highway	745,671	-	-	-	(745,671)	-	(745,671)
Community development	1,246,552	25,855	-	-	(1,220,697)	-	(1,220,697)
Parks, grounds, recreation, pool, etc.	729,763	107,855	-	-	(621,908)	-	(621,908)
Police	1,045,485	-	-	-	(1,045,485)	-	(1,045,485)
Nondepartmental and other	249,528	-	-	-	(249,528)	-	(249,528)
Land sales project	885,898	-	-	-	(885,898)	-	(885,898)
Capital improvement program	77,004	-	-	4,136,257	4,059,253	-	4,059,253
Interest and fees on long-term debt	2,005,415	-	-	-	(2,005,415)	-	(2,005,415)
Total governmental activities	7,920,290	484,029	47,394	4,136,257	(3,252,610)	-	(3,252,610)
<b>Business-type activities:</b>							
Water	2,355,796	2,479,857	-	-	-	124,061	124,061
Sewer	2,265,959	2,352,436	-	-	-	86,477	86,477
Nonmajor business-type funds	475,936	623,411	-	-	-	147,475	147,475
Total business-type activities	5,097,691	5,455,704	-	-	-	358,013	358,013
<b>Total</b>	<b>\$ 13,017,981</b>	<b>\$ 5,939,733</b>	<b>\$ 47,394</b>	<b>\$ 4,136,257</b>	<b>(3,252,610)</b>	<b>358,013</b>	<b>(2,894,597)</b>
<b>General revenues:</b>							
Property taxes					2,714,456	-	2,714,456
Sales taxes					1,352,797	-	1,352,797
Other taxes					852,970	-	852,970
Franchise fees					696,341	-	696,341
Investment earnings					165,975	48,482	214,457
Land project					-	-	-
Miscellaneous					160,575	16,013	176,588
Transfers					425,406	(425,406)	-
Total general revenues					6,368,520	(360,911)	6,007,609
Change in net position					3,115,910	(2,898)	3,113,012
<b>Net position, beginning of year</b>					15,228,131	20,510,053	35,738,184
<b>Net position, end of year</b>					<b>\$ 18,344,041</b>	<b>\$ 20,507,155</b>	<b>\$ 38,851,196</b>

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

**City of Bel Aire, Kansas**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2019**

	<b>General</b>	<b>Bond and Interest</b>	<b>Capital Projects</b>	<b>Public Building Commission</b>	<b>Land Bank</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>							
Cash, including investments	\$ 3,449,592	\$ 713,281	\$ 2,546,432	\$ 226,892	\$ 345,313	\$ 821,283	\$ 8,102,793
Receivables (net of allowance for uncollectibles)							
Property taxes	2,938,273	-	-	-	-	-	2,938,273
Special assessments	-	18,457,092	-	-	-	-	18,457,092
Motor vehicle and RV tax	35,205	-	-	-	-	-	35,205
Real estate mortgage note receivable	251,721	-	-	-	-	-	251,721
Sales tax	246,141	-	-	-	-	-	246,141
Franchise taxes and fees	55,041	-	-	-	-	-	55,041
Other	-	-	-	-	225,000	7,695	232,695
Property held for resale	-	-	-	-	7,707,868	-	7,707,868
Total assets	<u>\$ 6,975,973</u>	<u>\$ 19,170,373</u>	<u>\$ 2,546,432</u>	<u>\$ 226,892</u>	<u>\$ 8,278,181</u>	<u>\$ 828,978</u>	<u>\$ 38,026,829</u>
<b>Liabilities:</b>							
Accounts payable	\$ 184,408	\$ -	\$ 118,392	\$ -	\$ 94,414	\$ 2,640	\$ 399,854
Accrued liabilities	51,686	-	-	-	-	2,971	54,657
Total liabilities	<u>236,094</u>	<u>-</u>	<u>118,392</u>	<u>-</u>	<u>94,414</u>	<u>5,611</u>	<u>454,511</u>
<b>Deferred inflows of resources:</b>							
Deferred property tax receivable	2,938,273	-	-	-	-	-	2,938,273
Unavailable revenue - special assessments	-	18,408,237	-	-	-	-	18,408,237
Total deferred inflows of resources	<u>2,938,273</u>	<u>18,408,237</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,346,510</u>
<b>Fund balance:</b>							
Nonspendable	251,721	-	-	-	7,707,868	-	7,959,589
Restricted	-	762,136	2,428,040	226,892	475,899	152,354	4,045,321
Assigned	-	-	-	-	-	671,013	671,013
Unassigned	3,549,885	-	-	-	-	-	3,549,885
Total fund balance	<u>3,801,606</u>	<u>762,136</u>	<u>2,428,040</u>	<u>226,892</u>	<u>8,183,767</u>	<u>823,367</u>	<u>16,225,808</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 6,975,973</u>	<u>\$ 19,170,373</u>	<u>\$ 2,546,432</u>	<u>\$ 226,892</u>	<u>\$ 8,278,181</u>	<u>\$ 828,978</u>	<u>\$ 38,026,829</u>

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

**City of Bel Aire, Kansas**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2019**

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

<b>Total fund balance -- governmental funds</b>		<b>\$ 16,225,808</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 59,743,736	
Accumulated depreciation	<u>(18,397,470)</u>	41,346,266
Special assessments receivable are not available to pay for current period expenditures and, therefore, are reported as unavailable in the fund statements		18,408,237
Deferred outflows of resources are not available and payable in the current period and, therefore, are not reported in the funds.		
Deferred outflows - pensions		243,591
Deferred outflows - OPEB		13,357
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Accrued interest payable	(323,741)	
General obligation bonds payable	(31,960,000)	
Revenue bonds - Public Building Commission	(20,415,000)	
Deferred refunding	1,832,356	
Temporary notes	(4,990,000)	
Net pension liability	(1,115,873)	
Total OPEB liability	(57,826)	
Premiums	(508,685)	
Rail loan	(249,053)	
Compensated absences	<u>(58,849)</u>	(57,846,671)
Other deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Deferred inflows - pensions		(30,363)
Deferred inflows - OPEB		<u>(16,184)</u>
<b>Total net position -- governmental activities</b>		<b>\$ 18,344,041</b>

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

**City of Bel Aire, Kansas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2019**

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>							
Taxes and shared revenues	\$ 4,522,792	\$ 80,539	\$ -	\$ -	\$ -	\$ 316,892	\$ 4,920,223
Intergovernmental revenues	47,394	-	28,990	-	-	-	76,384
Franchise fees	696,341	-	-	-	-	-	696,341
Court fines	159,568	-	-	-	-	-	159,568
Licenses, permits and fees	298,606	-	-	-	-	-	298,606
Rents and sales	25,855	-	-	238,795	-	-	264,650
Special assessments	-	1,974,627	-	-	-	-	1,974,627
Contribution of property held for resale	-	-	-	-	-	-	-
Other	88,829	24,131	49,308	-	8,429	19,065	189,762
Total revenues	5,839,385	2,079,297	78,298	238,795	8,429	335,957	8,580,161
<b>Expenditures:</b>							
Current:							
Administration, mayor and council	773,701	-	-	-	-	-	773,701
Law and municipal court	142,043	-	-	-	-	-	142,043
Streets and highway	-	-	-	-	-	369,563	369,563
Community development	185,152	-	-	-	-	-	185,152
Parks, grounds, recreation, pool, etc.	670,382	-	-	-	-	-	670,382
Police	991,410	-	-	-	-	-	991,410
Nondepartmental and other	247,426	-	-	5,570	-	-	252,996
Land project	400,494	-	-	-	368,500	-	768,994
Capital outlay/projects	-	-	2,097,386	-	900	474,352	2,572,638
Debt Service:							
Principal retirement	-	2,040,000	8,096,097	720,000	-	-	10,856,097
Interest and other	-	848,684	133,214	723,029	-	-	1,704,927
Debt issuance costs	-	-	199,222	-	-	-	199,222
Total expenditures	3,410,608	2,888,684	10,525,919	1,448,599	369,400	843,915	19,487,125
Excess (deficiency) of revenues over (under) expenditures	2,428,777	(809,387)	(10,447,621)	(1,209,804)	(360,971)	(507,958)	(10,906,964)
<b>Other financing sources (uses):</b>							
Issuance of general obligation bonds	-	-	8,920,000	-	-	-	8,920,000
Premium (discount) on bond issuance	-	-	114,478	-	-	-	114,478
Issuance of refunding bonds	-	-	1,430,000	-	-	-	1,430,000
Premium on issuance of refunding bonds	-	-	247	-	-	-	247
Land sales	-	-	-	-	(132,892)	-	(132,892)
Transfers in	173,796	1,022,728	-	1,303,139	324,065	900,000	3,723,728
Transfers out	(2,494,633)	-	(314,150)	-	-	(247,736)	(3,056,519)
Total other financing sources (uses)	(2,320,837)	1,022,728	10,150,575	1,303,139	191,173	652,264	10,999,042
Net change in fund balance	107,940	213,341	(297,046)	93,335	(169,798)	144,306	92,078
<b>Fund balance, beginning of year</b>	3,693,666	548,795	2,725,086	133,557	8,353,565	679,061	16,133,730
<b>Fund balance, end of year</b>	\$ 3,801,606	\$ 762,136	\$ 2,428,040	\$ 226,892	\$ 8,183,767	\$ 823,367	\$ 16,225,808

