



The  
**CITY of LIBERAL**

P.O. BOX 2199 • LIBERAL, KANSAS 67905-2199 • 620-626-0102

CORRECTIVE ACTION PLAN

September 20, 2010

Department of Transportation  
Federal Aviation Administration

The City of Liberal, Kansas respectfully submits the following corrective action plan for the year ended December 31, 2009.

Name and address of independent accounting firm:

Hay•Rice & Associates, Chartered  
P.O. Box 2707  
Liberal, Kansas 67905-2707

Audit period: January 1, 2009 – December 31, 2009

The findings from the December 31, 2009 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section A of the schedule, Summary of Audit Results, does not include findings and is not addressed.

B. FINDINGS – FINANCIAL STATEMENTS

Material Weaknesses

2009-1. Payroll Department:

Condition: There is a lack of segregation of duties and oversight within the department.

Recommendation: Procedures should be implemented that result in greater segregation of duties and oversight such as cross-training.

Corrective Action Taken: Designated personnel from the Human Resources Department or the Finance Department shall perform periodic surprise inspections of the payroll department documentation, for which the report shall be reviewed and approved by the Finance Director. Additionally, designated personnel from within the Human Resources Department or the Finance Department shall be cross-trained on the payroll system and shall periodically prepare payrolls.

2009-2. Inventory:

Condition: There is a lack of adequate internal controls over inventory.

Recommendation: Procedures should be implemented that result in greater safeguarding of inventory.

Corrective Action Taken: Designated personnel from the Finance Department shall assist other City Departments possessing inventory to implement an inventory tracking system and submit quarterly reports to the Finance Department. In addition, surprise test counts a random sampling of the inventory shall be made, for which the report shall be reviewed and approved by the Finance Director.

2009-3. Fixed Assets:

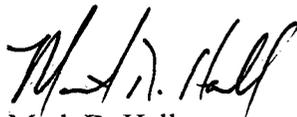
Condition: There is a lack of adequate internal controls over fixed assets.

Recommendation: Procedures should be implemented that result in a more timely reconciliation of fixed asset records to the general ledger.

Corrective Action Taken: Designated personnel from the Finance Department shall prepare quarterly capital asset reconciliation reports to be reviewed and approved by the Finance Director.

If the Oversight Agency has questions about this corrective action plan, please call Chris Ford, Finance Director, at (620) 626-2275.

Sincerely,



Mark D. Hall  
City Manager



Christopher L. Ford  
Finance Director

LIBERAL

J.H. HAY, CPA  
STEPHEN G. RICE, CPA  
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City Commission  
City of Liberal, Kansas

In planning and performing our audit of the financial statements of the City of Liberal, Kansas, as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Liberal, Kansas' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberal, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in the City of Liberal's internal control to be material weaknesses:

Payroll Department – There needs to be greater oversight over payroll and greater segregation of duties within the department. Cross training the function would also strengthen the uninterrupted continuance of the department's activities.

Inventory – The City needs to continue to develop stronger controls over inventory. Perpetual systems should be considered.

Fixed Assets – Reconciliations of fixed asset records should be completed more timely to identify differences between the records and the general ledger.

City Commission  
City of Liberal, Kansas

Page 2

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

This communication is intended solely for the information and use of the management of the City of Liberal, Kansas, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Hay•Rice & Associates, Chartered*

September 16, 2010

# HAY·RICE&ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

CHARTERED

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City Commission  
City of Liberal, Kansas

We have audited the financial statements of the City of Liberal, Kansas for the year ended December 31, 2009. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated September 15, 2009. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Liberal, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

City Commission  
City of Liberal, Kansas

Page 2

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 16, 2010.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

This information is intended solely for the use of the Board of County Commissioners and management of the City of Liberal, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

*Hay•Rice & Associates, Chartered*

September 16, 2010

CITY OF LIBERAL, KANSAS  
Liberal, Kansas

AUDIT REPORT  
For the year ended December 31, 2009

CITY OF LIBERAL, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2009

TABLE OF CONTENTS

Page  
Number

FINANCIAL SECTION

Independent Auditor's Report  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
Management's Discussion and Analysis

BASIC FINANCIAL STATEMENTS

Statement

Government-Wide Financial Statements:

1	Statement of Net Assets	1
2	Statement of Activities	3

Fund Financial Statements:

3	Balance Sheet – Governmental Funds	5
4	Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
5	Statement of Net Assets – Proprietary Funds	12
6	Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	14
7	Statement of Cash Flows – Proprietary Funds	18
8	Statement of Net Assets – Fiduciary Funds	20
	Notes to the Basic Financial Statements	21

CITY OF LIBERAL, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2009

TABLE OF CONTENTS

(Continued)

Page  
Number

REQUIRED SUPPLEMENTARY INFORMATION

Schedule

1	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	47
---	---	----

OTHER SUPPLEMENTARY INFORMATION

Schedule

2	Combining Balance Sheet – Nonmajor Special Revenue Funds	51
3	Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	54

Schedules of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual:

4-1	Library Fund	57
4-2	Special Fire Equipment Reserve Fund	58
4-3	Communication Center Fund	59
4-4	Employees' Benefits Fund	60
4-5	Special City Streets Fund	61
4-6	Special Parks and Recreation Fund	62
4-7	Tourism Fund	63
4-8	Special Alcoholic Treatment Fund	64

CITY OF LIBERAL, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2009

TABLE OF CONTENTS

(Continued)

Page  
Number

OTHER SUPPLEMENTARY INFORMATION

(Continued)

Schedule

Schedules of Revenues, Expenditures and Changes in Fund Balances –  
Budget and Actual (Continued):

4-9	Special City Beautification Fund	65
4-10	Special Housing Fund	66
4-11	Special Crime Prevention Drugs and Alcohol Fund	67
4-12	Special Economic Development Fund	68
4-13	Street Drainage and Other Capital Improvements Fund	69
4-14	Air Museum Fund	70
4-15	Trailmobile 4/10 Sales Tax Fund	71
5	Combining Balance Sheet – Nonmajor Capital Projects Funds	72
6	Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	74
7	Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Bond and Interest Fund	76
8	Capital Assets Used in the Operation of Governmental Funds Schedule by Source	77
9	Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity	78

CITY OF LIBERAL, KANSAS

FINANCIAL STATEMENTS

For the year ended December 31, 2009

TABLE OF CONTENTS

(Continued)

Page  
Number

OTHER SUPPLEMENTARY INFORMATION

(Continued)

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	79
---	----

Schedule

10	Schedule of Expenditures of Federal Awards	81
	Notes to Schedule 10	82
11	Schedule of Findings and Questioned Costs	83

CITY OF LIBERAL, KANSAS

FINANCIAL SECTION

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## INDEPENDENT AUDITOR'S REPORT

City Commission  
City of Liberal, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Liberal's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Housing Authority of the City of Liberal (a discretely presented component unit), which represents 58 percent and 55 percent, respectively, of the assets and revenues of the component unit columns. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Housing Authority of the City of Liberal (a discretely presented component unit), is based on the report of the other auditors.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Liberal, Kansas, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 16, 2010 on our consideration of the City of Liberal's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 47 through 49 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 response 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Liberal, Kansas' basic financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the City of Liberal, Kansas. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

City Commission  
City of Liberal, Kansas

Page 3

In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Hay•Rice & Associates, Chartered*

September 16, 2010

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

City Commission  
City of Liberal, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Liberal, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the City of Liberal's basic financial statements and have issued our report thereon dated September 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Liberal's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberal's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2009-1, 2009-2 and 2009-3.

City Commission  
City of Liberal, Kansas

Page 2

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

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

The City of Liberal's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Liberal's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hay•Rice & Associates, Chartered*

September 16, 2010

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Liberal, we offer readers of the City of Liberal's financial statements this overview and analysis of the financial activities for the fiscal year ended December 31, 2009. Please read this report in conjunction with the City's financial statements, which begin on page 1.

### FINANCIAL HIGHLIGHTS

As the City of Liberal has previously completed the implementation of GASB 34, a relevant comparison can be made between 2008 and 2009 in the financial statements.

The assets of the City of Liberal exceeded its liabilities at the close of 2009 by \$82,278,662 (net assets). Of this amount, \$5,034,393 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Liberal's basic financial statements. These financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Liberal's finances, in a manner similar to private-sector business, and can be found on pages 1 – 4 of this report.

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

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

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

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

### Fund Financial Statements

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

### Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By

doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Liberal maintains thirty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, the capital projects fund, and the debt service fund, which are each considered major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report on pages 50 – 56.

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

#### Proprietary Funds

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

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

#### Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 20 of this report.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 – 45 of this report.

#### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Liberal's compliance with its annually appropriated budget for its general fund. This required supplementary information can be found on pages 46 – 49 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 50 – 78 of this report.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the City of Liberal, assets exceeded liabilities by \$82,278,662 at the close of 2009.

The largest portion of the City of Liberal's net assets, or 69.76%, reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any debt used to acquire these assets that is still outstanding. The City of Liberal uses these capital assets to provide services to citizens. It is important to note that these assets are not available for future spending. Although the City of Liberal's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets alone cannot be used to liquidate these liabilities.

	City of Liberal's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Current and other assets	\$32,095,260	\$24,133,216	\$ 7,652,685	\$ 7,074,315	\$ 39,747,945	\$ 31,207,531
Capital assets	<u>34,800,583</u>	<u>37,795,982</u>	<u>32,483,105</u>	<u>31,540,100</u>	<u>67,283,688</u>	<u>69,336,082</u>
Total Assets	<u>\$66,895,843</u>	<u>\$61,929,198</u>	<u>\$40,135,790</u>	<u>\$38,614,415</u>	<u>\$107,031,633</u>	<u>\$100,543,613</u>
Long-term liabilities	\$10,088,996	\$ 4,267,592	\$ 7,438,768	\$ 7,042,464	\$ 17,527,764	\$ 11,310,056
Other liabilities	<u>7,103,434</u>	<u>6,243,122</u>	<u>735,671</u>	<u>711,773</u>	<u>7,839,105</u>	<u>6,954,895</u>
Total Liabilities	<u>\$17,192,430</u>	<u>\$10,510,714</u>	<u>\$ 8,174,439</u>	<u>\$ 7,754,237</u>	<u>\$ 25,366,869</u>	<u>\$ 18,264,951</u>
Net Assets:						
Invested in capital assets, net of related debt	\$22,777,601	\$33,220,312	\$24,742,899	\$24,179,314	\$ 47,520,500	\$ 57,399,626
Restricted	13,376,064	14,540,348	6,355,121	5,304,295	19,731,185	19,844,643
Unrestricted	<u>13,549,748</u>	<u>3,657,824</u>	<u>863,331</u>	<u>1,376,569</u>	<u>14,413,079</u>	<u>5,034,393</u>
Total Net Assets	<u>\$49,703,413</u>	<u>\$51,418,484</u>	<u>\$31,961,351</u>	<u>\$30,860,178</u>	<u>\$ 81,664,764</u>	<u>\$ 82,278,662</u>

#### Governmental Activities

Governmental activities increased the City of Liberal's net assets by \$1,715,071 through key elements, as follows:

City of Liberal's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
<u>Revenues</u>						
Program Revenues:						
Charges for services	\$ 1,919,156	\$ 2,027,508	\$ 6,016,951	\$ 6,065,741	\$ 7,936,107	\$ 8,093,249
Operating grants and contributions	143,212	885,414	-	-	143,212	885,414
Capital grants and contributions	628,791	7,700	432	689,207	629,223	696,907
General Revenues:						
Property taxes	4,388,561	4,434,337	-	-	4,388,561	4,434,337
Other taxes	12,498,706	10,137,166	-	-	12,498,706	10,137,166
Other	<u>1,895,698</u>	<u>1,488,983</u>	<u>337,978</u>	<u>(364,651)</u>	<u>2,233,676</u>	<u>1,124,332</u>
Total Revenues	<u>\$21,474,124</u>	<u>\$18,981,108</u>	<u>\$ 6,355,361</u>	<u>\$ 6,390,297</u>	<u>\$27,829,485</u>	<u>\$25,371,405</u>
<u>Expenses</u>						
General Government	\$ 4,136,054	\$ 3,894,479	\$ -	\$ -	\$ 4,136,054	\$ 3,894,479
Public Safety	4,905,520	5,601,403	-	-	4,905,520	5,601,403
Public Works	3,173,502	4,058,957	-	-	3,173,502	4,058,957
Community Service	2,047,798	2,807,139	-	-	2,047,798	2,807,139
Community/Economic Development	813,435	904,059	-	-	813,435	904,059
Water	-	-	2,428,742	2,725,851	2,428,742	2,725,851
Sewer	-	-	2,068,432	1,910,176	2,068,432	1,910,176
Sanitation	-	-	1,608,172	1,615,872	1,608,172	1,615,872
Airport	-	-	<u>547,432</u>	<u>1,239,571</u>	<u>547,432</u>	<u>1,239,571</u>
Total Expenses	<u>\$15,076,309</u>	<u>\$17,266,037</u>	<u>\$ 6,652,778</u>	<u>\$ 7,491,470</u>	<u>\$21,729,087</u>	<u>\$24,757,507</u>
Increase in Net Assets	\$ 6,397,815	\$ 1,715,071	\$ (297,417)	\$ (1,101,173)	\$ 6,100,398	\$ 613,898
Net Assets, January 1	<u>43,305,598</u>	<u>49,703,413</u>	<u>32,258,768</u>	<u>31,961,351</u>	<u>75,564,366</u>	<u>81,664,764</u>
Net Assets, December 31	<u>\$49,703,413</u>	<u>\$51,418,484</u>	<u>\$31,961,351</u>	<u>\$30,860,178</u>	<u>\$81,664,764</u>	<u>\$82,278,662</u>

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

Business-Type Activities

Business-type activities decreased the City of Liberal's net assets by \$1,101,173, as referenced in the table above.

## FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

### Governmental Funds

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

As of the end of the current fiscal year, the City of Liberal's governmental funds reported combined ending fund balances of \$18,693,716, or a decrease of \$8,129,498.

Approximately \$15,653,441 is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available due to prior commitments such as liquidating contracts and purchase orders of the prior period in the amount of \$137,044, or for a variety of other restricted purposes in the amount of \$2,903,231.

### Proprietary Funds

The City of Liberal's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the proprietary funds were as follows: the Water Fund totaled \$1,374,501, the Sewer Fund totaled \$(536,135), the Sanitation Fund totaled \$473,679, and the Airport fund totaled \$64,524.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During 2009, the general fund revenue exceeded the total budgeted amount by \$220,570 and the general fund expenses were less than the budgeted amount by \$1,154,059, which gives an overall favorable amount of \$1,374,629. After transfers there was an unfavorable amount of \$4,421,754, due to the early payoff of two general obligation bonds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, the City had \$69,336,082 invested in capital assets including police and fire equipment, buildings, park facilities, new roads, and water and sewer lines, as follows:

City of Liberal's Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
Land	\$ 1,757,551	\$ 1,587,301	\$ 4,201,518	\$ 4,201,518	\$ 5,959,069	\$ 5,788,819
Construction in progress	2,494,896	2,477,112	2,492,090	2,993,300	4,986,986	5,470,412
Buildings	8,404,832	8,416,208	9,207,162	9,183,680	17,611,994	17,599,888
Improvements	3,898,078	7,490,569	32,718,722	32,711,624	36,616,800	40,202,193
Equipment	4,280,225	4,601,541	2,928,631	3,127,576	7,208,856	7,729,117
Vehicles	3,552,488	4,272,424	1,689,222	1,727,843	5,241,710	6,000,267
Streets	50,775,665	50,860,810	-	-	50,775,665	50,860,810
Accumulated deprec.	(40,363,152)	(41,909,983)	(20,754,240)	(22,405,441)	(61,117,392)	(64,315,424)
Total	\$ <u>34,800,583</u>	\$ <u>37,795,982</u>	\$ <u>32,483,105</u>	\$ <u>31,540,100</u>	\$ <u>67,283,688</u>	\$ <u>69,336,082</u>

Additional information on the City of Liberal's capital assets can be found in Note 4 on pages 36 – 38 of this report.

Long-Term Debt

At the end of 2009, the City of Liberal had \$12,395,033 in outstanding bonds, compensated absences, notes, and capital leases compared to \$19,660,039 at the end of 2008. Additional long-term debt information can be found in Note 6 on pages 40 – 42 of this report.

City of Liberal's Long-Term Debt

	Governmental Activities		Business-Type Activities		Total	
	2008	2009	2008	2009	2008	2009
General obligation bonds	\$10,079,280	\$ 3,124,731	\$ 3,545,720	\$ 3,345,269	\$13,625,000	\$ 6,470,000
Compensated absences	456,548	527,845	77,982	78,328	534,530	606,173
KDHE revolving loan	-	-	4,113,962	3,934,993	4,113,962	3,934,993
Capital leases & temporary notes	<u>1,386,547</u>	<u>1,383,867</u>	-	-	<u>1,386,547</u>	<u>1,383,867</u>
Total	\$ <u>11,922,375</u>	\$ <u>5,036,443</u>	\$ <u>7,737,664</u>	\$ <u>7,358,590</u>	\$ <u>19,660,039</u>	\$ <u>12,395,033</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

During 2006, the City of Liberal voters overwhelmingly approved a dedicated 4/10 of One-Cent Sales Tax for the purpose of paying Trailmobile project expenditures, including debt, maintenance and litigation expenditures. In keeping with our promise made during the passage of the 4/10 of One-Cent Sales Tax, this was sunset on July 1, 2009.

As mentioned earlier in this report, we retired two general obligation bonds on June 1, 2009. These bonds were originally scheduled to be paid off in 2013 and were issued for the Trailmobile project. Due to the confidence of our voters and the sale of the assets, we were able to be rid of this burden once and for all.

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

#### CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

CITY OF LIBERAL, KANSAS

BASIC FINANCIAL STATEMENTS

CITY OF LIBERAL, KANSAS

STATEMENT OF NET ASSETS

December 31, 2009

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Current Assets</u>				
Cash, including time deposits	\$ 16,296,413	\$ 1,491,915	\$ 17,788,328	\$ 618,672
Taxes receivable	5,051,280	-	5,051,280	575,128
Accounts receivable (net)	122,473	388,986	511,459	14,876
Internal balances	724,353	(724,353)	-	-
Receivable from other governments	1,106,104	-	1,106,104	-
Unbilled receivable	-	260,980	260,980	-
Interest receivable	4,660	1,945	6,605	-
Inventory	273,878	305,572	579,450	10,939
Investments	-	-	-	-
Prepaid expenses	129,646	30,763	160,409	2,210
Total current assets	<u>\$ 23,708,807</u>	<u>\$ 1,755,808</u>	<u>\$ 25,464,615</u>	<u>\$ 1,221,825</u>
<u>Noncurrent Assets</u>				
Restricted Assets:				
Cash, including time deposits	\$ 374,687	\$ 5,260,556	\$ 5,635,243	\$ 67,105
Other Assets:				
Deferred bond cost	111,780	79,781	191,561	-
Less – Amortization	(62,058)	(21,830)	(83,888)	-
Capital Assets:				
Construction in progress	2,477,112	2,993,300	5,470,412	-
Land	1,587,301	4,201,518	5,788,819	132,465
Buildings	8,416,208	9,183,680	17,599,888	4,629,055
Improvements other than buildings	7,490,569	32,711,624	40,202,193	201,579
Machinery, equipment, furniture and fixtures	4,601,541	3,127,576	7,729,117	646,801
Vehicles	4,272,424	1,727,843	6,000,267	-
Streets	50,860,810	-	50,860,810	-
Less – Accumulated depreciation	<u>(41,909,983)</u>	<u>(22,405,441)</u>	<u>(64,315,424)</u>	<u>(3,414,178)</u>
Total noncurrent assets	<u>\$ 38,220,391</u>	<u>\$ 36,858,607</u>	<u>\$ 75,078,998</u>	<u>\$ 2,262,827</u>
Total Assets	<u>\$ 61,929,198</u>	<u>\$ 38,614,415</u>	<u>\$ 100,543,613</u>	<u>\$ 3,484,652</u>

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

CITY OF LIBERAL, KANSAS

Statement 1

STATEMENT OF NET ASSETS

December 31, 2009

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>	
	<u>Activities</u>	<u>Activities</u>		
<b>LIABILITIES</b>				
<u>Current Liabilities</u>				
Accounts payable	\$ 313,585	\$ 145,505	\$ 459,090	\$ 12,095
Accrued interest payable	17,421	77,567	94,988	2,045
Accrued wages and benefits	437,702	84,483	522,185	6,630
Unapplied credits	-	7,568	7,568	18,202
Lease purchase contracts – Current	69,120	-	69,120	-
General obligation bonds payable – Current	699,731	210,269	910,000	-
KDHE loan payable – Current	-	186,381	186,381	-
Notes payable – Current	-	-	-	17,901
KDOT assessment payable	67,072	-	67,072	-
Deferred revenue	4,638,491	-	4,638,491	575,288
Total current liabilities	<u>\$ 6,243,122</u>	<u>\$ 711,773</u>	<u>\$ 6,954,895</u>	<u>\$ 632,161</u>
<u>Noncurrent Liabilities</u>				
Contracts payable	\$ -	\$ 80,524	\$ 80,524	\$ -
Accrued compensated absences	527,845	78,328	606,173	7,005
General obligation bonds payable	2,425,000	3,135,000	5,560,000	-
KDHE loan payable	-	3,748,612	3,748,612	-
Notes payable – Net of current portion	-	-	-	398,201
Lease purchase contracts	1,314,747	-	1,314,747	-
Total noncurrent liabilities	<u>\$ 4,267,592</u>	<u>\$ 7,042,464</u>	<u>\$ 11,310,056</u>	<u>\$ 405,206</u>
Total Liabilities	<u>\$10,510,714</u>	<u>\$ 7,754,237</u>	<u>\$18,264,951</u>	<u>\$1,037,367</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$33,220,312	\$24,179,314	\$57,399,626	\$1,779,620
Restricted for:				
Capital projects	1,820,400	2,677,548	4,497,948	-
Debt service	2,592,247	2,110,604	4,702,851	-
Other purposes	10,127,701	516,143	10,643,844	67,105
Unrestricted	<u>3,657,824</u>	<u>1,376,569</u>	<u>5,034,393</u>	<u>600,560</u>
Total Net Assets	<u>\$51,418,484</u>	<u>\$30,860,178</u>	<u>\$82,278,662</u>	<u>\$2,447,285</u>

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

CITY OF LIBERAL, KANSAS

Statement 2

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government:								
Administration	\$ 1,545,795	\$ 103,601	-	-	\$ (1,442,194)	-	\$ (1,442,194)	-
Planning commission	3,058	1,650	-	-	(1,408)	-	(1,408)	-
Building inspection	338,879	119,384	-	-	(219,495)	-	(219,495)	-
Legislative	66,594	-	-	-	(66,594)	-	(66,594)	-
Utility billing	172,723	-	-	-	(172,723)	-	(172,723)	-
Employees' benefits	1,325,597	2,260	-	-	(1,323,337)	-	(1,323,337)	-
Health and welfare	35,000	-	-	-	(35,000)	-	(35,000)	-
Interest and fiscal charges	406,833	-	-	-	(406,833)	-	(406,833)	-
Total general government	<u>\$ 3,894,479</u>	<u>\$ 226,895</u>	<u>-</u>	<u>-</u>	<u>\$ (3,667,584)</u>	<u>-</u>	<u>\$ (3,667,584)</u>	<u>-</u>
Public Safety:								
Police	\$ 3,166,804	\$ 23,793	\$ 9,719	-	\$ (3,133,292)	-	\$ (3,133,292)	-
Fire	1,016,830	16,563	99,999	-	(900,268)	-	(900,268)	-
Municipal Court	609,795	870,109	-	-	260,314	-	260,314	-
Communications	558,774	1,166	229,600	-	(328,008)	-	(328,008)	-
Animal control	249,200	11,959	1,322	-	(235,919)	-	(235,919)	-
Total public safety	<u>\$ 5,601,403</u>	<u>\$ 923,590</u>	<u>\$340,640</u>	<u>-</u>	<u>\$ (4,337,173)</u>	<u>-</u>	<u>\$ (4,337,173)</u>	<u>-</u>
Public Works:								
Transportation	\$ 3,112,145	\$ 12,249	\$364,941	-	\$ (2,734,955)	-	\$ (2,734,955)	-
Engineering	83,763	-	-	-	(83,763)	-	(83,763)	-
Recreation	494,556	79,374	70,015	-	(345,167)	-	(345,167)	-
Arkalon	49,125	10,820	17,000	-	(21,305)	-	(21,305)	-
Beautification	133,968	4,190	-	-	(129,778)	-	(129,778)	-
Street lighting	185,400	2,544	-	-	(182,856)	-	(182,856)	-
Total public works	<u>\$ 4,058,957</u>	<u>\$ 109,177</u>	<u>\$451,956</u>	<u>-</u>	<u>\$ (3,497,824)</u>	<u>-</u>	<u>\$ (3,497,824)</u>	<u>-</u>
Community Service:								
Golf course	\$ 569,253	\$ 389,648	\$ -	\$ -	\$ (179,605)	-	\$ (179,605)	-
Parks	687,000	7,172	-	2,490	(677,338)	-	(677,338)	-
Swimming pool	313,535	170,867	-	5,210	(137,458)	-	(137,458)	-
Cemeteries	159,892	46,510	9,115	-	(104,267)	-	(104,267)	-
Library	551,805	-	-	-	(551,805)	-	(551,805)	-
Air Museum	306,161	69,449	15,618	-	(221,094)	-	(221,094)	-
Convention and Tourism	219,493	15,041	-	-	(204,452)	-	(204,452)	-
Total community service	<u>\$ 2,807,139</u>	<u>\$ 698,687</u>	<u>\$ 24,733</u>	<u>\$ 7,700</u>	<u>\$ (2,076,019)</u>	<u>-</u>	<u>\$ (2,076,019)</u>	<u>-</u>
Community/Economic Development:								
Urban Development and Housing	\$ 715,576	\$ 69,159	\$ 68,085	-	\$ (578,332)	-	\$ (578,332)	-
Economic development	188,483	-	-	-	(188,483)	-	(188,483)	-
Total community/economic development	<u>\$ 904,059</u>	<u>\$ 69,159</u>	<u>\$ 68,085</u>	<u>-</u>	<u>\$ (766,815)</u>	<u>-</u>	<u>\$ (766,815)</u>	<u>-</u>
Total governmental activities	<u>\$17,266,037</u>	<u>\$2,027,508</u>	<u>\$885,414</u>	<u>\$ 7,700</u>	<u>\$ (14,345,415)</u>	<u>-</u>	<u>\$ (14,345,415)</u>	<u>-</u>

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

CITY OF LIBERAL, KANSAS

Statement 2  
(Continued)