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

**City of Bel Aire, Kansas**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2019**

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

<b>Net change in fund balance-- total governmental funds</b>		<b>\$ 92,078</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Depreciation expense	(1,250,882)	
Capital assets capitalized	<u>1,990,969</u>	740,087
In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only any proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.		(152,742)
Payments received on certain assets are recognized as revenue when received in the fund. However, in the statement of net position, revenue is recognized when earned.		2,161,630
Payment of pension contributions is an expenditure in the governmental funds, but reduces the net pension liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for pensions are only recorded in the statement of activities.		(56,968)
Payment of OPEB contributions is an expenditure in the governmental funds, but reduces the total OPEB liability in the statement of net position. Additionally, the effect of changes in deferred inflows and deferred outflows for OPEB are only recorded in the statement of activities.		15,253
Bond and loan proceeds and premiums provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
General obligation bonds	(7,490,000)	
Temporary notes	(2,860,000)	
Premiums	<u>(114,725)</u>	(10,464,725)
Repayment of bond principal and other long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bonds	3,420,000	
Temporary notes	6,675,000	
Revenue bond - Public Building Commission	720,000	
Refunding payment on revenue bond - Public Building Commission	-	
Change in deferred charge on refunding	(118,217)	
Rail loan	<u>41,097</u>	10,737,880
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		16,950
The amortization of bond premiums affects long-term assets and liabilities on the statement of net position, but does not provide or use current financial resources to governmental funds.		37,734
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item is measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the following difference was noted:		
Compensated absences earned exceeded benefits paid		<u>(11,267)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 3,115,910</u></b>

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

# City of Bel Aire, Kansas

## Statement of Net Position

### Proprietary Funds

December 31, 2019

	Water	Sewer	Nonmajor Proprietary Funds	Total
<b>Assets:</b>				
Current assets:				
Cash, including investments	\$ 1,745,675	\$ 2,099,134	\$ 453,341	\$ 4,298,150
Receivables, net	161,431	186,491	35,057	382,979
Total current assets	<u>1,907,106</u>	<u>2,285,625</u>	<u>488,398</u>	<u>4,681,129</u>
Noncurrent assets:				
Capital assets:				
Land and construction in progress	238,387	315,161	-	553,548
Other capital assets, net of depreciation	<u>7,427,572</u>	<u>9,232,639</u>	<u>-</u>	<u>16,660,211</u>
Total noncurrent assets	<u>7,665,959</u>	<u>9,547,800</u>	<u>-</u>	<u>17,213,759</u>
Total assets	<u>9,573,065</u>	<u>11,833,425</u>	<u>488,398</u>	<u>21,894,888</u>
<b>Deferred outflows of resources:</b>				
Pension related items	<u>15,399</u>	<u>40,006</u>	<u>-</u>	<u>55,405</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	54,455	33,344	34,037	121,836
Accrued payroll	2,675	17,517	-	20,192
Revolving loan - current	39,110	24,450	-	63,560
Compensated absences	<u>924</u>	<u>2,299</u>	<u>-</u>	<u>3,223</u>
Total current liabilities	<u>97,164</u>	<u>77,610</u>	<u>34,037</u>	<u>208,811</u>
Noncurrent liabilities:				
Revolving loan	601,738	369,356	-	971,094
Net pension liability	70,538	183,262	-	253,800
Compensated absences	<u>1,877</u>	<u>649</u>	<u>-</u>	<u>2,526</u>
Total noncurrent liabilities	<u>674,153</u>	<u>553,267</u>	<u>-</u>	<u>1,227,420</u>
Total liabilities	<u>771,317</u>	<u>630,877</u>	<u>34,037</u>	<u>1,436,231</u>
<b>Deferred inflows of resources:</b>				
Pension related items	<u>1,920</u>	<u>4,987</u>	<u>-</u>	<u>6,907</u>
<b>Net position:</b>				
Investment in capital assets	7,025,111	9,153,994	-	16,179,105
Unrestricted	<u>1,790,116</u>	<u>2,083,573</u>	<u>454,361</u>	<u>4,328,050</u>
Total net position	<u>\$ 8,815,227</u>	<u>\$ 11,237,567</u>	<u>\$ 454,361</u>	<u>\$ 20,507,155</u>

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

**City of Bel Aire, Kansas**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
<b>Operating revenues:</b>				
Charges for services	\$ 2,479,857	\$ 2,352,436	\$ 623,411	\$ 5,455,704
<b>Operating expenses:</b>				
Personnel	174,140	370,569	-	544,709
Contractual services	140,904	50,135	475,936	666,975
Water purchases	448,093	-	-	448,093
Operations and maintenance - CCUA	325,293	390,571	-	715,864
Debt service - CCUA	513,993	657,481	-	1,171,474
Payment in lieu of franchise fees	100,000	100,000	-	200,000
Other operating expenses	348,122	280,957	-	629,079
Depreciation	305,251	416,246	-	721,497
Total operating expenses	<u>2,355,796</u>	<u>2,265,959</u>	<u>475,936</u>	<u>5,097,691</u>
Operating income	<u>124,061</u>	<u>86,477</u>	<u>147,475</u>	<u>358,013</u>
<b>Nonoperating revenues and expenses:</b>				
Interest and other	36,451	27,694	350	64,495
Gain on disposal of assets	-	-	-	-
Capital contributions	<u>186,379</u>	<u>55,424</u>	<u>-</u>	<u>241,803</u>
Total nonoperating revenue	<u>222,830</u>	<u>83,118</u>	<u>350</u>	<u>306,298</u>
Income before transfers	<u>346,891</u>	<u>169,595</u>	<u>147,825</u>	<u>664,311</u>
Transfers in	-	-	-	-
Transfers out	<u>(266,521)</u>	<u>(300,688)</u>	<u>(100,000)</u>	<u>(667,209)</u>
Change in net position	80,370	(131,093)	47,825	(2,898)
<b>Net position, beginning of year</b>	<u>8,734,857</u>	<u>11,368,660</u>	<u>406,536</u>	<u>20,510,053</u>
<b>Net position, end of year</b>	<u><u>\$ 8,815,227</u></u>	<u><u>\$ 11,237,567</u></u>	<u><u>\$ 454,361</u></u>	<u><u>\$ 20,507,155</u></u>