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services & Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
<b>Business-Type Activities:</b>								
Water	\$ 2,725,851	\$2,698,224	-	\$ -	-	\$ (27,627)	\$ (27,627)	-
Sewer	1,910,176	1,495,108	-	-	-	(415,068)	(415,068)	-
Airport	1,239,571	221,152	-	689,207	-	(329,212)	(329,212)	-
Sanitation	1,615,872	1,651,257	-	-	-	35,385	35,385	-
Total business-type activities	\$ 7,491,470	\$6,065,741	-	\$689,207	-	\$ (736,522)	\$ (736,522)	-
Total Primary Government	\$24,757,507	\$8,093,249	\$885,414	\$696,907	\$ (14,345,415)	\$ (736,522)	\$ (15,081,937)	-
<b>Component Units:</b>								
Housing Authority	\$ 827,111	\$ 379,450	\$400,905	-	-	-	-	\$ (46,756)
Library	579,806	21,975	58,246	-	-	-	-	(499,585)
Total Component Units	\$ 1,406,917	\$ 401,425	\$459,151	-	-	-	-	\$ (546,341)
<b>General Revenues:</b>								
Ad valorem property tax					\$ 4,434,337	\$ -	\$ 4,434,337	\$ 551,805
Back tax collections					629	-	629	-
Franchise tax					1,629,352	-	1,629,352	-
Motor vehicle tax					695,062	-	695,062	-
Local sales tax					6,879,601	-	6,879,601	-
Liquor tax					83,555	-	83,555	-
Transient guest tax					303,095	-	303,095	-
Highway connecting links					33,139	-	33,139	-
Gasoline tax					512,733	-	512,733	-
Administrative fees					370,832	-	370,832	-
Interest					242,307	75,318	317,625	6,659
Royalties					35,112	58,663	93,775	-
Lease income					427,966	-	427,966	-
Transfer in (out)					519,861	(519,861)	-	-
Gain or (loss) on disposal of assets					(107,095)	21,229	(85,866)	-
Total general revenues and transfers					\$ 16,060,486	\$ (364,651)	\$ 15,695,835	\$ 558,464
Change in Net Assets					\$ 1,715,071	\$ (1,101,173)	\$ 613,898	\$ 12,123
Net Assets, Beginning					49,703,413	31,961,351	81,664,764	2,435,162
Net Assets, Ending					\$ 51,418,484	\$ 30,860,178	\$ 82,278,662	\$ 2,447,285

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

CITY OF LIBERAL, KANSAS

Statement 3

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2009

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Reclassifications</u> <u>and Eliminations</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>ASSETS</b>						
Cash, including time deposits	\$3,837,894	\$1,838,164	\$2,498,863	\$ 9,302,929	\$ -	\$17,477,850
Cash, restricted	-	-	30,106	344,581	-	374,687
Accounts receivable	18,870	-	-	103,603	-	122,473
Interest receivable	2,951	-	-	1,709	-	4,660
Due from other funds	-	853,681	-	-	(129,328)	724,353
Taxes receivable	3,218,069	-	179,656	1,653,555	-	5,051,280
Receivable from other governments	197,830	383,641	-	524,633	-	1,106,104
Inventory	240,871	-	-	33,007	-	273,878
Prepaid expense	80,769	-	-	48,877	-	129,646
<b>Total Assets</b>	<b><u>\$7,597,254</u></b>	<b><u>\$3,075,486</u></b>	<b><u>\$2,708,625</u></b>	<b><u>\$12,012,894</u></b>	<b><u>\$ (129,328)</u></b>	<b><u>\$25,264,931</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<u>Liabilities</u>						
Accounts payable	\$ 156,036	\$ 73,649	\$ 30,106	\$ 53,794	\$ -	\$ 313,585
Accrued wages and benefits	324,147	-	-	113,555	-	437,702
Deferred revenue	2,963,703	-	86,272	1,588,516	-	4,638,491
Due to other funds	-	-	-	129,328	(129,328)	-
Bank overdraft	-	1,181,437	-	-	-	1,181,437
<b>Total liabilities</b>	<b><u>\$3,443,886</u></b>	<b><u>\$1,255,086</u></b>	<b><u>\$ 116,378</u></b>	<b><u>\$ 1,885,193</u></b>	<b><u>\$ (129,328)</u></b>	<b><u>\$ 6,571,215</u></b>
<u>Fund Balances</u>						
Reserved for encumbrances	\$ 15,926	\$ -	\$ -	\$ 121,118	-	\$ 137,044
Reserved for accounts receivable, inventory and prepaid expenses	795,657	1,237,322	93,384	776,868	-	2,903,231
Unreserved, Reported In:						
General Fund	3,341,785	-	-	-	-	3,341,785
Special Revenue Funds	-	-	-	9,229,715	-	9,229,715
Capital Projects Funds	-	583,078	-	-	-	583,078
Debt Service Funds	-	-	2,498,863	-	-	2,498,863
<b>Total fund balances</b>	<b><u>\$4,153,368</u></b>	<b><u>\$1,820,400</u></b>	<b><u>\$2,592,247</u></b>	<b><u>\$10,127,701</u></b>	<b><u>-</u></b>	<b><u>\$18,693,716</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$7,597,254</u></b>	<b><u>\$3,075,486</u></b>	<b><u>\$2,708,625</u></b>	<b><u>\$12,012,894</u></b>	<b><u>\$ (129,328)</u></b>	<b><u>\$25,264,931</u></b>

CITY OF LIBERAL, KANSAS

Statement 3  
(Continued)

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

December 31, 2009

Total Governmental Fund Balances	\$18,693,716
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Net of accumulated depreciation of \$41,909,983	
	37,795,982
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Deferred bond cost	111,780
Accumulated amortization	(62,058)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
General obligation bonds payable	(3,124,731)
Lease purchase contracts payable	(1,383,867)
KDOT assessment payable	(67,072)
Accrued interest	(17,421)
Accrued compensated absences	<u>(527,845)</u>
Net Assets of Governmental Activities	<u>\$51,418,484</u>

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

CITY OF LIBERAL, KANSAS

Statement 4

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

For the year ended December 31, 2009

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Revenues</u>					
Taxes	\$ 4,954,468	\$ -	\$ 147,100	\$ 1,807,024	\$ 6,908,592
Intergovernmental	3,090,396	125,623	-	5,817,985	9,034,004
Licenses and permits	98,715	-	-	-	98,715
Charges for services	767,283	-	-	113,123	880,406
Fines and forfeitures	845,666	-	-	-	845,666
Interest income	167,402	-	-	83,734	251,136
Royalty and lease income	107,287	-	380,493	1,975	489,755
Entities' share	-	3,222,787	-	-	3,222,787
Contribution	17,000	-	-	99,230	116,230
Miscellaneous	86,231	-	12,005	97,030	195,266
Total revenues	<u>\$10,134,448</u>	<u>\$3,348,410</u>	<u>\$ 539,598</u>	<u>\$ 8,020,101</u>	<u>\$22,042,557</u>
<u>Expenditures</u>					
Current Operations:					
General Government:					
Administration	\$ 1,413,830	-	\$ 59,260	\$ -	\$ 1,473,090
Planning commission	3,058	-	-	-	3,058
Building inspection	347,281	-	-	-	347,281
Legislative	66,594	-	-	-	66,594
Utility billing	170,916	-	-	-	170,916
Employees' benefits	-	-	-	1,249,999	1,249,999
Health and welfare	-	-	-	35,000	35,000
Total general gov.	<u>\$ 2,001,679</u>	<u>-</u>	<u>\$ 59,260</u>	<u>\$ 1,284,999</u>	<u>\$ 3,345,938</u>
Public Safety:					
Police	\$ 3,069,561	\$ -	-	\$ 374,931	\$ 3,444,492
Fire	1,190,615	23,929	-	19,439	1,233,983
Municipal Court	607,102	-	-	-	607,102
Communications	-	-	-	558,519	558,519
Animal control	247,080	-	-	18,470	265,550
Total public safety	<u>\$ 5,114,358</u>	<u>\$ 23,929</u>	<u>-</u>	<u>\$ 971,359</u>	<u>\$ 6,109,646</u>

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

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

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

For the year ended December 31, 2009

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>Expenditures</u> (Continued)					
Current Operations (Cont.):					
Public Works:					
Transportation	\$ 892,314	-	-	\$2,312,009	\$ 3,204,323
Engineering	80,438	-	-	-	80,438
Recreation	360,425	-	-	89,774	450,199
Arkalon	43,081	-	-	-	43,081
Beautification	-	-	-	167,877	167,877
Street lighting	178,448	-	-	-	178,448
Total public works	\$ 1,554,706	-	-	\$2,569,660	\$ 4,124,366
Community Service:					
Golf course	\$ 535,157	-	-	\$ -	\$ 535,157
Parks	509,244	-	-	142,280	651,524
Swimming pool	215,155	-	-	-	215,155
Cemeteries	166,992	-	-	13,083	180,075
Library	-	-	-	551,805	551,805
Air Museum	-	-	-	292,492	292,492
Convention & Tourism	-	-	-	213,329	213,329
Total community service	\$ 1,426,548	-	-	\$1,212,989	\$ 2,639,537
Community/Economic Development:					
Urban Housing and Development	\$ -	\$ 118,062	-	\$1,021,234	\$ 1,139,296
Economic development	85,527	-	-	611,652	697,179
Total community/economic develop.	\$ 85,527	\$ 118,062	-	\$1,632,886	\$ 1,836,475
Debt Service:					
Principal	-	-	\$6,954,549	-	\$ 6,954,549
Interest & other charges	-	-	336,536	-	336,536
Total debt service	-	-	\$7,291,085	-	\$ 7,291,085
Capital outlay	-	\$3,919,174	-	\$ 465,725	\$ 4,384,899
Total expenditures	\$10,182,818	\$4,061,165	\$7,350,345	\$8,137,618	\$29,731,946

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

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

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

For the year ended December 31, 2009

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Debt</u> <u>Service</u> <u>Fund</u>	<u>Other</u> <u>Governmental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(48,370)</u>	\$ <u>(712,755)</u>	\$ <u>(6,810,747)</u>	\$ <u>(117,517)</u>	\$ <u>(7,689,389)</u>
Other Financing Sources (Uses):					
Operating transfers in	\$ -	-	\$ 6,942,118	\$ 1,102,298	\$ 8,044,416
Operating transfers out	<u>(6,290,783)</u>	-	-	<u>(1,753,633)</u>	<u>(8,044,416)</u>
Total other financing sources (uses)	\$ <u>(6,290,783)</u>	-	\$ <u>6,942,118</u>	\$ <u>(651,335)</u>	-
Net change in fund balances	\$ (6,339,153)	\$ (712,755)	\$ 131,371	\$ (768,852)	\$ (7,689,389)
Fund Balances, Beginning	10,594,699	2,450,055	2,623,578	11,154,882	26,823,214
Other Changes:					
Increase or (decrease) in reserves	<u>(102,178)</u>	<u>83,100</u>	<u>(162,702)</u>	<u>(258,329)</u>	<u>(440,109)</u>
Fund Balances, Ending	\$ <u>4,153,368</u>	\$ <u>1,820,400</u>	\$ <u>2,592,247</u>	\$ <u>10,127,701</u>	\$ <u>18,693,716</u>

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

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

For the year ended December 31, 2009

Net Change in Fund Balances – Total Governmental Funds \$ (7,689,389)

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

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is allocated over their  
estimated useful lives as depreciation expense:

Capital asset purchases capitalized	4,546,004
Capital assets transferred in from business-type activities	519,861
Depreciation expense	(1,887,371)
Basis of assets disposed of	(183,095)
Amortization expense	(102,241)

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

Current taxes receivable	5,051,280
Prior taxes receivable	(5,084,396)
Current accounts receivable	122,473
Prior accounts receivable	(141,695)
Current due from other funds	853,681
Prior due from other funds	(763,632)
Current receivable from other governments	722,463
Prior receivable from other governments	(1,061,585)
Current grants receivable	383,641
Prior grants receivable	(390,590)
Current interest receivable	4,660
Prior interest receivable	(13,489)
Current deferred revenue	(4,638,491)
Prior deferred revenue	4,522,395

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

CITY OF LIBERAL, KANSAS

Statement 4  
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES

For the year ended December 31, 2009

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

Bond principal payments	6,954,549
Capital lease principal payments	63,864
Capital lease principal acquired in current year	(61,184)
KDOT assessment payments	33,535

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

Current interest payable	(17,421)
Prior interest payable	49,365

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

Current prepaid maintenance contracts	32,483
Prior prepaid maintenance contracts	(28,915)
Current prepaid insurance	97,163
Prior prepaid insurance	(104,469)
Current inventory	273,878
Prior inventory	(276,964)

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

Current compensated absences	(527,845)
Prior compensated absences	<u>456,548</u>

Change in Net Assets on Governmental Activities \$ 1,715,071

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

CITY OF LIBERAL, KANSAS

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

December 31, 2009

ASSETS	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
<u>Current Assets</u>					
Cash, including time deposits	\$ 1,115,172	\$ 26,359	\$ 279,213	\$ 71,171	\$ 1,491,915
Accounts receivable (net)	187,964	77,918	111,097	12,007	388,986
Unbilled receivable	105,475	64,923	90,582	-	260,980
Interest receivable	948	618	163	216	1,945
Inventory	173,213	60,844	71,515	-	305,572
Prepaid expenses	<u>8,582</u>	<u>8,158</u>	<u>6,933</u>	<u>7,090</u>	<u>30,763</u>
Total current assets	\$ <u>1,591,354</u>	\$ <u>238,820</u>	\$ <u>559,503</u>	\$ <u>90,484</u>	\$ <u>2,480,161</u>
<u>Noncurrent Assets</u>					
Restricted Assets:					
Cash, including time deposits	\$ 2,700,990	\$ 1,610,434	\$ 278,424	\$ 670,708	\$ 5,260,556
Other Assets:					
Deferred bond cost	79,781	-	-	-	79,781
Less – Amortization	(21,830)	-	-	-	(21,830)
Capital Assets:					
Construction in progress	2,726,531	266,769	-	-	2,993,300
Land	757,219	1,042,226	51,349	2,350,724	4,201,518
Buildings	272,074	7,362,878	67,730	1,480,998	9,183,680
Improvements other than buildings	16,947,490	6,588,566	2,816	9,172,752	32,711,624
Machinery, equipment, furniture and fixtures	836,657	1,547,059	631,643	112,217	3,127,576
Vehicles	241,962	121,351	1,058,977	305,553	1,727,843
Less – Accumulated deprec.	<u>(7,669,032)</u>	<u>(9,299,276)</u>	<u>(1,665,861)</u>	<u>(3,771,272)</u>	<u>(22,405,441)</u>
Total noncurrent assets	\$ <u>16,871,842</u>	\$ <u>9,240,007</u>	\$ <u>425,078</u>	\$ <u>10,321,680</u>	\$ <u>36,858,607</u>
Total Assets	\$ <u>18,463,196</u>	\$ <u>9,478,827</u>	\$ <u>984,581</u>	\$ <u>10,412,164</u>	\$ <u>39,338,768</u>