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



**City of Bel Aire, Kansas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2019**

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 2,479,581	\$ 2,351,472	\$ 621,879	\$ 5,452,932
Payments to suppliers for goods and services	(1,877,168)	(1,471,102)	(474,481)	(3,822,751)
Payments to employees for salaries and benefits	(181,096)	(344,645)	-	(525,741)
Net cash flow from operating activities	<u>421,317</u>	<u>535,725</u>	<u>147,398</u>	<u>1,104,440</u>
<b>Cash flows from non-capital financing activities:</b>				
Transfers to other funds	(266,521)	(300,688)	(100,000)	(667,209)
Net cash flow from non-capital financing activities	<u>(266,521)</u>	<u>(300,688)</u>	<u>(100,000)</u>	<u>(667,209)</u>
<b>Cash flows from capital and related financing activities:</b>				
Revolving loan payments	(37,267)	(22,975)	-	(60,242)
Acquisition of capital assets	-	(240,930)	-	(240,930)
Proceeds from sale of assets	34,332	-	-	34,332
Net cash flow from capital and related financing activities	<u>(2,935)</u>	<u>(263,905)</u>	<u>-</u>	<u>(266,840)</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	36,451	27,694	350	64,495
Net cash flow from investing activities	<u>36,451</u>	<u>27,694</u>	<u>350</u>	<u>64,495</u>
Net increase in cash and cash equivalents	188,312	(1,174)	47,748	234,886
<b>Cash and cash equivalents, beginning of the year</b>	1,557,363	2,100,308	405,593	4,063,264
<b>Cash and cash equivalents, end of the year</b>	<u><u>\$ 1,745,675</u></u>	<u><u>\$ 2,099,134</u></u>	<u><u>\$ 453,341</u></u>	<u><u>\$ 4,298,150</u></u>
<b>Reconciliation of operating income to net cash flow from operating activities:</b>				
Operating income	\$ 124,061	\$ 86,477	\$ 147,475	\$ 358,013
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	305,251	416,246	-	721,497
Change in net pension liability	(12,522)	22,465	-	9,943
Change in deferred outflows - pensions	5,809	1,051	-	6,860
Change in deferred inflows - pensions	(834)	(344)	-	(1,178)
Change in accounts receivable	(276)	(964)	(1,532)	(2,772)
Change in accounts payable	(763)	8,042	1,455	8,734
Change in accrued liabilities	591	2,752	-	3,343
Net cash flow from operating activities	<u><u>\$ 421,317</u></u>	<u><u>\$ 535,725</u></u>	<u><u>\$ 147,398</u></u>	<u><u>\$ 1,104,440</u></u>
<b>Schedule of non-cash capital and related financing activities:</b>				
Contributions of capital assets	\$ 186,379	\$ 55,424	\$ -	\$ 241,803

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

## NOTES TO THE FINANCIAL STATEMENTS

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

##### **A. Reporting Entity**

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

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

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

Separate audited financial statements are not prepared for the PBC.

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

#### **B. Basis of Presentation**

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

##### Government-wide Financial Statements

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### Fund Financial Statements

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

The major governmental funds of the City are described below:

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

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

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

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

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

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

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

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

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

#### **1. *Deposits and Investments***

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

At December 31, 2019, investments consisted of funds invested in the Kansas Municipal Investment Pool (KMIP). The KMIP is an external investment pool not SEC (Securities and Exchange Commission) registered, which is regulated by the state and is valued at cost.

#### 2. Receivables

Property tax receivable - In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2019. Estimated delinquencies are insignificant and have not been recorded.

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City's special assessment taxes are levied over a 15 to 20-year term of the bonds and the annual installments are due and payable with annual ad valorem property taxes. Liens may be foreclosed against the property benefited by the special assessments when delinquent assessments are two years in arrears. At December 31, 2019, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the Bond and Interest Fund with a corresponding amount recorded as deferred inflows of resources in the fund financial statements.

Real estate mortgage note receivable - The note receivable is from the sale of the previous City Hall. The note was entered into on June 1, 2004, for \$495,000, with an initial interest rate of 4.5%, for a period not to exceed 24.5 years. At December 31, 2019, the note balance was \$251,721.

#### 3. *Property Held for Resale*

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

#### 4. *Capital Assets and Depreciation*

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

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

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



## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### 5. *Accrued Compensated Absences*

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

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

##### 6. *Long-Term Obligations*

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

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

##### 7. *Pensions*

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

#### 8. Fund Equity

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

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

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

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### 10. *Land Project*

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

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

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

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

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

Management deems that the current estimated fair value of the project is in excess of the remaining unrecovered costs. Unrecovered costs at December 31, 2019, amounted to \$14,413,029.

The industrial park portion of the land project was financed with Public Building Commission bonds and the amount outstanding at December 31, 2019 was \$17,175,000, also see Note III. C.

##### 11. *Net Position*

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

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

## **City of Bel Aire, Kansas**

### **Notes to the Financial Statements**

December 31, 2019

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **12. *Estimates***

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

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

#### **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

##### **A. Budgetary Information**

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

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

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

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

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

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

#### A. Deposits and Investments

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

At December 31, 2019, the City's deposits were fully covered by federal depository insurance or collateralized by securities held by the City's agent in the City's name.

At December 31, 2019, the City had invested \$9,875,784 in the state's municipal investment pool not SEC (Securities and Exchange Commission) registered. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the state pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers. The investment in the municipal investment pools is valued at cost.

*Credit Risk and Concentration of Credit Risk.* Kansas law limits the types of investments that can be made by the City, which inherently reduces its credit risk. Credit risk is the risk that the issuer or other counterparty to an investment will be unable to fulfill its obligations to the holder of the investment. This risk can be measured by the assignment of a rating by a nationally recognized statistical rating organization. On December 31, 2019, 100% of the City's investments, \$9,875,784, were invested in the Kansas Municipal Investment Pool, which is not rated.

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

Deposits and investments at December 31, 2019 appear in the financial statements as summarized below:

Carrying amount of deposits	\$ 2,525,159
Carrying amount of investments	<u>9,875,784</u>
Total	<u>\$ 12,400,943</u>

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

#### B. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements				
Land Project	\$ 6,865,891	\$ --	\$ 160,730	\$ 6,705,161
Parks, recreation, etc.	3,421,063	--	--	3,421,063
City Hall	400,752	--	--	400,752
Other	418,510	--	--	418,510
Construction in process	187,050	1,861,072	1,525,791	522,331
Total capital assets, not being depreciated	11,293,266	1,861,072	1,686,521	11,467,817
Capital assets, being depreciated				
Infrastructure	39,498,985	1,529,201	--	41,028,186
City Hall	2,950,273	--	--	2,950,273
Swimming pool	854,756	--	--	854,756
Other structures and equipment	3,324,205	126,487	7,988	3,442,704
Total capital assets, being depreciated	46,628,219	1,655,688	7,988	48,275,919
Less accumulated depreciation				
Infrastructure	13,701,737	1,023,557	--	14,725,294
City Hall	970,287	66,381	--	1,036,668
Swimming pool	333,358	25,643	--	359,001
Other structures and equipment	2,157,182	135,301	15,976	2,276,507
Total accumulated depreciation	17,162,564	1,250,882	15,976	18,397,470
Total capital assets, being depreciated, net	29,465,655	404,806	(7,988)	29,878,449
Governmental activities capital assets, net	\$ 40,758,921	\$ 2,265,878	\$ 1,678,533	\$ 41,346,266

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

Governmental activities:	
Administration, mayor and council	\$ 11,353
Police	34,264
Capital improvement program	77,004
Community development	1,050,899
Parks, grounds, recreation, pool, etc.	77,362
Total depreciation expense	\$ 1,250,882

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

	Balance January 1, 2019	Increases	Decreases	Balance December 31, 2019
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 534,040	\$ --	\$ --	\$ 534,040
Construction in process	202,083	241,803	424,378	19,508
Total capital assets, not being depreciated	<u>736,123</u>	<u>241,803</u>	<u>424,378</u>	<u>553,548</u>
Capital assets, being depreciated				
Plant and equipment	25,320,868	630,976	--	25,951,844
Less accumulated depreciation	8,570,136	721,497	--	9,291,633
Total capital assets, being depreciated, net	<u>16,750,732</u>	<u>(90,521)</u>	<u>--</u>	<u>16,660,211</u>
Proprietary activities capital assets, net	<u>\$ 17,486,855</u>	<u>\$ 151,282</u>	<u>\$ 424,378</u>	<u>\$ 17,213,759</u>



# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

#### C. Long-term debt

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due within one Year
<b>Governmental Activities:</b>					
General obligation bonds	\$ 27,890,000	\$ 7,490,000	\$ 3,420,000	\$ 31,960,000	\$ 2,075,000
Temporary notes	8,805,000	2,860,000	6,675,000	4,990,000	2,130,000
Revenue bonds - PBC	21,135,000	-	720,000	20,415,000	865,000
Rail loan	290,150	-	41,097	249,053	41,927
Premiums/discounts	431,694	114,725	37,734	508,685	-
Net pension liability	1,087,242	75,337	46,706	1,115,873	-
Total OPEB liability	83,779	23,502	49,455	57,826	-
Compensated absences	47,582	93,548	82,281	58,849	19,033
<b>Total Governmental Activities</b>	<b>\$ 59,770,447</b>	<b>\$ 10,657,112</b>	<b>\$ 11,072,273</b>	<b>\$ 59,355,286</b>	<b>\$ 5,130,960</b>
<b>Business-type Activities:</b>					
Revolving loans	\$ 1,094,896	\$ -	\$ 60,242	\$ 1,034,654	\$ 63,560
Net pension liability	243,857	35,473	25,530	253,800	-
Compensated absences	8,058	6,931	9,240	5,749	3,223
<b>Total Business-type Activities</b>	<b>\$ 1,346,811</b>	<b>\$ 42,404</b>	<b>\$ 95,012</b>	<b>\$ 1,294,203</b>	<b>\$ 66,783</b>