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

CITY OF LIBERAL, KANSAS

Statement 5

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS

December 31, 2009

	Business-Type Activities				
	Water	Sewer	Sanitation	Airport	Totals
<b>LIABILITIES</b>					
<u>Current Liabilities</u>					
Payable from Current Assets:					
Accounts payable	\$ 69,093	\$ 24,250	\$ 48,912	\$ 3,250	\$ 145,505
Accrued interest payable	77,567	-	-	-	77,567
Accrued wages and benefits	43,301	12,968	18,695	9,519	84,483
Unapplied credits	6,614	-	-	954	7,568
Due to other funds	-	724,353	-	-	724,353
Total current liabilities payable from current assets	\$ 196,575	\$ 761,571	\$ 67,607	\$ 13,723	\$ 1,039,476
Payable from Restricted Assets:					
Current portion of general obligation bonds	210,269	-	-	-	210,269
Current portion of KDHE	186,381	-	-	-	186,381
Total current liabilities	\$ 593,225	\$ 761,571	\$ 67,607	\$ 13,723	\$ 1,436,126
<u>Noncurrent Liabilities</u>					
Water contracts payable	\$ 80,524	\$ -	\$ -	\$ -	\$ 80,524
Accrued compensated absences	33,971	14,119	18,217	12,021	78,328
General obligation bonds payable	3,135,000	-	-	-	3,135,000
KDHE loan payable	3,748,612	-	-	-	3,748,612
Total noncurrent liabilities	\$ 6,998,107	\$ 14,119	\$ 18,217	\$ 12,021	\$ 7,042,464
Total Liabilities	\$ 7,591,332	\$ 775,690	\$ 85,824	\$ 25,744	\$ 8,478,590
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 6,752,115	\$ 7,629,573	\$ 146,654	\$ 9,650,972	\$24,179,314
Restricted for:					
Capital projects	634,644	1,609,699	278,424	154,781	2,677,548
Other purposes	2,110,604	-	-	516,143	2,626,747
Unrestricted	1,374,501	(536,135)	473,679	64,524	1,376,569
Total Net Assets	\$10,871,864	\$ 8,703,137	\$ 898,757	\$10,386,420	\$30,860,178

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

CITY OF LIBERAL, KANSAS

Statement 6

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

For the year ended December 31, 2009

	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
<u>Operating Revenues</u>					
Charges for services	\$2,646,208	\$1,493,608	\$1,649,257	\$ 210,012	\$ 5,999,085
Other sales or services	<u>52,016</u>	<u>1,500</u>	<u>2,000</u>	<u>11,140</u>	<u>66,656</u>
Total operating revenues	<u>\$2,698,224</u>	<u>\$1,495,108</u>	<u>\$1,651,257</u>	<u>\$ 221,152</u>	<u>\$ 6,065,741</u>
<u>Operating Expenses</u>					
Production:					
Salaries and wages	\$ 118,053	-	-	-	\$ 118,053
Employees' benefits	71,592	-	-	-	71,592
Power, fuel and electrical power	316,762	-	-	-	316,762
Repairs and maintenance	156,578	-	-	-	156,578
Water analysis and test hole drilling	3,271	-	-	-	3,271
Other contractual	2,232	-	-	-	2,232
Operating supplies	7,075	-	-	-	7,075
Gas and oil	<u>12,688</u>	-	-	-	<u>12,688</u>
Total production expenses	<u>\$ 688,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 688,251</u>
Transmission and Distribution:					
Salaries and wages	\$ 267,280	-	-	-	\$ 267,280
Employees' benefits	124,239	-	-	-	124,239
Repairs and maintenance	153,071	-	-	-	153,071
Vehicle insurance	3,450	-	-	-	3,450
Other contractual	5,613	-	-	-	5,613
Gas and oil	13,831	-	-	-	13,831
Other	<u>3,965</u>	-	-	-	<u>3,965</u>
Total transmission and distribution expenses	<u>\$ 571,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 571,449</u>
Vector Control:					
Chemicals and supplies	\$ 5,823	-	-	-	\$ 5,823
Other	<u>47</u>	-	-	-	<u>47</u>
Total vector control	<u>\$ 5,870</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 5,870</u>

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

CITY OF LIBERAL, KANSAS

Statement 6  
(Continued)

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

For the year ended December 31, 2009

Operating Expenses (Continued)	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
Pick-up Service:					
Salaries and wages	-	-	\$ 346,017	-	\$ 346,017
Employees' benefits	-	-	138,437	-	138,437
Repairs and maintenance	-	-	141,307	-	141,307
Landfill service	-	-	492,841	-	492,841
Other contractual	-	-	1,028	-	1,028
Gas and oil	-	-	55,981	-	55,981
Equipment and vehicle ins.	-	-	20,452	-	20,452
Operational supplies	-	-	68,700	-	68,700
Total pick-up service exp.	-	-	\$1,264,763	-	\$ 1,264,763
Plant Operations:					
Salaries and wages	-	\$ 131,959	-	-	\$ 131,959
Employees' benefits	-	54,833	-	-	54,833
Utilities	-	231,433	-	-	231,433
Repairs and maintenance	-	89,578	-	-	89,578
Other contractual	-	4,009	-	-	4,009
Operating supplies	-	497,213	-	-	497,213
Gas and oil	-	3,574	-	-	3,574
Total plant operations expense	-	\$1,012,599	-	-	\$ 1,012,599
Line Operations:					
Salaries and wages	-	\$ 22,933	-	-	\$ 22,933
Employees' benefits	-	7,292	-	-	7,292
Repairs and maintenance	-	50,310	-	-	50,310
Telephone	-	1,206	-	-	1,206
Operating supplies	-	3,381	-	-	3,381
Gas and oil	-	3,186	-	-	3,186
Total line operations exp.	-	\$ 88,308	-	-	\$ 88,308

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

CITY OF LIBERAL, KANSAS

Statement 6  
(Continued)

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

For the year ended December 31, 2009

	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
<u>Operating Expenses (Continued)</u>					
Administrative, General and Billings:					
Salaries and wages	\$ 93,093	\$ 122,525	\$ -	\$ 109,227	\$ 324,845
Employees' benefits	33,545	42,250	-	39,864	115,659
Repairs and maintenance	4,166	491	-	125,587	130,244
Audit and legal fees	7,650	5,100	5,500	4,500	22,750
Travel and meetings	3,504	1,325	-	2,267	7,096
Office supplies and expenses	6,874	8,230	-	2,816	17,920
Sales tax	30,030	-	-	-	30,030
Property taxes	-	-	-	38,349	38,349
Utilities and telephone	7,253	3,873	14,797	25,395	51,318
Insurance	11,665	25,103	-	25,824	62,592
Depreciation	460,305	362,409	121,414	791,790	1,735,918
Laboratory expense	-	20,232	-	-	20,232
Amortization	5,145	-	-	-	5,145
State water plan	40,149	-	-	-	40,149
Franchise fees	250,000	100,000	100,000	-	450,000
Bad debt expense	11,186	9,680	9,398	-	30,264
Engineering fees	4,608	-	-	34,423	39,031
Clean drinking water fee	26,718	-	-	-	26,178
Other	7,908	8,051	-	18,697	34,656
Administration	<u>150,000</u>	<u>100,000</u>	<u>100,000</u>	<u>20,832</u>	<u>370,832</u>
Total administrative exp.	<u>\$1,153,799</u>	<u>\$ 809,269</u>	<u>\$ 351,109</u>	<u>\$ 1,239,571</u>	<u>\$ 3,553,748</u>
Total operating exp.	<u>\$2,419,369</u>	<u>\$1,910,176</u>	<u>\$1,615,872</u>	<u>\$ 1,239,571</u>	<u>\$ 7,184,988</u>
Net Operating Income	\$ <u>278,855</u>	\$ <u>(415,068)</u>	\$ <u>35,385</u>	\$ <u>(1,018,419)</u>	\$ <u>(1,119,247)</u>

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

CITY OF LIBERAL, KANSAS

Statement 6  
(Continued)

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

For the year ended December 31, 2009

	<u>Business-Type Activities</u>				<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	
<u>Non-Operating Revenue (Expense)</u>					
Interest income	\$ 35,938	\$ 25,995	\$ 5,592	\$ 7,793	\$ 75,318
Royalty income	-	-	-	58,663	58,663
Interest and fiscal charges	(306,482)	-	-	-	(306,482)
Grants and other funding	-	-	-	689,207	689,207
Gain (loss) on disposal of assets	-	(6,521)	-	27,750	21,229
Transfer in (out)	(3,478)	-	-	(516,383)	(519,861)
Total non-operating revenue (expense)	<u>\$ (274,022)</u>	<u>\$ 19,474</u>	<u>\$ 5,592</u>	<u>\$ 267,030</u>	<u>\$ 18,074</u>
Change in Net Assets	\$ 4,833	\$ (395,594)	\$ 40,977	\$ (751,389)	\$ (1,101,173)
Net Assets, Beginning of year	<u>10,867,031</u>	<u>9,098,731</u>	<u>857,780</u>	<u>11,137,809</u>	<u>31,961,351</u>
Net Assets, End of year	<u>\$10,871,864</u>	<u>\$8,703,137</u>	<u>\$ 898,757</u>	<u>\$10,386,420</u>	<u>\$30,860,178</u>

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

CITY OF LIBERAL, KANSAS

Statement 7

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2009

	Business-Type Activities				Totals
	Water	Sewer	Sanitation	Airport	
<u>Cash Flows from Operating Activities</u>					
Cash received from customers	\$ 2,549,326	\$ 1,482,431	\$ 1,614,215	\$ 210,265	\$ 5,856,237
Cash paid to suppliers and employees	(1,900,401)	(1,590,077)	(1,474,997)	(489,619)	(5,455,094)
Other sales and miscellaneous income	52,016	1,500	2,000	11,140	66,656
Net cash provided (used) by operating activities	\$ 700,941	\$ (106,146)	\$ 141,218	\$ (268,214)	\$ 467,799
<u>Cash Flows from Non-Capital Financing Activities</u>					
Interest paid	\$ (310,644)	-	-	\$ -	\$ (310,644)
Grant income	-	-	-	689,207	689,207
Net cash provided (used) by non-capital financing activities	\$ (310,644)	-	-	\$ 689,207	\$ 378,563
<u>Cash Flows from Capital and Related Financing Activities</u>					
Acquisition of capital assets	\$ (530,146)	\$ (269,752)	-	\$ (613,647)	\$ (1,413,545)
Cash received from sale of capital assets	-	-	-	122,000	122,000
Payment on KDHE loan	(178,969)	-	-	-	(178,969)
Payment on general obligation bonds	(200,451)	-	-	-	(200,451)
Net cash provided (used) for capital and related financing activities	\$ (909,566)	\$ (269,752)	-	\$ (491,647)	\$ (1,670,965)
<u>Cash Flows from Investing Activities</u>					
Interest income	\$ 36,951	\$ 26,820	\$ 5,672	\$ 8,019	\$ 77,462
Royalty revenue	-	-	-	58,663	58,663
Net cash provided by investing activities	\$ 36,951	\$ 26,820	\$ 5,672	\$ 66,682	\$ 136,125
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (482,318)	\$ (349,078)	\$ 146,890	\$ (3,972)	\$ (688,478)
Cash and Cash Equivalents at Beginning of Year	4,298,480	1,985,871	410,747	745,851	7,440,949
Cash and Cash Equivalents at End of Year	\$ 3,816,162	\$ 1,636,793	\$ 557,637	\$ 741,879	\$ 6,752,471

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

CITY OF LIBERAL, KANSAS

Statement 7  
(Continued)

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS

For the year ended December 31, 2009

	<u>Business-Type Activities</u>				<u>Totals</u>
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Airport</u>	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided (Used) by Operating Activities</u>					
Operating Income (Loss)	\$ 278,855	\$ (415,068)	\$ 35,385	\$ (1,018,419)	\$ (1,119,247)
Adjustments to Reconcile Operating Income to Net Cash					
Provided (Used) by Operating Activities:					
Depreciation expense	\$ 460,305	\$ 362,409	\$ 121,414	\$ 791,790	\$ 1,735,918
Amortization expense	5,145	-	-	-	5,145
Changes in Assets and Liabilities:					
Decrease (increase) in accounts receivable	(76,392)	(1,497)	(25,644)	984	(102,549)
Decrease (increase) in prepaid expenses	216	(55)	1,916	346	2,423
Decrease (increase) in inventory	1,288	(22,637)	4,078	-	(17,271)
(Decrease) increase in unapplied credits	(9,304)	-	-	(731)	(10,035)
(Decrease) increase in accrued compensated absences	2,499	(2,747)	4,127	(3,533)	346
(Decrease) increase in accounts payable	22,631	(25,802)	(2,305)	(40,043)	(45,519)
(Decrease) increase in accrued salaries	15,698	(749)	2,247	1,392	18,588
Total adjustments	<u>\$ 422,086</u>	<u>\$ 308,922</u>	<u>\$ 105,833</u>	<u>\$ 750,205</u>	<u>\$ 1,587,046</u>
Net Cash Provided by Operating Activities	<u>\$ 700,941</u>	<u>\$ (106,146)</u>	<u>\$ 141,218</u>	<u>\$ (268,214)</u>	<u>\$ 467,799</u>

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

CITY OF LIBERAL, KANSAS

Statement 8

STATEMENT OF NET ASSETS

FIDUCIARY FUNDS

December 31, 2009

	Agency Funds					Total
	<u>Insurance</u>	<u>Municipal Court</u>	<u>Health Insurance Reserve</u>	<u>Employee Cafeteria Fund</u>	<u>Payroll Fund</u>	
<b>ASSETS</b>						
Cash, including time deposits	<u>\$907,857</u>	<u>\$ 95,670</u>	<u>\$ 92,856</u>	<u>\$ 2,259</u>	<u>\$ 78</u>	<u>\$1,098,720</u>
<b>LIABILITIES</b>						
Due others	<u>\$907,857</u>	<u>\$ 95,670</u>	<u>\$ 92,856</u>	<u>\$ 2,259</u>	<u>\$ 78</u>	<u>\$1,098,720</u>

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Financial Reporting Entity (Continued)

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Government-Wide Financial Statements (Continued)

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

Fund Financial Statements

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The funds of the financial reporting entity are described below:

Governmental Funds:

General Fund

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

Special Revenue Funds

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

Capital Projects Fund

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

Debt Service Fund

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary Fund:

Enterprise Fund

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

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

Agency Funds

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The government reports the following major governmental funds:

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

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

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

The government reports the following major proprietary funds:

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

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

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents

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

Receivables and Payables

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

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Receivables and Payables (Continued)

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

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

Inventories and Prepaid Items

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

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

Capital Assets

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

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

Compensated Absences

The City accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. Sick leave is not required to be accrued as of December 31, 2009.