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

#### General Obligation Bonds and Notes

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

General obligation bonds outstanding at December 31, 2019 are as follows:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2019</u>
Series 2011A	3.500% - 4.500%	2,885,000	10/1/2031	1,685,000
Series 2012A	2.000% - 3.250%	5,215,000	10/1/2032	3,595,000
Series 2013D	2.000% - 4.375%	3,895,000	10/1/2034	3,005,000
Series 2014A	2.000% - 3.750%	1,100,000	10/1/2034	860,000
Series 2015A	2.000% - 2.500%	5,390,000	11/1/2027	3,440,000
Series 2015B	1.500% - 3.250%	575,000	11/1/2027	380,000
Series 2015D	2.000% - 3.500%	3,960,000	11/1/2036	3,470,000
Series 2015E	1.500% - 5.000%	220,000	11/1/2036	195,000
Series 2016A	2.000% - 4.000%	2,820,000	11/1/2037	2,530,000
Series 2017A	1.200% - 2.750%	5,545,000	11/1/2038	5,310,000
Series 2019A	2.000% - 3.000%	6,060,000	11/1/2040	6,060,000
Series 2019B	2.000% - 2.550%	1,430,000	11/1/2029	1,430,000
Total		<u>\$ 39,095,000</u>		<u>\$ 31,960,000</u>

Temporary notes outstanding at December 31, 2019 are as follows:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Outstanding December 31, 2019</u>
Series 2017B	1.750%	2,130,000	12/1/2020	2,130,000
Series 2019C	1.350%	2,860,000	12/1/2022	2,860,000
Total		<u>\$ 4,990,000</u>		<u>\$ 4,990,000</u>

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

The annual debt service requirements to amortize the general obligation bonds and temporary notes outstanding as of December 31, 2019 are as follows:

Year	Governmental Activities			
	General Obligation Bonds		Temporary Notes	
	Principal	Interest	Principal	Interest
2020	\$ 2,075,000	\$ 884,236	\$ 2,130,000	\$ 76,958
2021	2,195,000	847,480	--	38,610
2022	2,605,000	790,655	2,860,000	38,610
2023	1,910,000	731,346	--	--
2024	2,345,000	676,506	--	--
2025 - 2029	9,625,000	2,478,268	--	--
2030 - 2034	7,390,000	1,165,186	--	--
2035 - 2039	3,440,000	294,551	--	--
2040 - 2044	375,000	9,375	--	--
Total	<u>\$ 31,960,000</u>	<u>\$ 7,877,603</u>	<u>\$ 4,990,000</u>	<u>\$ 154,178</u>

#### **Current Refunding**

On November 21, 2019, the City issued \$1,430,000 General Obligation Series 2019B refunding bonds at a premium of \$247. The average interest rate of the new bonds is 2.295%. Total proceeds of the issuance were \$1,430,247. These proceeds were used to refund \$1,380,000 of outstanding General Obligation Series 2009A bonds with an average interest rate of 6.208%.

This refunding bond was issued for certain improvements and reduced the City's total debt payments by \$274,936. The economic gain (difference between the present value of the old and new debt service payments is \$237,603.

#### **City of Bel Aire Public Building Commission**

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

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

The outstanding revenue bonds are as follows:

Purpose	Interest Rate	Original Issue	Maturity Date	Amount
Land Project - Industrial Park - Series 2010A	6.030% - 6.824%	\$ 19,315,000	5/1/2020	\$ 495,000
Revenue Refunding Bonds - Series 2014A	2.000% - 4.000%	3,050,000	2/1/2030	2,375,000
Taxable Revenue Refunding Bonds - Series 2014B	2.000% - 4.600%	1,120,000	2/1/2030	865,000
Taxable Revenue Refunding Bonds - Series 2017	1.500% - 3.750%	17,755,000	12/31/2034	16,680,000
Total		<u>\$ 41,240,000</u>		<u>\$ 20,415,000</u>

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

Year	PBC Bonds		
	Principal	Interest	Total
2020	\$ 865,000	\$ 693,552	\$ 1,558,552
2021	1,010,000	661,153	1,671,153
2022	1,180,000	633,003	1,813,003
2023	1,325,000	598,816	1,923,816
2024	1,365,000	559,778	1,924,778
2025 - 2029	7,460,000	2,070,471	9,530,471
2030 - 2034	7,210,000	650,958	7,860,958
Total	<u>\$ 20,415,000</u>	<u>\$ 5,867,731</u>	<u>\$ 26,282,731</u>

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

#### **Pledged Revenues**

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

Issue	Revenue Pledged	Amount of Pledge	Term of Commitment	Percent of Revenue Pledged	Principal and Interest for 2019	Pledged Revenues Recognized in 2019
<b>Governmental Activities</b>						
2010A/2017A	Land sales for industrial use	\$ 22,289,778	Through 2034	100%	\$ 1,069,030	\$ 160,730
2014A	City hall rent	\$ 2,924,475	Through 2030	100%	\$ 266,200	\$ 61,731
2014B	Annual property tax levy and sale of water through effluent line improvements	\$ 1,068,476	Through 2030	100%	\$ 105,153	\$ 60,175

#### **Conduit Debt**

From time to time, the City has sponsored the issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership for the acquired facilities transfers to the private-sector entity served by the bond issuance. The City, state nor any political subdivision thereof is obligated in any manner for repayment of the bonds. The total amount outstanding at December 31, 2019 was \$50,102,275.

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

#### Revolving Loans

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to reroute certain waterlines and replace existing user meters. The maximum amount of the loan is not to exceed \$858,942. Principal and interest payments commenced August 1, 2014 at 2.16% interest. At December 31, 2019, the balance of this loan was \$640,848.

The City entered into a loan agreement with the Kansas Department of Health and Environment for a project to provide for various improvements to the sanitary sewer system including manhole rehabilitation, replacement of several sewer lines, upgrade to wastewater pumping station and SCADA system. The maximum amount of the loan is not to exceed \$535,980. Principal and interest payments commenced September 1, 2014 at 2.12% interest. At December 31, 2019, the balance of this loan was \$393,806.

Annual debt service requirements as of December 31, 2019 are as follows:

Year	Business-type Activities			
	Water Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2020	39,110	11,738	24,450	7,560
2021	39,959	11,026	24,971	7,100
2022	40,827	10,299	25,503	6,630
2023	41,713	9,556	26,047	6,151
2024	42,619	8,797	26,602	5,662
2025 - 2029	227,388	32,009	141,759	20,590
2030 - 2034	209,232	10,401	124,474	6,685
Total	<u>\$ 640,848</u>	<u>\$ 93,826</u>	<u>\$ 393,806</u>	<u>\$ 60,378</u>

#### Rail Loan

The City entered into a loan agreement with the Kansas Department of Transportation for a project to build a railroad spur in the Sunflower Commerce Park. The maximum amount of the loan is not to exceed \$421,358. Payments commence upon the completion of the railroad spur at 2% interest. At December 31, 2019, the balance of this loan was \$249,053. Annual debt service requirements as of December 31, 2019 are as follows:

Year	Principal	Interest	Total
2020	41,927	4,598	46,525
2021	42,773	3,752	46,525
2022	43,636	2,889	46,525
2023	44,517	2,008	46,525
2024	45,416	1,109	46,525
2025	30,784	231	31,015
Total	<u>\$ 249,053</u>	<u>\$ 14,587</u>	<u>\$ 263,640</u>

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

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

#### D. Interfund Transfers

A summary of interfund transfers by fund type for the year ended December 31, 2019 is as follows:

Transfer from:	Transfer to:						Total
	Land Bank	Capital Improvements	Equipment Reserve	Debt Service	PBC	General	
General	\$ 324,065	\$ 200,000	\$ 200,000	\$ 467,429	\$ 1,303,139	\$ -	\$ 2,494,633
Capital Projects	-	-	-	140,354	-	173,796	314,150
Special Street and Highway	-	200,000	-	47,736	-	-	247,736
Solid Waste	-	100,000	-	-	-	-	100,000
Water	-	-	100,000	166,521	-	-	266,521
Sewer	-	-	100,000	200,688	-	-	300,688
Total	<u>\$ 324,065</u>	<u>\$ 500,000</u>	<u>\$ 400,000</u>	<u>\$ 1,022,728</u>	<u>\$ 1,303,139</u>	<u>\$ 173,796</u>	<u>\$ 3,723,728</u>

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

Additionally, the Capital Projects Fund constructed assets in the amount of \$186,379 and \$55,424 to the Water and Sewer Funds, respectively. This activity is shown as an expenditure from the Capital Projects Fund and capital contribution revenue to the Water and Sewer Funds, in the fund financial statements. However, this activity is shown within transfers in the government-wide financial statements.

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### E. Fund Balances

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

	General	Bond and Interest	Capital Projects	Public Building Commission	Land Bank	Nonmajor Governmental	Total
<b>Nonspendable</b>	\$ 251,721	\$ --	\$ --	\$ --	\$ 7,707,868	\$ --	\$ 7,959,589
<b>Restricted for:</b>							
Bond and interest	--	762,136	--	--	--	--	762,136
Land bank	--	--	--	--	475,899	--	475,899
Capital projects	--	--	2,428,040	--	--	148,701	2,576,741
Public Building Commission	--	--	--	226,892	--	--	226,892
Drug forfeiture	--	--	--	--	--	3,653	3,653
<b>Assigned to:</b>							
Capital projects	--	--	--	--	--	318,567	318,567
Equipment reserve	--	--	--	--	--	352,446	352,446
<b>Unassigned</b>	<u>3,549,885</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>3,549,885</u>
<b>Total</b>	<u>\$ 3,801,606</u>	<u>\$ 762,136</u>	<u>\$ 2,428,040</u>	<u>\$ 226,892</u>	<u>\$ 8,183,767</u>	<u>\$ 823,367</u>	<u>\$ 16,225,808</u>



## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION

##### A. Risk Management

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

##### B. Contingent Liabilities

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

##### C. Construction Commitments

The City had outstanding construction commitments for various capital projects and improvements at December 31, 2019 as follows:

Project	Project costs to date	Approved project amount
Woodlawn Engineering/Discovery	\$ 500,041	\$ 580,250
Rock Spring Phase 6	26,638	300,000
Rock Springs 3rd Addition	10,548	866,150
Web Road Lift Station	4,612	560,000
	<u>\$ 541,839</u>	<u>\$ 2,306,400</u>

##### D. Commitments to Chisholm Creek Utility Authority

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

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

Similarly, as required by the bond covenants relating to bonds issued by the Authority, the rates charged by each city participating in the Authority to its residents and businesses should result in the funds necessary for the cities to pay for all the water and wastewater costs of the Authority in addition to all debt service payments. Provisions of the revenue bond rate covenant were complied with for 2019.

At year-end, the Authority had revenue bonds and a land contract outstanding in the principal and interest amount of \$28,817,950. The debt is more fully described in the audited financial statements of the Authority. Debt administration is handled by the Bank of New York and Security Bank of Kansas City, excluding the land contract.

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

Bel Aire's scheduled share of payments due to the Authority for currently issued revenue bonds and interest as of December 31, 2019 are as follows:

Year	Interest and Principal
2019	1,965,945
2020	2,014,147
2022	2,045,325
2023	2,062,257
2024	2,057,391
2025 and thereafter	18,672,885
Total	<u>\$ 28,817,950</u>

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

#### E. Pension and Other Post-Employment Benefit Plans

##### Defined Benefit Plans

##### General Information about the Pension Plan

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

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

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

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

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

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

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

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### IV. OTHER INFORMATION (CONTINUED)

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate was 8.9% for KPERS for the fiscal year ended December 31, 2019.

Contributions to the pension plan from the City were \$166,245 for KPERS for the year ended December 31, 2019.

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

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

At December 31, 2019, the City reported a liability of \$1,369,673 for KPERS for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2019, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2018 which was rolled forward to June 30, 2019. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the KPERS for the fiscal year ended June 30, 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2019, the City's proportion and change from its proportion measured as of June 30, 2019 were as follows:

<u>Net pension liability as of December 31, 2019</u>					<u>Increase (decrease) proportion from June 30, 2018</u>
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	<u>Proportion as of June 30, 2019</u>	
KPERS (local)	\$ 1,115,873	\$ 253,800	\$ 1,369,673	0.098%	0.003%

For the year ended December 31, 2019, the City recognized pension expense of \$240,985 for KPERS. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### IV. OTHER INFORMATION (CONTINUED)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business - Type Activities	Governmental Activities	Business - Type Activities
Difference between expected and actual experience	\$ 2,441	\$ 557	\$ 28,101	\$ 6,393
Net difference between projected and actual earnings on pension plan investments	26,254	5,971	-	-
Changes in proportionate share	110,709	25,180	-	-
Changes in assumptions	34,105	7,757	2,262	514
City contributions subsequent to measurement date	70,082	15,940	-	-
Total	<u>\$ 243,591</u>	<u>\$ 55,405</u>	<u>\$ 30,363</u>	<u>\$ 6,907</u>

The \$86,022 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year ended December 31:	Deferred Outflows (Inflows) of Resources	
	Governmental Activities	Business-Type Activities
2020	\$ 75,484	\$ 17,169
2021	25,334	5,762
2022	26,607	6,052
2023	15,418	3,507
2024	303	68
	<u>\$ 143,146</u>	<u>\$ 32,558</u>

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

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

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

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2019 are summarized in the following table:

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

*Discount rate.* The discount rate used by KPERS to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The statutory cap for the state fiscal year 2019 was 1.2%. The local employers are currently contributing the full actuarial contribution rate. The expected employer actuarial contribution rate was modeled for future years, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

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

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
City's KPERS proportionate share of the net pension liability	<u>\$ 2,045,640</u>	<u>\$ 1,369,673</u>	<u>\$ 804,245</u>

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

#### **Defined Contribution Plan 457 plan**

The City established a defined contribution plan for certain employees. The plan is administered by the ICMA Retirement Corporation, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. The contribution percentage is 7% and there is no match. The contributions by the City for 2019 were \$13,833.

#### **F. Other Post-Employment Benefits**

##### **COBRA**

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

##### **KPERS Death and Disability OPEB Plan**

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

##### *Benefits provided:*

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

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### IV. OTHER INFORMATION (CONTINUED)

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

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

*Employees covered by benefit terms.* At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>36</u>
	<u>37</u>

#### Total OPEB Liability

The City's total OPEB liability of \$57,826 was measured as of June 30, 2019 and was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019.



# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### IV. OTHER INFORMATION (CONTINUED)

*Actuarial assumptions and other inputs.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

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

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

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2019.

The actuarial assumptions used in the June 30, 2019 valuation were based on an actuarial experience study for the period July 1, 2014 - June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2018 KPERS pension valuation.

	<b>Total OPEB Liability</b>
<b>Balance at fiscal year-end 12/31/18</b>	<b>\$ 83,779</b>
<b>Changes for the year:</b>	
Service cost	6,349
Interest	3,007
Effect of economic/demographic gains or losses	(11,096)
Effect of assumptions changes or inputs	895
Benefit payments	(25,108)
<b>Net changes</b>	<b>(25,953)</b>
<b>Balance at fiscal year-end 12/31/19</b>	<b>\$ 57,826</b>

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### IV. OTHER INFORMATION (CONTINUED)

#### Changes in the Total OPEB Liability

*Changes of assumptions.* Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability	\$ 60,209	\$ 57,826	\$ 55,371

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

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

For the year ended December 31, 2019, the City recognized OPEB expense of \$9,855. At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 14,166
Changes in assumptions	803	2,018
Benefit payments subsequent to the measurement date	12,554	-
Total	<u>\$ 13,357</u>	<u>\$ 16,184</u>

The \$12,554 benefit payments made subsequent to the measurement date will be recognized as a reduction in the total OPEB liability for the year ended December 31, 2019. The remaining amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

# City of Bel Aire, Kansas

## Notes to the Financial Statements

December 31, 2019

### IV. OTHER INFORMATION (CONTINUED)

		Deferred (Inflows) & (Outflows) of Resources
Year ended June 30:		
2020	\$	(1,885)
2021		(1,885)
2022		(1,885)
2023		(1,885)
2024		(1,885)
Thereafter		(5,956)
	\$	<u>(15,381)</u>

#### G. Concentrations

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

#### H. Tax Abatements

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

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

The City enters into property tax abatement agreements with local businesses under the state Economic Development Opportunity Act of 2006. Under the Act, localities may grant property tax abatements of a maximum of ten years at up to 100% of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the City. See further information regarding IRB's, including the amount outstanding at December 31, 2019, at Footnote III.C. - Conduit Debt.