Long-Term Obligations

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by City legislation or external restrictions by other governments, creditors or grantors.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

E. Revenues, Expenditures and Expenses

Revenues

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Revenues, Expenditures and Expenses (Continued)

Expenditures

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Requirements, Accounting and Reporting

Requirements for all funds:

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budget Requirements, Accounting and Reporting (Continued)

- C. The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. All unencumbered appropriations (legal budget expenditure authority) lapse at year end.
- D. The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.
- E. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.
- F. A legal operating budget is not required for capital projects funds, fiduciary type funds and the following special revenue funds:
  - a. Municipal Equipment Fund
  - b. Bequest Fund
  - c. Diversion Program Fund
  - d. Cemetery Perpetual Fund
  - e. Fire Insurance Proceeds Fund
  - f. Sobriety Checkpoint Grant Fund

Spending in funds, which are not subject to the legal annual operating budget requirement, are controlled by federal regulations, other statutes or by the use of internal spending limits established by the governing body.

- G. During the year ended December 31, 2009 the City did not over expend the legal operating budget in any fund.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Encumbrances

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

C. Compliance – Performance Bond

Kansas statutes require a performance bond to be issued on construction contracts. Contrary to those provisions, the City did not have a performance bond in place on the water park being constructed during 2008.

Note 3: DEPOSITS AND INVESTMENTS

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 3: DEPOSITS AND INVESTMENTS (Continued)

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

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

At December 31, 2009, the City of Liberal's carrying amount of deposits, including certificates of deposit, was \$23,555,489. The bank balance was \$23,600,998. Of the bank balance, \$1,750,000 was covered by FDIC insurance and the remaining \$21,850,998 was collateralized with securities held by the pledging financial institution's agent in the City of Liberal's name.

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 3: DEPOSITS AND INVESTMENTS (Continued)

As of December 31, 2009, the City of Liberal's reporting entity had the following investments:

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Credit Risk</u>
Primary Government			
<u>Pooled Investments</u>			
Kansas Municipal Investment Pool:			
General Government	\$1,028,949	\$1,028,949	
Health Insurance Reserve	1	1	

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

City Investment Policy

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

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
<b>Capital Assets, not Being Depreciated:</b>					
Land	\$ 1,757,551	\$ -	\$ 76,000	\$ (94,250)	\$ 1,587,301
Construction in progress	<u>2,494,896</u>	<u>4,180,470</u>	<u>4,198,254</u>	<u>-</u>	<u>2,477,112</u>
Total capital assets, not being depreciated	<u>\$ 4,252,447</u>	<u>\$4,180,470</u>	<u>\$4,274,254</u>	<u>\$ (94,250)</u>	<u>\$ 4,064,413</u>
<b>Capital Assets, Being Depreciated:</b>					
Buildings	\$ 8,404,832	\$ 11,376	\$ -	\$ -	\$ 8,416,208
Structures and improvements other than buildings	3,898,078	3,595,414	2,923	-	7,490,569
Machinery, equipment, furniture and fixtures	4,280,225	690,490	384,430	15,256	4,601,541
Vehicles	3,552,488	188,461	91,390	622,865	4,272,424
Streets	<u>50,775,665</u>	<u>78,047</u>	<u>-</u>	<u>7,098</u>	<u>50,860,810</u>
Total capital assets, being depreciated	<u>\$70,911,288</u>	<u>\$4,563,788</u>	<u>\$ 478,743</u>	<u>\$ 645,219</u>	<u>\$75,641,552</u>
<b>Less – Accumulated Depreciation for:</b>					
Buildings	\$ 3,598,852	\$ 255,385	\$ -	\$ -	\$ 3,854,237
Structures and improvements other than buildings	1,476,510	134,212	2,923	-	1,607,799
Machinery, equipment, furniture and fixtures	3,443,327	323,920	277,335	14,107	3,504,019
Vehicles	3,307,880	236,751	91,390	12,232	3,465,473
Streets	<u>28,536,583</u>	<u>937,103</u>	<u>-</u>	<u>4,769</u>	<u>29,478,455</u>
Total accumulated depreciation	<u>\$40,363,152</u>	<u>\$1,887,371</u>	<u>\$ 371,648</u>	<u>\$ 31,108</u>	<u>\$41,909,983</u>
<b>Total Capital Assets, Being Depreciated, Net</b>	<u>\$30,548,136</u>	<u>\$2,676,417</u>	<u>\$ 107,095</u>	<u>\$ 614,111</u>	<u>\$33,731,569</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$34,800,583</u>	<u>\$6,856,887</u>	<u>\$4,381,349</u>	<u>\$ 519,861</u>	<u>\$37,795,982</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>					
<b>Capital Assets, not Being Depreciated:</b>					
Land	\$ 4,201,518	\$ -	\$ 94,250	\$ 94,250	\$ 4,201,518
Construction in progress	<u>2,492,090</u>	<u>501,210</u>	<u>-</u>	<u>-</u>	<u>2,993,300</u>
Total capital assets, not being depreciated	<u>\$ 6,693,608</u>	<u>\$ 501,210</u>	<u>\$ 94,250</u>	<u>\$ 94,250</u>	<u>\$ 7,194,818</u>
<b>Capital Assets, Being Depreciated:</b>					
Buildings	\$ 9,207,162	\$ -	\$ 23,482	\$ -	\$ 9,183,680
Improvements other than buildings	32,718,722	-	-	(7,098)	32,711,624
Machinery, equipment, furniture and fixtures	2,928,631	861,482	36,648	(625,889)	3,127,576
Vehicles	<u>1,689,222</u>	<u>50,853</u>	<u>-</u>	<u>(12,232)</u>	<u>1,727,843</u>
Total capital assets, being depreciated	<u>\$46,543,737</u>	<u>\$ 912,335</u>	<u>\$ 60,130</u>	<u>\$ (645,219)</u>	<u>\$46,750,723</u>
<b>Less – Accumulated Depreciation for:</b>					
Buildings	\$ 6,525,553	\$ 195,262	\$ 23,482	\$ -	\$ 6,697,333
Improvements other than buildings	10,495,214	1,290,769	-	(4,769)	11,781,214
Machinery, equipment, furniture and fixtures	2,223,827	156,546	30,127	(14,107)	2,336,139
Vehicles	<u>1,509,646</u>	<u>93,341</u>	<u>-</u>	<u>(12,232)</u>	<u>1,590,755</u>
Total accumulated depreciation	<u>\$20,754,240</u>	<u>\$1,735,918</u>	<u>\$ 53,609</u>	<u>\$ (31,108)</u>	<u>\$22,405,441</u>
Total Capital Assets, Being Depreciated, Net	<u>\$25,789,497</u>	<u>\$ (823,583)</u>	<u>\$ 6,521</u>	<u>\$ (614,111)</u>	<u>\$24,345,282</u>
Business-Type Activities Capital Assets, Net	<u>\$32,483,105</u>	<u>\$ (322,373)</u>	<u>\$ 100,771</u>	<u>\$ (519,861)</u>	<u>\$31,540,100</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 4: CAPITAL ASSETS AND DEPRECIATION (Continued)

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

Governmental Activities:

General Government:

Administration	\$ 130,096
Building inspection	8,753
Utility billing	1,807

Public Safety:

Police	187,428
Fire	161,413
Municipal Court	7,145
Communications	857

Public Works:

Transportation	1,063,201
Engineering	3,325
Recreation	45,552
Arkalon	6,044
Street lighting	6,952

Community Service:

Golf course	44,422
Parks	55,717
Swimming pool	111,477
Cemeteries	11,724
Air Museum	4,922
Convention and Tourism	14,339

Community/Economic Development:

Urban Development and Housing	20,573
Economic Development	<u>1,624</u>

Total Governmental Activities Depreciation Expense \$1,887,371

Business-Type Activities:

Water	\$ 460,305
Sanitation	121,414
Sewer	362,409
Airport	<u>791,790</u>

Total Business-Type Activities Depreciation Expense \$1,735,918

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 5: INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of December 31, 2009 is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Purpose</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	Entity share	Sewer Fund	\$ 724,353
Capital Projects Fund	Entity share	Street Drainage & Capital Improvements Fund	<u>129,328</u>
Total			<u>\$ 853,681</u>

All balances are expected to be paid within one year.

Interfund Transfers:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Air Museum Fund	\$ 150,000
	Communication Center Fund	344,400
	Municipal Equipment Reserve Fund	241,000
	Bond and Interest Fund	5,555,383
Street Drainage & Capital Improvements	Bond and Interest Fund	458,708
Trailmobile 4/10 Sales Tax	Bond and Interest Fund	654,413
Tourism	Air Museum Fund	20,000
Special Economic Development	Bond and Interest	273,614
Trailmobile 4/10 Sales Tax	Special Economic Development	<u>346,898</u>
Total		<u>\$8,044,416</u>

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 6: LONG-TERM DEBT

Lease Purchase Contracts

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

<u>Fund</u>	<u>Interest Rates</u>	<u>Amount</u>
General	5.5%	\$ 61,184
General	4.724%	<u>1,322,683</u>
		<u>\$1,383,867</u>

Lease purchase debt service requirements to maturity, including \$604,449 of interest, are as follows:

<u>Year</u>	<u>General Fund</u>
2010	\$ 133,599
2011	133,599
2012	133,599
2013	133,599
2014	116,351
2015-2019	581,755
2020-2024	581,755
2025-2026	<u>174,059</u>
	<u>\$1,988,316</u>

General Obligation Bonds

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 6: LONG-TERM DEBT (Continued)

General Obligation Bonds (Continued)

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	Various	\$3,124,731
Business-type activities – Water	4.00% - 4.250%	3,345,269
		<u>\$6,470,000</u>

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

<u>Year</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 699,731	\$114,486	\$ 210,269	\$136,548
2011	570,000	89,766	250,000	128,138
2012	585,000	69,315	265,000	118,138
2013	410,000	48,080	280,000	107,538
2014	425,000	33,115	290,000	96,338
2015-2019	435,000	16,965	1,670,000	295,412
2020	-	-	380,000	16,150
	<u>\$3,124,731</u>	<u>\$371,727</u>	<u>\$3,345,269</u>	<u>\$898,262</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 6: LONG-TERM DEBT (Continued)

KDHE Loan Payable

The City has borrowed money from KDHE for water system improvements. The annual debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 186,381	\$ 158,666	\$ 345,047
2011	194,063	150,984	345,047
2012	202,061	142,986	345,047
2013	210,389	134,658	345,047
2014	219,061	125,986	345,047
2015-2019	1,238,414	486,821	1,725,235
2020-2024	1,515,549	209,686	1,725,235
2025	<u>169,075</u>	<u>3,448</u>	<u>172,523</u>
	<u>\$3,934,993</u>	<u>\$1,413,235</u>	<u>\$5,348,228</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$10,079,280	\$ -	\$6,954,549	\$3,124,731	\$ 699,731
Capital leases	1,386,547	61,184	63,864	1,383,867	69,120
Compensated absences	<u>456,548</u>	<u>527,845</u>	<u>456,548</u>	<u>527,845</u>	<u>527,845</u>
Governmental activity long-term liabilities	<u>\$11,922,375</u>	<u>\$589,029</u>	<u>\$7,474,961</u>	<u>\$5,036,443</u>	<u>\$1,296,696</u>
Business-Type Activities:					
General obligation bonds	\$ 3,545,720	\$ -	\$ 200,451	\$3,345,269	\$ 210,269
Compensated absences	77,892	78,328	77,892	78,328	78,328
KDHE loan payable	<u>4,113,962</u>	<u>-</u>	<u>178,969</u>	<u>3,934,993</u>	<u>186,381</u>
Business-type activity long-term liabilities	<u>\$ 7,737,574</u>	<u>\$ 78,328</u>	<u>\$ 457,312</u>	<u>\$7,358,590</u>	<u>\$ 474,978</u>

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 7: DEFINED BENEFIT PENSION PLAN

The City of Liberal, Kansas participates in the Kansas Public Employees Retirement System (KPERS), and the Kansas Police and Firemen's Retirement System (KP&F). Both are cost-sharing multiple-employer defined benefit pension plans as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired before July 1, 2009 and 6% for all employees hired after July 1, 2009. K.S.A. 74-4975 establishes KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established for calendar year 2009 is 5.54%. The City of Liberal, Kansas employer contributions to KPERS for the years ending December 31, 2009, 2008 and 2007 were \$326,860, \$250,013 and \$207,233, respectively, equal to the required contributions for each year. The KP&F employer rate established for fiscal years beginning in 2009 is 13.51%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City of Liberal contributions to KP&F for the years ending December 31, 2009, 2008 and 2007 were \$344,105, \$309,591 and \$292,364, respectively, equal to the required contributions for each year.

Note 8: RISK MANAGEMENT

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

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 8: RISK MANAGEMENT (Continued)

The City of Liberal, Kansas established a health benefit plan for active full time employees who are working full normal work-weeks (not less than 30 hours) and are receiving full compensation. The City will pay benefits up to \$40,000 per covered person each benefit year. Claim payments under the plan will be administered by Blue Cross/Blue Shield of Kansas. Blue Cross/Blue Shield of Kansas insures against claims in excess of the \$40,000 limit up to \$2,000,000. The benefit year is a period of 12 months starting on January 1 and ending December 31.

Note 9: CONTINGENT LIABILITIES AND COMMITMENTS

Federal Assistance

The City of Liberal participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives for audits of these programs for or including the year ending December 31, 2009.

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

Environmental Issues

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

Lease Issues

The City of Liberal leased a multimillion dollar facility to a local business under an economic development contract. The lessee is not operating the facility and is no longer making the lease payments. During 2001 the lessee declared bankruptcy. During 2006 the City sold the facility. The City also approved an additional 4/10<sup>th</sup> percent sales tax to service the remaining debt not retired with the sale proceeds. This tax was sunset with the repayment of the debt in 2009.

CITY OF LIBERAL, KANSAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2009

(Continued)

Note 10: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2009, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$2,787,853.

Note 11: AIRPORT LEASES

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

CITY OF LIBERAL, KANSAS

REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF LIBERAL, KANSAS

Schedule 1

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

For the year ended December 31, 2009

<u>Revenue</u>	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Taxes:			
Ad valorem property tax	\$2,909,169	\$2,844,149	\$ (65,020)
Back tax collections	50,000	58,837	8,837
Franchise	1,653,000	1,624,546	(28,454)
Motor vehicle tax	<u>414,959</u>	<u>426,936</u>	<u>11,977</u>
Total taxes	<u>\$5,027,128</u>	<u>\$4,954,468</u>	<u>\$ (72,660)</u>
Intergovernmental:			
Local sales tax	\$2,700,000	\$2,555,412	\$ (144,588)
Private club liquor tax	35,000	29,100	(5,900)
Highway connecting links	37,000	33,139	(3,861)
Administrative fees	<u>375,000</u>	<u>370,832</u>	<u>(4,168)</u>
Total intergovernmental	<u>\$3,147,000</u>	<u>\$2,988,483</u>	<u>\$ (158,517)</u>
Licenses and Permits:			
Building permits	\$ 33,750	\$ 41,417	\$ 7,667
Occupational licenses	25,000	17,613	(7,387)
Other licenses and fees	11,500	20,300	8,800
Vehicle inspections	<u>18,000</u>	<u>19,385</u>	<u>1,385</u>
Total licenses and permits	<u>\$ 88,250</u>	<u>\$ 98,715</u>	<u>\$ 10,465</u>
Charges and Services:			
Cemetery	\$ 35,350	\$ 46,510	\$ 11,160
Park fees, concessions	5,100	7,172	2,072
Swimming pool, concessions	51,200	170,867	119,667
Vehicle service charges	12,000	6,129	(5,871)
Recreation	106,300	79,374	(26,926)
Arkalon Park revenues	10,650	10,820	170
Golf course fees and other	381,200	389,648	8,448
Police	6,400	4,408	(1,992)
Animal shelter	16,800	11,959	(4,841)
Street lighting	2,500	2,544	44
Building Inspection Department:			
Mowing and demolition	38,000	36,202	(1,798)
Zoning and planning fees	<u>3,000</u>	<u>1,650</u>	<u>(1,350)</u>
Total charges and services	<u>\$ 668,500</u>	<u>\$ 767,283</u>	<u>\$ 98,783</u>

CITY OF LIBERAL, KANSAS

Schedule 1  
(Continued)

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

For the year ended December 31, 2009

<u>Revenue (Continued)</u>	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Fines and Fees:			
Municipal Court	\$ 495,000	\$ 845,666	\$ 350,666
Use of Money and Property:			
Interest	\$ 250,000	\$ 167,402	\$ (82,598)
Royalties and leases	213,000	107,287	(105,713)
Total use of money and property	\$ 463,000	\$ 274,689	\$ (188,311)
Miscellaneous:			
Other	\$ 5,000	\$ 86,231	\$ 81,231
Contributions	\$ 20,000	\$ 17,000	\$ (3,000)
Grant proceeds	-	\$ 101,913	\$ 101,913
 Total revenue	 \$9,913,878	 \$10,134,448	 \$ 220,570
 <u>Expenditures</u>			
General Government:			
Administration	\$1,930,560	\$ 1,419,780	\$ 510,780
Planning Commission	11,500	3,058	8,442
Building inspection	380,700	347,281	33,419
Legislative	92,000	66,594	25,406
Utility billing	191,300	170,916	20,384
Total general government	\$2,606,060	\$ 2,007,629	\$ 598,431
Public Safety:			
Police	\$3,414,400	\$ 3,063,783	\$ 350,617
Fire	1,061,200	1,190,111	(128,911)
Municipal court	551,600	605,931	(54,331)
Animal control	261,400	252,098	9,302
Total public safety	\$5,288,600	\$ 5,111,923	\$ 176,677
Economic Development	\$ 109,400	\$ 85,527	\$ 23,873

CITY OF LIBERAL, KANSAS

Schedule 1  
(Continued)

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

For the year ended December 31, 2009

<u>Expenditures (Continued)</u>	<u>Original &amp; Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
Public Works:			
Transportation	\$ 1,022,800	\$ 892,314	\$ 130,486
Engineering	134,500	80,438	54,062
Recreation	404,500	362,292	42,208
Arkalon	65,000	43,081	21,919
Street lighting	<u>182,500</u>	<u>173,107</u>	<u>9,393</u>
Total public works	<u>\$ 1,809,300</u>	<u>\$ 1,551,232</u>	<u>\$ 258,068</u>
Community Service:			
Golf course	\$ 583,500	\$ 534,124	\$ 49,376
Parks	638,900	494,519	144,381
Swimming pool	93,500	215,155	(121,655)
Cemeteries	<u>191,900</u>	<u>166,992</u>	<u>24,908</u>
Total community service	<u>\$ 1,507,800</u>	<u>\$ 1,410,790</u>	<u>\$ 97,010</u>
Total expenditures	<u>\$11,321,160</u>	<u>\$10,167,101</u>	<u>\$ 1,154,059</u>
Revenue over (under) expenditures	\$ (1,407,282)	\$ (32,653)	\$ 1,374,629
Other Fund Financing Sources (Uses):			
Operating transfer (out)	<u>(494,400)</u>	<u>(6,290,783)</u>	<u>(5,796,383)</u>
Revenue over (under) expenditures and other financing sources (uses)	\$ (1,901,682)	\$ (6,323,436)	\$ (4,421,754)
Fund Balances, January 1	1,901,682	10,594,699	8,693,017
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	-	(102,178)	(102,178)
Encumbrances	<u>-</u>	<u>(15,717)</u>	<u>(15,717)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 4,153,368</u>	<u>\$ 4,153,368</u>

CITY OF LIBERAL, KANSAS

OTHER SUPPLEMENTARY INFORMATION

CITY OF LIBERAL, KANSAS

Schedule 2

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2009

	Library	Special Fire Equipment Reserve	Communication Center	Employees' Benefits	Special City Streets	Special Parks & Recreation	Tourism	Special Alcoholic Treatment
<b>ASSETS</b>								
Cash, including time deposits	\$ 5,174	\$ 43,565	\$ 95,076	\$ 159,983	\$ 642,457	\$ 4,791	\$265,544	\$ 38,415
Cash, restricted	-	-	49,371	-	295,210	-	-	-
Accounts receivable	-	-	25	-	1,738	-	-	-
Taxes receivable	494,758	52,432	-	1,106,365	-	-	-	-
Receivable from other governments	-	-	-	-	137,789	7,552	77,820	7,552
Interest receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	13,687	-
Prepaid expenses	-	-	6,157	39,103	-	-	892	-
<b>Total Assets</b>	<b>\$499,932</b>	<b>\$ 95,997</b>	<b>\$150,629</b>	<b>\$1,305,451</b>	<b>\$1,077,194</b>	<b>\$ 12,343</b>	<b>\$357,943</b>	<b>\$ 45,967</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ -	\$ -	\$ 1,505	\$ 2,287	\$ 4,328	-	\$ 2,777	-
Accrued wages and benefits	-	-	20,600	56,184	6,813	-	3,987	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	476,719	45,276	-	1,066,521	-	-	-	-
<b>Total liabilities</b>	<b>\$476,719</b>	<b>\$ 45,276</b>	<b>\$ 22,105</b>	<b>\$1,124,992</b>	<b>\$ 11,141</b>	<b>-</b>	<b>\$ 6,764</b>	<b>-</b>
<b>Fund Balances</b>								
Reserved for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ 1,463	\$ -	\$ -	\$ -
Reserved for receivables	18,039	7,156	25	39,844	139,527	7,552	77,820	7,552
Reserved for prepaid expenses	-	-	6,157	39,103	-	-	892	-
Reserved for inventory	-	-	-	-	-	-	13,687	-
Unreserved:								
Designated	5,174	-	50,000	49,484	14,410	-	59,889	3,000
Undesignated	-	43,565	72,342	52,028	910,653	4,791	198,891	35,415
<b>Total fund balances</b>	<b>\$ 23,213</b>	<b>\$ 50,721</b>	<b>\$128,524</b>	<b>\$ 180,459</b>	<b>\$1,066,053</b>	<b>\$ 12,343</b>	<b>\$351,179</b>	<b>\$ 45,967</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$499,932</b>	<b>\$ 95,997</b>	<b>\$150,629</b>	<b>\$1,305,451</b>	<b>\$1,077,194</b>	<b>\$ 12,343</b>	<b>\$357,943</b>	<b>\$ 45,967</b>

CITY OF LIBERAL, KANSAS

Schedule 2  
(Continued)

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2009

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Air Museum</u>	<u>Trailmobile 4/10 Sales Tax</u>	<u>Municipal Equipment Reserve</u>
<b>ASSETS</b>								
Cash, including time deposits	\$389,432	\$1,008,927	\$657,662	\$2,224,515	\$1,561,057	\$ 35,437	-	\$1,793,832
Cash, restricted	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	100,000	1,840	-	-	-
Taxes receivable	-	-	-	-	-	-	-	-
Receivable from other governments	14,321	28,642	28,642	71,605	143,210	7,500	-	-
Interest receivable	114	294	192	648	455	-	-	-
Inventory	-	-	-	-	-	19,320	-	-
Prepaid expenses	56	358	-	-	-	2,311	-	-
<b>Total Assets</b>	<b>\$403,923</b>	<b>\$1,038,221</b>	<b>\$686,496</b>	<b>\$2,396,768</b>	<b>\$1,706,562</b>	<b>\$ 64,568</b>	<b>-</b>	<b>\$1,793,832</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<u>Liabilities</u>								
Accounts payable	\$ 2,026	\$ 13,283	\$ 71	\$ 5,095	\$ 1,898	\$ 7,140	-	-
Accrued wages and benefits	5,705	5,647	859	-	6,074	7,277	-	-
Due to other funds	-	-	-	-	129,328	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ 7,731</b>	<b>\$ 18,930</b>	<b>\$ 930</b>	<b>\$ 5,095</b>	<b>\$ 137,300</b>	<b>\$ 14,417</b>	<b>-</b>	<b>-</b>
<u>Fund Balances</u>								
Reserved for encumbrances	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ 118,105
Reserved for receivables	14,435	28,936	28,834	172,253	145,505	7,500	-	-
Reserved for prepaid expenses	56	358	-	-	-	2,311	-	-
Reserved for inventory	-	-	-	-	-	19,320	-	-
Unreserved:								
Designated	-	989,997	-	-	-	11,800	-	-
Undesignated	381,701	-	656,732	2,219,420	1,423,757	9,220	-	1,675,727
<b>Total fund balances</b>	<b>\$396,192</b>	<b>\$1,019,291</b>	<b>\$685,566</b>	<b>\$2,391,673</b>	<b>\$1,569,262</b>	<b>\$ 50,151</b>	<b>-</b>	<b>\$1,793,832</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$403,923</b>	<b>\$1,038,221</b>	<b>\$686,496</b>	<b>\$2,396,768</b>	<b>\$1,706,562</b>	<b>\$ 64,568</b>	<b>-</b>	<b>\$1,793,832</b>

CITY OF LIBERAL, KANSAS

Schedule 2  
(Continued)