The County Appraiser determines the full value of the property, noting the value that has been exempted through the program. The County Treasurer computes the taxes due on the appraised value only on the taxable portion of the property. For the fiscal year ended December 31, 2019, all of the buildings associated with tax abatements were still under construction; therefore, the City abated property taxes totaling \$341,929 under this program. These agreements also include performance measurements

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

that the business must achieve. If the performance measurements are not met, the tax abatement will be removed, and the business will have to pay their full property taxes.

##### I. Pending Governmental Accounting Standards

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

GASB Statement No. 87, *Leases*, improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resource based on the payment provisions of the contract. It establishes a single model for lease accounting based on foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this statement were originally effective for financial statements for the City's fiscal year ending December 31, 2020 and now postponed until December 31, 2022 per GASB Statement No. 95.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The provisions of this statement were originally effective for the financial statements for the City's fiscal year ending December 31, 2020 and now postponed until December 31, 2021 per GASB Statement No. 95.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including: effective date of GASB 87 for interim financial reports; intra-entity transfers between primary governments and component unit pension or OPEB plans; applicability of Statements No. 73 and 74 for reporting assets accumulated for postemployment benefits; applicability of certain requirements of GASB 84 to postemployment benefit arrangements; measurement of asset retirement obligations in government acquisitions; reporting by public entity risk pools for amounts recoverable from reinsurers or excess insurers; reference to nonrecurring fair value measurements in authoritative literature and terminology used related to derivative instruments. Certain provisions of this statement were effective upon issuance and did not impact the City's financial reporting, other provisions of this statement are were originally effective for financial statements for the City's fiscal year ending December 31, 2021 and now postponed until December 31, 2022.

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, provides guidance where some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR)—most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate. The provisions of this statement were originally effective for financial statements for the City's fiscal year ending December 31, 2022 and now postponed until December 31, 2023 per GASB Statement No. 95.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs), which is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for financial statements for the City's fiscal year ending December 31, 2023.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates

The effective date of the following pronouncement is postponed by 18 months:

- Statement No. 87, Leases

## City of Bel Aire, Kansas

### Notes to the Financial Statements

December 31, 2019

#### IV. OTHER INFORMATION (CONTINUED)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, provides new accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs), which have become increasingly common among state and local governments in recent years. Statement 96 is based on the standards established in Statement 87, *Leases*. The new statement defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The guidance requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability (with an exception for short-term SBITAs, those with a maximum possible term of 12 months) and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The provisions of this statement will be effective for financial statements for the City's fiscal year ending December 31, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* provides the following guidance: 1) increases consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; 2) mitigates costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans and employee benefit plans other than pension or OPEB plans as fiduciary component units in fiduciary fund financial statements; and 3) addresses relevance, consistency and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan and for benefit provided through those plans. The first two provisions of this statement are effective immediately. The last provision will be effective for financial statements for the City's fiscal year ending December 31, 2022.

#### J. Subsequent events

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic and recommended worldwide mitigation measures. The extent of COVID-19's effect on the City's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the City's operation. However, if the pandemic continues to evolve, this could have a material adverse effect on the City's operation, statement of net position, statement of activities and cash flows.

On June 15, 2020, the City issued \$1,985,000 of General Obligation Temporary Notes, Series 2020A with a stated maturity of December 1, 2023 at 1.25% interest.

## REQUIRED SUPPLEMENTARY INFORMATION

## **City of Bel Aire, Kansas**

### **Notes to Required Supplementary Information**

December 31, 2019

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

For the City, this information includes:

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

#### **Budgetary Comparison Schedule**

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



**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
General Fund  
Year ended December 31, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Over/ (Under)</b>
<b>Revenues:</b>				
Taxes and shared revenue:				
Ad valorem tax	\$ 2,775,180	\$ 2,775,180	\$ 2,714,456	\$ (60,724)
Delinquent tax	30,000	30,000	28,405	(1,595)
Motor vehicle tax	373,440	373,440	426,327	52,887
Sales tax	1,208,190	1,208,190	1,345,028	136,838
Franchise tax	664,000	664,000	685,535	21,535
Court fines	171,000	171,000	159,568	(11,432)
Licenses, permits and fees	254,850	254,850	190,751	(64,099)
Recreation fees	106,000	106,000	107,855	1,855
Rents and note collections	43,000	43,000	47,831	4,831
Intergovernmental	58,000	58,000	47,394	(10,606)
Interest	15,000	15,000	39,209	24,209
Other	30,700	30,700	48,150	17,450
Transfer in	-	-	173,796	173,796
Total revenues	5,729,360	5,729,360	6,014,305	284,945
<b>Expenditures:</b>				
City Administration:				
Personnel services	646,150	646,150	680,035	33,885
Contractual services	19,000	19,000	25,604	6,604
Operating expenses	26,000	26,000	26,439	439
Capital outlay	10,675	10,675	-	(10,675)
Community Development:				
Personnel services	168,500	168,500	162,787	(5,713)
Contractual services	17,000	17,000	11,476	(5,524)
Operating expenses	16,000	16,000	10,889	(5,111)
Law and Municipal Court:				
Personnel services	94,550	94,550	87,120	(7,430)
Contractual services	69,700	69,700	51,254	(18,446)
Operating expenses	4,600	4,600	3,669	(931)
Parks and Grounds:				
Personnel services	112,500	112,500	110,323	(2,177)
Contractual services	40,500	40,500	29,268	(11,232)
Operating expenses	37,400	37,400	28,612	(8,788)
Capital outlay	5,500	5,500	10,040	4,540
Police:				
Personnel services	872,800	872,800	813,038	(59,762)
Contractual services	77,000	77,000	88,814	11,814
Operating expenses	102,500	102,500	89,558	(12,942)
Recreation:				
Personnel services	230,200	230,200	221,902	(8,298)
Contractual services	60,000	60,000	52,864	(7,136)
Operating expenses	37,000	37,000	27,667	(9,333)
Senior Center:				
Personnel services	16,500	16,500	16,500	-
Contractual services	5,600	5,600	4,607	(993)
Operating expenses	9,400	9,400	9,470	70

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
General Fund  
Year ended December 31, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>	<b>Budgetary Basis</b>	<b>Over/ (Under)</b>
Mayor and Council:				
Personnel services	12,600	12,600	19,230	6,630
Contractual services	15,500	15,500	9,125	(6,375)
Operating expenses	19,000	19,000	13,268	(5,732)
Central Park Pool:				
Personnel services	27,000	27,000	24,894	(2,106)
Contractual services	14,500	14,500	7,869	(6,631)
Operating expenses	11,950	11,950	8,015	(3,935)
Economic Development:				
Personnel services	-	-	1,212	1,212
Contractual services	76,500	76,500	6,182	(70,318)
Operating expenses	35,500	35,500	110,957	75,457
Nondepartmental:				
Personnel services	-	-	3,217	3,217
Contractual services	182,000	182,000	90,753	(91,247)
Operating expenses	22,000	22,000	153,456	131,456
Capital outlay	10,000	10,000	-	(10,000)
Transfer out	2,770,843	2,770,843	2,494,633	(276,210)
Land project	297,600	297,600	400,494	102,894
Total expenditures	<u>6,174,068</u>	<u>6,174,068</u>	<u>5,905,241</u>	<u>(268,827)</u>
Net change in fund balance	<u>\$ (444,708)</u>	<u>\$ (444,708)</u>	109,064	<u>\$ 553,772</u>
<b>Fund balance, beginning of year</b>			<u>3,104,434</u>	
<b>Fund balance, end of year</b>			<u><u>\$ 3,213,498</u></u>	
Explanation of difference between budgetary and GAAP fund balance:				
Accrued revenues			<u>588,108</u>	
GAAP fund balance at end of year			<u><u>\$ 3,801,606</u></u>	

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
Land Bank Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts Budgetary Basis	Final Budget Over/ (Under)
	Original	Final		
<b>Revenues:</b>				
Residential lot sales	\$ 100,000	\$ 100,000	\$ 61,708	\$ (38,292)
Commercial lot sales	50,000	50,000	-	(50,000)
Interest	-	-	8,429	8,429
Transfer in	324,065	324,065	324,065	-
Total revenues	474,065	474,065	394,202	(79,863)
<b>Expenditures:</b>				
Special assessments	400,000	400,000	359,821	(40,179)
Contractual services	20,000	20,000	8,679	(11,321)
Capital outlay	-	-	10,668	10,668
Total expenditures	420,000	420,000	379,168	(40,832)
Net change in fund balance	\$ 54,065	\$ 54,065	15,034	\$ (39,031)
<b>Fund balance, beginning of year</b>			235,865	
<b>Fund balance, end of year</b>			<u>\$ 250,899</u>	
Explanation of difference between budgetary and GAAP fund balance:				
Receivables at 12/31/19			225,000	
Property held for resale			<u>7,707,868</u>	
GAAP fund balance at end of year			<u>\$ 8,183,767</u>	

**City of Bel Aire, Kansas**  
**Required Supplementary Information**  
**December 31, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
City's proportion of the collective net pension liability	0.098%	0.096%	0.090%	0.087%	0.076%	0.076%	0.070%
City's proportionate share of the net pension liability	\$ 1,369,673	\$ 1,331,099	\$ 1,298,316	\$ 1,353,388	\$ 1,002,884	\$ 931,409	\$ 1,065,989
City's covered payroll^	\$ 1,786,806	\$ 1,594,160	\$ 1,477,171	\$ 1,450,432	\$ 1,257,280	\$ 1,208,004	\$ 1,128,446
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77%	83%	88%	93%	80%	77%	94%
Plan fiduciary net position as a percentage of the total pension liability	69.88%	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

\*GASB 68 requires presentation of ten years. As of December 31, 2019, only seven years of information is available.

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

**City of Bel Aire, Kansas**  
**Required Supplementary Information**  
**December 31, 2019**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 166,245	\$ 145,716	\$ 133,898	\$ 138,160	\$ 130,342	\$ 107,294	\$ 97,298
Contributions in relation to the contractually required contribution	(166,245)	(145,716)	(133,898)	(138,160)	(130,342)	(107,294)	(97,298)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll <sup>^</sup>	\$ 1,870,020	\$ 1,736,656	\$ 1,569,560	\$ 1,337,466	\$ 1,374,918	\$ 1,107,270	\$ 1,106,921
Contributions as a percentage of covered payroll	8.89%	8.39%	8.53%	10.33%	9.48%	9.69%	8.79%

\*GASB 68 requires presentation of ten years. As of December 31, 2019, only seven years of information is available.

<sup>^</sup> Covered payroll is measured as of the the fiscal year end December 31.

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

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

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

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

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

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

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

**City of Bel Aire, Kansas**  
Required Supplementary Information  
December 31, 2019

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

Last Three Fiscal Years\*

	2019	2018	2017
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017
<b>Total OPEB liability</b>			
Service cost	\$ 6,349	\$ 6,313	\$ 6,051
Interest	3,007	3,627	3,515
Effect of economic/demographic gains or losses	(11,096)	(5,304)	-
Effect of assumptions changes or inputs	895	(778)	(2,030)
Benefit payments	(25,108)	(29,875)	(29,875)
<b>Net change in total OPEB liability</b>	(25,953)	(26,017)	(22,339)
<b>Total OPEB liability - beginning</b>	83,779	109,796	132,135
<b>Total OPEB liability - ending</b>	<u>\$ 57,826</u>	<u>\$ 83,779</u>	<u>\$ 109,796</u>
<b>Covered-employee payroll</b>	<u>\$ 1,786,806</u>	<u>\$ 1,594,160</u>	<u>\$ 1,477,171</u>
 <b>Total OPEB liability as a percentage of covered-employee payroll</b>	 3.24%	 5.26%	 7.43%

\* GASB 75 requires presentation of ten years. As of December 31, 2019, only three years of information is available.

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

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

- The discount rate increased from 2.85% on June 30, 2016 to 3.58% on June 30, 2017.
- The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.
- The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

## SUPPLEMENTARY INFORMATION

**City of Bel Aire, Kansas**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2019

	<b>Special Revenue Funds</b>				<b>Capital Project Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	
<b>Assets:</b>							
Cash, including investments	\$ 146,617	\$ 880	\$ 1,552	\$ 1,221	\$ 318,567	\$ 352,446	\$ 821,283
Receivables	7,695	-	-	-	-	-	7,695
Total assets	<u>\$ 154,312</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 318,567</u>	<u>\$ 352,446</u>	<u>\$ 828,978</u>
<b>Liabilities</b>							
Accounts and retainage payable	\$ 2,640	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,640
Accrued liabilities	2,971	-	-	-	-	-	2,971
Total liabilities	<u>5,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,611</u>
<b>Fund balance:</b>							
Restricted	148,701	880	1,552	1,221	-	-	152,354
Assigned	-	-	-	-	318,567	352,446	671,013
Total fund balance	<u>148,701</u>	<u>880</u>	<u>1,552</u>	<u>1,221</u>	<u>318,567</u>	<u>352,446</u>	<u>823,367</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 154,312</u>	<u>\$ 880</u>	<u>\$ 1,552</u>	<u>\$ 1,221</u>	<u>\$ 318,567</u>	<u>\$ 352,446</u>	<u>\$ 828,978</u>



**City of Bel Aire, Kansas**  
Combining Schedule of Revenues, Expenditures and Changes in  
Fund Balances - Nonmajor Governmental Funds  
For the Year Ended December 31, 2019

	<b>Special Revenue Funds</b>				<b>Capital Project Funds</b>		<b>Total Nonmajor Governmental Funds</b>
	Special Street and Highway	Local Drug Forfeiture	State Drug Forfeiture	Federal Forfeiture	Capital Improvement	Equipment Reserve	
<b>Revenues:</b>							
Taxes and shared revenues	\$ 316,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,892
Miscellaneous	-	-	-	-	10,643	8,422	19,065
Total revenues	316,892	-	-	-	10,643	8,422	335,957
<b>Expenditures:</b>							
Streets and highways	369,563	-	-	-	-	-	369,563
Capital outlay	3,110	-	-	-	388,502	82,740	474,352
Total expenditures	372,673	-	-	-	388,502	82,740	843,915
Excess of revenues over (under) expenditures	(55,781)	-	-	-	(377,859)	(74,318)	(507,958)
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	500,000	400,000	900,000
Transfers out	(247,736)	-	-	-	-	-	(247,736)
Total other financing sources (uses)	(247,736)	-	-	-	500,000	400,000	652,264
Net change in fund balance	(303,517)	-	-	-	122,141	325,682	144,306
<b>Fund balance, beginning of year</b>	452,218	880	1,552	1,221	196,426	26,764	679,061
<b>Fund balance, end of year</b>	\$ 148,701	\$ 880	\$ 1,552	\$ 1,221	\$ 318,567	\$ 352,446	\$ 823,367

**City of Bel Aire, Kansas**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balance - Budget and Actual - Budget Basis**  
**Bond and Interest Fund**  
**For the Year Ended December 31, 2019**

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Over/ (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Special assessments	\$ 1,816,871	1,816,871	\$ 1,925,772	\$ 108,901
Delinquent tax	50,000	50,000	80,539	30,539
Interest	-	-	24,132	24,132
Transfer in	1,151,822	1,151,822	1,022,728	(129,094)
Total revenues	<u>3,018,693</u>	<u>3,018,693</u>	<u>3,053,171</u>	<u>34,478</u>
<b>Expenditures:</b>				
Principal payments	2,040,000	2,040,000	2,040,000	-
Interest expense	848,685	848,685	848,685	-
Total expenditures	<u>2,888,685</u>	<u>2,888,685</u>	<u>2,888,685</u>	<u>-</u>
Net change in fund balance	<u>\$ 130,008</u>	<u>\$ 130,008</u>	164,486	<u>\$ 34,478</u>
<b>Fund balance, beginning of year</b>			548,795	
<b>Fund balance, end of year</b>			<u>\$ 713,281</u>	

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget Basis  
Capital Projects Fund  
For the Year Ended December 31, 2019

	<b>Actual Amounts Budgetary Basis</b>
<b>Revenues:</b>	
Bond proceeds	\$ 10,350,000
Bond premiums	114,725
Capital contributions	28,990
Interest	49,308
Total revenues	<u>10,543,023</u>
<b>Expenditures:</b>	
Cost of issuance	199,222
Sunflower Commerce Park	484,718
Rock Spring	47,558
Chapel Landing	355,460
Prestwick	518,031
37th Street Project	691,619
Temporary note and bond principal	8,096,097
Temporary note and bond interest	133,214
Transfer out	314,150
Total expenditures	<u>10,840,069</u>
Net change in fund balance	(297,046)
<b>Fund balance, beginning of year</b>	<u>2,725,086</u>
<b>Fund balance, end of year</b>	<u><u>\$ 2,428,040</u></u>