COMBINING BALANCE SHEET – NONMAJOR SPECIAL REVENUE FUNDS

December 31, 2009

	<u>Bequest</u>	<u>Diversion Program</u>	<u>Cemetery Perpetual</u>	<u>Fire Insurance Proceeds</u>	<u>Sobriety Checkpoint Grant</u>	<u>Total Nonmajor Special Revenue</u>
<b>ASSETS</b>						
Cash, including time deposits	\$222,590	\$ 88,535	\$ 46,621	\$ 19,299	\$ 17	\$ 9,302,929
Cash, restricted	-	-	-	-	-	344,581
Accounts receivable	-	-	-	-	-	103,603
Taxes receivable	-	-	-	-	-	1,653,555
Receivable from other governments	-	-	-	-	-	524,633
Interest receivable	-	-	-	6	-	1,709
Inventory	-	-	-	-	-	33,007
Prepaid expenses	-	-	-	-	-	48,877
<b>Total Assets</b>	<b>\$222,590</b>	<b>\$ 88,535</b>	<b>\$ 46,621</b>	<b>\$ 19,305</b>	<b>\$ 17</b>	<b>\$12,012,894</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<u>Liabilities</u>						
Accounts payable	\$ 3,355	\$ 2,356	-	\$ 7,673	-	\$ 53,794
Accrued wages and benefits	409	-	-	-	-	113,555
Due to other funds	-	-	-	-	-	129,328
Deferred revenue	-	-	-	-	-	1,588,516
<b>Total liabilities</b>	<b>\$ 3,764</b>	<b>\$ 2,356</b>	<b>-</b>	<b>\$ 7,673</b>	<b>-</b>	<b>\$ 1,885,193</b>
<u>Fund Balances</u>						
Reserved for encumbrances	\$ -	\$ 1,550	\$ -	\$ -	\$ -	\$ 121,118
Reserved for receivables	-	-	-	6	-	694,984
Reserved for prepaid expenses	-	-	-	-	-	48,877
Reserved for inventory	-	-	-	-	-	33,007
Unreserved:						
Designated	-	-	-	-	-	1,183,754
Undesignated	218,826	84,629	46,621	11,626	17	8,045,961
<b>Total fund balances</b>	<b>\$218,826</b>	<b>\$ 86,179</b>	<b>\$ 46,621</b>	<b>\$ 11,632</b>	<b>\$ 17</b>	<b>\$10,127,701</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$222,590</b>	<b>\$ 88,535</b>	<b>\$ 46,621</b>	<b>\$ 19,305</b>	<b>\$ 17</b>	<b>\$12,012,894</b>

CITY OF LIBERAL, KANSAS

Schedule 3

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

For the year ended December 31, 2009

	<u>Library</u>	<u>Special Fire Equipment Reserve</u>	<u>Communication Center</u>	<u>Employees' Benefits</u>	<u>Special City Streets</u>	<u>Special Parks &amp; Recreation</u>	<u>Tourism</u>	<u>Special Alcoholic Treatment</u>
<u>Revenues</u>								
Taxes	\$540,686	\$ 45,840	\$ -	\$1,220,498	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	229,600	-	506,940	29,081	266,853	29,082
Charges for services	-	-	-	-	-	-	15,041	-
Use of money and property	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Other	-	-	1,141	2,260	-	-	-	-
Grants	-	-	-	-	50,146	-	-	-
<b>Total revenues</b>	<b>\$540,686</b>	<b>\$ 45,840</b>	<b>\$ 230,741</b>	<b>\$1,222,758</b>	<b>\$ 557,086</b>	<b>\$ 29,081</b>	<b>\$281,894</b>	<b>\$ 29,082</b>
<u>Expenditures</u>								
Public safety	\$ -	\$ -	\$ 558,519	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-	659,766	35,000	-	-
Community services	551,805	-	-	-	-	-	213,329	-
Health and welfare	-	-	-	-	-	-	-	35,000
Employees' benefits	-	-	-	1,249,999	-	-	-	-
Urban development and housing	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Capital outlay	-	289,193	-	-	-	-	-	-
<b>Total expenditures</b>	<b>\$551,805</b>	<b>\$ 289,193</b>	<b>\$ 558,519</b>	<b>\$1,249,999</b>	<b>\$ 659,766</b>	<b>\$ 35,000</b>	<b>\$213,329</b>	<b>\$ 35,000</b>
Revenue over (under) expenditures	\$ (11,119)	\$ (243,353)	\$ (327,778)	\$ (27,241)	\$ (102,680)	\$ (5,919)	\$ 68,565	\$ (5,918)
Other Financing Sources (Uses):								
Operating transfers in (out)	-	-	344,400	-	-	-	(20,000)	-
Fund Balances, January 1	36,598	288,861	111,275	212,857	1,161,202	19,498	295,172	53,121
Other Changes:								
Increase or (decrease) in reserves	(2,266)	5,213	627	(5,157)	7,531	(1,236)	7,442	(1,236)
<b>Fund Balances, December 31</b>	<b>\$ 23,213</b>	<b>\$ 50,721</b>	<b>\$ 128,524</b>	<b>\$ 180,459</b>	<b>\$1,066,053</b>	<b>\$ 12,343</b>	<b>\$351,179</b>	<b>\$ 45,967</b>

CITY OF LIBERAL, KANSAS

Schedule 3  
(Continued)

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

For the year ended December 31, 2009

	<u>Special City Beautification</u>	<u>Special Housing</u>	<u>Special Crime Prevention</u>	<u>Special Economic Development</u>	<u>Street Drainage and Capital Improvements</u>	<u>Air Museum</u>	<u>Trailmobile 4/10 Sales Tax</u>	<u>Municipal Equipment Reserve</u>
<u>Revenues</u>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	183,810	367,620	367,620	919,050	1,838,100	30,000	995,438	-
Charges for services	4,190	-	-	-	-	69,449	-	-
Use of money and property	4,427	17,101	9,103	23,548	25,706	1,975	2,974	-
Contributions	-	-	-	-	-	1,318	-	-
Other	-	69,159	-	-	2,542	-	-	5,365
Grants	-	-	-	-	-	-	-	-
Total revenues	<u>\$192,427</u>	<u>\$ 453,880</u>	<u>\$376,723</u>	<u>\$ 942,598</u>	<u>\$1,866,348</u>	<u>\$ 102,742</u>	<u>\$ 998,412</u>	<u>\$ 5,365</u>
<u>Expenditures</u>								
Public safety	\$ -	\$ -	\$367,334	\$ -	\$ -	\$ -	\$ -	\$ -
Public works	167,877	-	-	-	1,652,243	-	-	-
Community services	-	-	-	-	-	274,944	-	-
Health and welfare	-	-	-	-	-	-	-	-
Employees' benefits	-	-	-	-	-	-	-	-
Urban development and housing	-	1,021,234	-	-	-	-	-	-
Economic development	-	-	-	611,619	-	-	33	-
Capital outlay	-	-	-	-	-	-	-	176,532
Total expenditures	<u>\$167,877</u>	<u>\$ 1,021,234</u>	<u>\$367,334</u>	<u>\$ 611,619</u>	<u>\$1,652,243</u>	<u>\$ 274,944</u>	<u>\$ 33</u>	<u>\$ 176,532</u>
Revenue over (under) expenditures	\$ 24,550	\$ (567,354)	\$ 9,389	\$ 330,979	\$ 214,105	\$ (172,202)	\$ 998,379	\$ (171,167)
Other Financing Sources:								
Operating transfers in (out)	-	-	-	73,284	(458,708)	170,000	(1,001,311)	241,000
Fund Balances, January 1	376,892	1,597,884	686,778	2,013,868	1,864,610	61,100	159,138	1,723,999
Other Changes:								
Increase or (decrease) in reserves	(5,250)	(11,239)	(10,601)	(26,458)	(50,745)	(8,747)	(156,206)	-
Fund Balances, December 31	<u>\$396,192</u>	<u>\$ 1,019,291</u>	<u>\$685,566</u>	<u>\$2,391,673</u>	<u>\$1,569,262</u>	<u>\$ 50,151</u>	<u>-</u>	<u>\$1,793,832</u>

CITY OF LIBERAL, KANSAS

Schedule 3  
(Continued)

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

For the year ended December 31, 2009

	<u>Bequest</u>	<u>Diversion Program</u>	<u>Cemetery Perpetual</u>	<u>Fire Insurance Proceeds</u>	<u>Sobriety Checkpoint Grant</u>	<u>Total Nonmajor Special Revenue</u>
<u>Revenues</u>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,807,024
Intergovernmental	-	-	-	-	-	5,763,194
Charges for services	-	24,443	-	-	-	113,123
Use of money and property	-	-	632	243	-	85,709
Contributions	94,797	-	3,115	-	-	99,230
Other	-	-	-	16,563	-	97,030
Grants	-	-	-	-	4,645	54,791
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,645</u>	<u>54,791</u>
Total revenues	\$ <u>94,797</u>	\$ <u>24,443</u>	\$ <u>3,747</u>	\$ <u>16,806</u>	\$ <u>4,645</u>	\$ <u>8,020,101</u>
<u>Expenditures</u>						
Public safety	\$ 21,334	\$ 2,952	\$ -	\$ 16,575	\$ 4,645	\$ 971,359
Public works	54,774	-	-	-	-	2,569,660
Community services	166,242	-	6,669	-	-	1,212,989
Health and welfare	-	-	-	-	-	35,000
Employees' benefits	-	-	-	-	-	1,249,999
Urban development and housing	-	-	-	-	-	1,021,234
Economic development	-	-	-	-	-	611,652
Capital outlay	-	-	-	-	-	465,725
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>465,725</u>
Total expenditures	\$ <u>242,350</u>	\$ <u>2,952</u>	\$ <u>6,669</u>	\$ <u>16,575</u>	\$ <u>4,645</u>	\$ <u>8,137,618</u>
Revenue over (under) expenditures	\$ (147,553)	\$ 21,491	\$ (2,922)	\$ 231	\$ -	\$ (117,517)
<u>Other Financing Sources (Uses):</u>						
Operating transfers in (out)	-	-	-	-	-	(651,335)
Fund Balances, January 1	366,379	64,688	49,543	11,402	17	11,154,882
<u>Other Changes:</u>						
Increase or (decrease) in reserves	-	-	-	(1)	-	(258,329)
Fund Balances, December 31	\$ <u>218,826</u>	\$ <u>86,179</u>	\$ <u>46,621</u>	\$ <u>11,632</u>	\$ <u>17</u>	\$ <u>10,127,701</u>

CITY OF LIBERAL, KANSAS

Schedule 4-1

LIBRARY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$471,519	\$457,965	\$ (13,554)
Back tax collections	8,184	9,846	1,662
Motor vehicle tax	<u>72,102</u>	<u>72,875</u>	<u>773</u>
Total revenue	\$551,805	\$540,686	\$ (11,119)
<u>Expenditures</u>			
Community Services:			
Appropriations to Library Board	<u>551,805</u>	<u>551,805</u>	<u>-</u>
Revenue over (under) expenditures	-	\$ (11,119)	\$ (11,119)
Fund Balances, January 1	-	36,598	36,598
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(2,266)</u>	<u>(2,266)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 23,213</u>	<u>\$ 23,213</u>

CITY OF LIBERAL, KANSAS

Schedule 4-2

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

For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$ 17,373	\$ 17,209	\$ (164)
Back tax collections	-	2,351	2,351
Motor vehicle tax	<u>32,627</u>	<u>26,280</u>	<u>(6,347)</u>
Total revenue	\$ 50,000	\$ 45,840	\$ (4,160)
<u>Expenditures</u>			
Public Safety – Fire Protection:			
Capital outlay	<u>50,000</u>	<u>4,193</u>	<u>45,807</u>
Revenue over (under) expenditures	-	\$ 41,647	\$ 41,647
Fund Balances, January 1	-	288,861	288,861
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	-	5,213	5,213
Encumbrances	<u>-</u>	<u>(285,000)</u>	<u>(285,000)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 50,721</u>	<u>\$ 50,721</u>

CITY OF LIBERAL, KANSAS

Schedule 4-3

COMMUNICATION CENTER FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Seward County	\$ 229,600	\$ 229,600	\$ -
Other	<u>          -</u>	<u>      1,141</u>	<u>      1,141</u>
Total revenue	<u>\$ 229,600</u>	<u>\$ 230,741</u>	<u>\$ 1,141</u>
<u>Expenditures</u>			
Public Safety:			
Personal services	\$ 587,000	\$ 521,270	\$ 65,730
Operation and maintenance	<u>      52,000</u>	<u>      37,249</u>	<u>      14,751</u>
Total expenditures	<u>\$ 639,000</u>	<u>\$ 558,519</u>	<u>\$ 80,481</u>
Revenue over (under) expenditures	\$ (409,400)	\$ (327,778)	\$ 81,622
Other Financing Sources (Uses):			
Operating transfer in	344,400	344,400	-
Fund Balances, January 1	65,000	111,275	46,275
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expense	<u>          -</u>	<u>      627</u>	<u>      627</u>
Fund Balances, December 31	<u>          -</u>	<u>\$ 128,524</u>	<u>\$128,524</u>

CITY OF LIBERAL, KANSAS

Schedule 4-4

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

For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Taxes:			
Ad valorem property tax	\$1,076,203	\$1,043,239	\$ (32,964)
Back tax collections	14,960	20,232	5,272
Motor vehicle tax	158,837	157,027	(1,810)
Other income	<u>          -</u>	<u>      2,260</u>	<u>      2,260</u>
Total revenue	\$1,250,000	\$1,222,758	\$ (27,242)
<u>Expenditures</u>			
Employees' Benefits	<u>1,250,000</u>	<u>1,249,999</u>	<u>          1</u>
Revenue over (under) expenditures	-	\$ (27,241)	\$ (27,241)
Fund Balances, January 1	-	212,857	212,857
Other Changes:			
Increase or (Decrease) in Reserves:			
Prepaid expenses and receivables	<u>          -</u>	<u>     (5,157)</u>	<u>     (5,157)</u>
Fund Balances, December 31	<u>          -</u>	<u>\$ 180,459</u>	<u>\$180,459</u>

CITY OF LIBERAL, KANSAS

Schedule 4-5

SPECIAL CITY STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
State of Kansas – Gasoline tax	\$ 605,920	\$ 506,940	\$ (98,980)
Grant income – FEMA	<u>          -</u>	<u>      50,146</u>	<u>      50,146</u>
Total revenue	\$ 605,920	\$ 557,086	\$ (48,834)
<u>Expenditures</u>			
Public works	<u>  828,000</u>	<u>  661,229</u>	<u>  166,771</u>
Revenue over (under) expenditures	\$ (222,080)	\$ (104,143)	\$ 117,937
Fund Balances, January 1	222,080	1,161,202	939,122
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and encumbrances	-	7,531	7,531
Encumbrances	<u>          -</u>	<u>      1,463</u>	<u>      1,463</u>
Fund Balances, December 31	<u>          -</u>	<u>\$1,066,053</u>	<u>\$1,066,053</u>