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget Basis  
Public Building Commission  
For the Year Ended December 31, 2019

	<b>Actual Amounts Budgetary Basis</b>
<b>Revenues:</b>	
Industrial land sales	\$ 178,620
Effluent sales	60,175
Transfer in	1,303,139
Total revenues	<u>1,541,934</u>
<b>Expenditures:</b>	
Fees	5,570
Bond principal	720,000
Bond interest	723,029
Total expenditures	<u>1,448,599</u>
Net change in fund balance	93,335
<b>Fund balance, beginning of year</b>	<u>133,557</u>
<b>Fund balance, end of year</b>	<u><u>\$ 226,892</u></u>

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
Special Street and Highway Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final	Budgetary Basis	Over/ (Under)
<b>Revenues:</b>				
Taxes and Shared Revenue:				
State gas tax	\$ 207,700	\$ 207,700	\$ 219,001	\$ 11,301
County gas tax	91,410	91,410	97,891	6,481
Total revenues	299,110	299,110	316,892	17,782
<b>Expenditures:</b>				
Personnel services	115,400	115,400	119,161	3,761
Contractual services	88,500	88,500	122,974	34,474
Operating expense	106,600	106,600	127,428	20,828
Capital outlay	-	-	3,110	3,110
Transfer out	348,369	348,369	247,736	(100,633)
Total expenditures	658,869	658,869	620,409	(38,460)
Net change in fund balance	\$ (359,759)	\$ (359,759)	(303,517)	\$ 56,242
<b>Fund balance, beginning of year</b>			452,218	
<b>Fund balance, end of year</b>			<u>\$ 148,701</u>	

**City of Bel Aire, Kansas**  
Combining Balance Sheet  
Nonmajor Enterprise Funds  
December 31, 2019

	Solid Waste	Stormwater	Total Nonmajor Enterprise
<b>Assets:</b>			
Cash, including investments	\$ 261,968	\$ 191,373	\$ 453,341
Accounts receivable	35,057	-	35,057
Total assets	297,025	191,373	488,398
<b>Liabilities:</b>			
Accounts payable	34,037	-	34,037
Total liabilities	34,037	-	34,037
<b>Net position:</b>			
Unrestricted	262,988	191,373	454,361
Total net position	\$ 262,988	\$ 191,373	\$ 454,361

**City of Bel Aire, Kansas**  
Combining Statement of Revenues, Expenses and Changes in  
Net Position - Nonmajor Enterprise Funds  
For the Year Ended December 31, 2019

	Solid Waste	Stormwater	Total Nonmajor Enterprise
<b>Operating revenues:</b>			
Utility income	\$ 539,991	\$ 83,420	\$ 623,411
Total operating revenues	539,991	83,420	623,411
<b>Operating expenses:</b>			
Contractual services	436,598	39,338	475,936
Total operating expenses	436,598	39,338	475,936
Operating income (loss)	103,393	44,082	147,475
<b>Non-operating revenues (expenses):</b>			
Interest and other	-	350	350
Transfers out	(100,000)	-	(100,000)
Change in net position	3,393	44,432	47,825
<b>Net position, beginning of year</b>	259,595	146,941	406,536
<b>Net position, end of year</b>	<u>\$ 262,988</u>	<u>\$ 191,373</u>	<u>\$ 454,361</u>

**City of Bel Aire, Kansas**  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended December 31, 2019

	<b>Solid Waste</b>	<b>Stormwater</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 538,459	\$ 83,420	\$ 621,879
Payments to suppliers for goods and services	(435,143)	(39,338)	(474,481)
Net cash flow from operating activities	103,316	44,082	147,398
<b>Cash flows from non-capital financing activities:</b>			
Transfers to other funds	(100,000)	-	(100,000)
Net cash flow from non-capital financing activities	(100,000)	-	(100,000)
<b>Cash flows from investing activities:</b>			
Interest on investments	-	350	350
Net cash flow from investing activities	-	350	350
Net increase in cash and cash equivalents	3,316	44,432	47,748
<b>Cash and cash equivalents, beginning of the year</b>	258,652	146,941	405,593
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 261,968</u>	<u>\$ 191,373</u>	<u>\$ 453,341</u>
<b>Reconciliation of operating income to net cash flow from operating activities:</b>			
Operating income	\$ 103,393	\$ 44,082	\$ 147,475
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in accounts receivable	(1,532)	-	(1,532)
Change in accounts payable	1,455	-	1,455
Net cash flow from operating activities	<u>\$ 103,316</u>	<u>\$ 44,082</u>	<u>\$ 147,398</u>



**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
Water Fund  
For the Year Ended December 31, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Over/ (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Utility income	\$ 2,326,001	\$ 2,326,001	\$ 2,479,581	\$ 153,580
Interest income	3,000	3,000	20,542	17,542
Miscellaneous	3,000	3,000	15,909	12,909
Total revenues	<u>2,332,001</u>	<u>2,332,001</u>	<u>2,516,032</u>	<u>184,031</u>
<b>Expenditures:</b>				
Personnel services	183,300	183,300	146,864	(36,436)
Contractual services	1,659,500	1,659,500	1,428,283	(231,217)
Commodities	323,500	323,500	448,122	124,622
Capital outlay	69,096	69,096	-	(69,096)
Debt service	52,246	52,246	37,267	(14,979)
Transfer out	266,521	266,521	266,521	-
Total expenditures	<u>2,554,163</u>	<u>2,554,163</u>	<u>2,327,057</u>	<u>(227,106)</u>
Net change in fund balance	<u>\$ (222,162)</u>	<u>\$ (222,162)</u>	188,975	<u>\$ 411,137</u>
<b>Fund balance, beginning of year</b>			1,499,570	
<b>Fund balance, end of year</b>			<u>\$ 1,688,545</u>	

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
Sewer Fund  
For the Year Ended December 31, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Over/ (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Utility income	\$ 2,147,215	\$ 2,147,215	\$ 2,351,472	\$ 204,257
Interest income	4,000	4,000	27,589	23,589
Miscellaneous	-	-	105	105
Total revenues	<u>2,151,215</u>	<u>2,151,215</u>	<u>2,379,166</u>	<u>227,951</u>
<b>Expenditures:</b>				
Personnel services	339,000	339,000	351,959	12,959
Contractual services	1,331,000	1,331,000	1,098,187	(232,813)
Commodities	323,800	523,800	620,125	96,325
Capital outlay	30,662	30,662	-	(30,662)
Debt service	1,000	1,000	22,975	21,975
Transfer out	300,688	300,688	300,688	-
Total expenditures	<u>2,326,150</u>	<u>2,526,150</u>	<u>2,393,934</u>	<u>(132,216)</u>
Net change in fund balance	<u>\$ (174,935)</u>	<u>\$ (374,935)</u>	(14,768)	<u>\$ 360,167</u>
<b>Fund balance, beginning of year</b>			2,063,041	
<b>Fund balance, end of year</b>			<u>\$ 2,048,273</u>	

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
Solid Waste Fund  
For the Year Ended December 31, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Over/ (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Utility income	\$ 500,000	\$ 500,000	\$ 538,459	\$ 38,459
Total revenues	500,000	500,000	538,459	38,459
<b>Expenditures:</b>				
Contractual services	500,000	500,000	436,598	(63,402)
Transfers out	100,000	100,000	100,000	-
Total expenditures	600,000	600,000	536,598	(63,402)
Net change in fund balance	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	1,861	<u>\$ 101,861</u>
<b>Fund balance, beginning of year</b>			226,070	
<b>Fund balance, end of year</b>			<u>\$ 227,931</u>	

**City of Bel Aire, Kansas**  
Schedule of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - Budget Basis  
Stormwater Fund  
For the Year Ended December 31, 2019

	<b>Budgeted Amounts</b>		<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget Over/ (Under)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Utility income	\$ 85,400	\$ 85,400	\$ 83,420	\$ (1,980)
Interest income	-	-	350	350
Total revenues	85,400	85,400	83,770	(1,630)
<b>Expenditures:</b>				
Contractual services	21,000	21,000	39,338	18,338
Capital outlay	50,000	50,000	-	(50,000)
Total expenditures	71,000	71,000	39,338	(31,662)
Net change in fund balance	<u>\$ 14,400</u>	<u>\$ 14,400</u>	44,432	<u>\$ 30,032</u>
<b>Fund balance, beginning of year</b>			146,941	
<b>Fund balance, end of year</b>			<u>\$ 191,373</u>	