CITY OF LIBERAL, KANSAS

Schedule 4-6

SPECIAL PARKS AND RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 35,000	\$ 29,081	\$ (5,919)
<u>Expenditures</u>			
Public Works:			
Maintenance	<u>35,000</u>	<u>35,000</u>	-
Revenue over (under) expenditures	-	\$ (5,919)	\$ (5,919)
Fund Balances, January 1	-	19,498	19,498
Other Changes:			
Increase (decrease) in reserves	<u>-</u>	<u>(1,236)</u>	<u>(1,236)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 12,343</u>	<u>\$ 12,343</u>

CITY OF LIBERAL, KANSAS

Schedule 4-7

TOURISM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transient guest tax	\$220,000	\$266,853	\$ 46,853
Charges for sales and services	<u>12,000</u>	<u>15,041</u>	<u>3,041</u>
Total revenue	<u>\$232,000</u>	<u>\$281,894</u>	<u>\$ 49,894</u>
<u>Expenditures</u>			
Community Services:			
Personal services	\$104,525	\$101,403	\$ 3,122
Operations	<u>148,475</u>	<u>111,926</u>	<u>36,549</u>
Total expenditures	<u>\$253,000</u>	<u>\$213,329</u>	<u>\$ 39,671</u>
Revenue over (under) expenditures	\$ (21,000)	\$ 68,565	\$ 89,565
Other Financing Sources (Uses):			
Operating transfer (out)	-	(20,000)	(20,000)
Fund Balances, January 1	21,000	295,172	274,172
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables, prepaid expense and inventory	<u>-</u>	<u>7,442</u>	<u>7,442</u>
Fund Balances, December 31	<u>-</u>	<u>\$351,179</u>	<u>\$351,179</u>

CITY OF LIBERAL, KANSAS

Schedule 4-8

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

For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Private club liquor tax	\$ 35,000	\$ 29,082	\$ (5,918)
<u>Expenditures</u>			
Health – Alcoholic Treatment:			
Contractual services	<u>35,000</u>	<u>35,000</u>	-
Revenue over (under) expenditures	-	\$ (5,918)	\$ (5,918)
Fund Balances, January 1	-	53,121	53,121
Other Changes:			
Increase or (decrease) in reserves	<u>-</u>	<u>(1,236)</u>	<u>(1,236)</u>
Fund Balances, December 31	<u>-</u>	<u>\$ 45,967</u>	<u>\$ 45,967</u>

CITY OF LIBERAL, KANSAS

Schedule 4-9

SPECIAL CITY BEAUTIFICATION FUND  
(5% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$175,000	\$183,810	\$ 8,810
Use of Money and Property:			
Interest	5,000	4,427	(573)
Charges for Services:			
Tree cost sharing	<u>8,000</u>	<u>4,190</u>	<u>(3,810)</u>
Total revenue	<u>\$188,000</u>	<u>\$192,427</u>	<u>\$ 4,427</u>
<u>Expenditures</u>			
Public works:			
Personal services	\$108,000	\$103,938	\$ 4,062
Contractual	<u>80,000</u>	<u>49,214</u>	<u>30,786</u>
Total expenditures	<u>\$188,000</u>	<u>\$153,152</u>	<u>\$ 34,848</u>
Revenue over (under) expenditures	-	\$ 39,275	\$ 39,275
Fund Balances, January 1	-	376,892	376,892
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and prepaid expenses	-	(5,250)	(5,250)
Encumbrances	<u>-</u>	<u>(14,725)</u>	<u>(14,725)</u>
Fund Balances, December 31	<u>-</u>	<u>\$396,192</u>	<u>\$396,192</u>

CITY OF LIBERAL, KANSAS

Schedule 4-10

SPECIAL HOUSING FUND  
(10% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 350,000	\$ 367,620	\$ 17,620
Use of Money and Property:			
Interest	20,000	17,101	(2,899)
Other:			
Miscellaneous	<u>-</u>	<u>69,159</u>	<u>69,159</u>
Total revenue	\$ 370,000	\$ 453,880	\$ 83,880
<u>Expenditures</u>			
Urban Development & Housing:			
Project expense	<u>1,833,000</u>	<u>1,021,234</u>	<u>811,766</u>
Revenue over (under) expenditures	\$ (1,463,000)	\$ (567,354)	\$ 895,646
Fund Balances, January 1	1,463,000	1,597,884	134,884
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and inventory	<u>-</u>	<u>(11,239)</u>	<u>(11,239)</u>
Fund Balances, December 31	<u>-</u>	<u>\$1,019,291</u>	<u>\$1,019,291</u>

CITY OF LIBERAL, KANSAS

Schedule 4-11

SPECIAL CRIME PREVENTION DRUGS AND ALCOHOL FUND  
(10% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$350,000	\$367,620	\$ 17,620
Use of Money and Property:			
Interest	<u>10,000</u>	<u>9,103</u>	<u>(897)</u>
Total revenue	\$360,000	\$376,723	\$ 16,723
<u>Expenditures</u>			
Public Safety:			
Program expense	<u>382,000</u>	<u>367,334</u>	<u>14,666</u>
Revenue over (under) expenditures	\$ (22,000)	\$ 9,389	\$ 31,389
Fund Balances, January 1	22,000	686,778	664,778
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(10,601)</u>	<u>(10,601)</u>
Fund Balances, December 31	<u>-</u>	<u>\$685,566</u>	<u>\$685,566</u>

CITY OF LIBERAL, KANSAS

Schedule 4-12

SPECIAL ECONOMIC DEVELOPMENT FUND  
(25% OF 1% SALES TAX)  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>
<u>Revenues</u>				
Intergovernmental:				
Local sales tax	\$ 875,000	\$ 875,000	\$ 919,050	\$ 44,050
Use of Money and Property:				
Interest	30,000	30,000	23,548	(6,452)
Lease revenue	<u>2,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Total revenue	\$ 907,000	\$ 907,000	\$ 942,598	\$ 35,598
<u>Expenditures</u>				
Economic Development:				
Project expense	<u>807,000</u>	<u>632,000</u>	<u>611,619</u>	<u>20,381</u>
Revenue over (under) expenditures	\$ 100,000	\$ 275,000	\$ 330,979	\$ 55,979
Other Financing Sources (Uses):				
Operating transfer in	-	-	346,898	346,898
Operating transfer (out)	(100,000)	(275,000)	(273,614)	1,386
Fund Balances, January 1	-	-	2,013,868	2,013,868
Other Changes:				
Increase or (Decrease) in Reserves:				
Receivables	<u>-</u>	<u>-</u>	<u>(26,458)</u>	<u>(26,458)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>\$2,391,673</u>	<u>\$2,391,673</u>

CITY OF LIBERAL, KANSAS

Schedule 4-13

STREET DRAINAGE AND OTHER CAPITAL IMPROVEMENTS FUND

(50% OF 1% SALES TAX)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES – BUDGET AND ACTUAL

For the year ended December 31, 2009

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavor.)</u>
<u>Revenues</u>				
Intergovernmental:				
Local sales tax	\$1,750,000	\$1,750,000	\$1,838,100	\$ 88,100
Use of Money and Property:				
Interest	25,000	25,000	25,706	706
Other:				
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>2,542</u>	<u>(2,458)</u>
Total revenue	\$1,780,000	\$1,780,000	\$1,866,348	\$ 86,348
<u>Expenditures</u>				
Public Works:				
Entity's share	<u>1,240,000</u>	<u>2,060,000</u>	<u>1,652,243</u>	<u>407,757</u>
Revenue over (under) expenditures	\$ 540,000	\$ (280,000)	\$ 214,105	\$ 494,105
Other Financing Sources (Uses):				
Operating transfer in (out)	(540,000)	(540,000)	(458,708)	81,292
Fund Balances, January 1	-	820,000	1,864,610	1,044,610
Other Changes:				
Increase or (Decrease) in Reserves:				
Receivables	<u>-</u>	<u>-</u>	<u>(50,745)</u>	<u>(50,745)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>\$1,569,262</u>	<u>\$1,569,262</u>

CITY OF LIBERAL, KANSAS

Schedule 4-14

AIR MUSEUM FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local transit guest tax	\$ 30,000	\$ 30,000	\$ -
Charges and Services:			
Admission	40,000	42,044	2,044
Gift shop and concessions	28,500	27,405	(1,095)
Contributions	2,700	1,318	(1,382)
Use of Money and Property:			
Rent	<u>1,200</u>	<u>1,975</u>	<u>775</u>
Total revenue	\$ <u>102,400</u>	\$ <u>102,742</u>	\$ <u>342</u>
<u>Expenditures</u>			
Community Services:			
Personal services	\$ 175,500	\$ 159,144	\$ 16,356
Operation and maintenance	<u>120,000</u>	<u>115,800</u>	<u>4,200</u>
Total expenditures	\$ <u>295,500</u>	\$ <u>274,944</u>	\$ <u>20,556</u>
Revenue over (under) expenditures	\$ (193,100)	\$ (172,202)	\$ 20,898
Other Financing Sources (Uses):			
Operating transfer in (out)	170,000	170,000	-
Fund Balances, January 1	23,100	61,100	38,000
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables and encumbrances	<u>-</u>	<u>(8,747)</u>	<u>(8,747)</u>
Fund Balances, December 31	<u>-</u>	\$ <u>50,151</u>	\$ <u>50,151</u>

CITY OF LIBERAL, KANSAS

Schedule 4-15

TRAILMOBILE 4/10 SALES TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
 For the year ended December 31, 2009

	<u>Original &amp; Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Revenues</u>			
Intergovernmental:			
Local sales tax	\$ 1,400,000	\$ 995,438	\$ (404,562)
Use of Money and Property:			
Interest	<u>20,000</u>	<u>2,974</u>	<u>(17,026)</u>
Total revenue	\$ 1,420,000	\$ 998,412	\$ (421,588)
<u>Expenditures</u>			
Economic Development:			
Projects	<u>250</u>	<u>33</u>	<u>217</u>
Revenue over (under) expenditures	\$ 1,419,750	\$ 998,379	\$ (421,371)
Other Financing Sources (Uses):			
Operating transfer in (out)	(1,419,750)	(1,001,311)	418,439
Fund Balances, January 1	-	159,138	159,138
Other Changes:			
Increase or (Decrease) in Reserves:			
Receivables	<u>-</u>	<u>(156,206)</u>	<u>(156,206)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	<u>-</u>

CITY OF LIBERAL, KANSAS

Schedule 5

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2009

	Improvement Projects						
	<u>6 Points Pavement &amp; Signals</u>	<u>Airport Retention Ponds</u>	<u>North Fire Station</u>	<u>Pedestrian/ Bicycle Path</u>	<u>City Hall Construction</u>	<u>New City Pool</u>	<u>Widen 8<sup>th</sup> Street Three Lanes</u>
<b>ASSETS</b>							
Cash and time deposits	\$ 93,400	-	-	\$ -	\$ 57,969	-	\$ -
Due from other funds	-	-	-	129,328	-	-	-
Receivables/Prepaid expense	-	-	-	211,936	-	-	102,859
Total Assets	<u>\$ 93,400</u>	<u>-</u>	<u>-</u>	<u>\$ 341,264</u>	<u>\$ 57,969</u>	<u>-</u>	<u>\$ 102,859</u>
<b>LIABILITIES AND FUND BALANCES</b>							
<u>Liabilities</u>							
Bank overdraft	-	-	-	\$ 288,850	\$ -	-	\$ 102,859
Vouchers payable	-	-	-	52,414	691	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 341,264</u>	<u>\$ 691</u>	<u>-</u>	<u>\$ 102,859</u>
<u>Fund Balances</u>							
Reserved for receivables/ Prepaid expense	\$ -	-	-	\$ 341,264	\$ -	-	\$ 102,859
Unreserved – Undesignated	93,400	-	-	(341,264)	57,278	-	(102,859)
Total fund balances	<u>\$ 93,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 57,278</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 93,400</u>	<u>-</u>	<u>-</u>	<u>\$ 341,264</u>	<u>\$ 57,969</u>	<u>-</u>	<u>\$ 102,859</u>

CITY OF LIBERAL, KANSAS

Schedule 5  
(Continued)

COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECTS FUNDS

December 31, 2009

	Improvement Projects						Total
	<u>Western Ave. Street Improvement</u>	<u>Pre- Development Grant</u>	<u>Homeowner for Rehabilitation</u>	<u>NBP Desludging Pond 4</u>	<u>Mahuron Park Community Building</u>	<u>Light Park Improvement</u>	
<b>ASSETS</b>							
Cash and time deposits	\$1,306,000	\$ -	-	\$ -	\$185,100	\$195,695	\$1,838,164
Due from other funds	-	-	-	724,353	-	-	853,681
Receivables/Prepaid expense	-	68,846	-	-	-	-	383,641
<b>Total Assets</b>	<b><u>\$1,306,000</u></b>	<b><u>\$ 68,846</u></b>	<b><u>-</u></b>	<b><u>\$ 724,353</u></b>	<b><u>\$185,100</u></b>	<b><u>\$195,695</u></b>	<b><u>\$3,075,486</u></b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Bank overdraft	-	\$ 65,375	-	\$ 724,353	-	\$ -	\$1,181,437
Vouchers payable	-	3,471	-	-	-	17,073	73,649
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>\$ 68,846</u></b>	<b><u>-</u></b>	<b><u>\$ 724,353</u></b>	<b><u>-</u></b>	<b><u>\$ 17,073</u></b>	<b><u>\$1,255,086</u></b>
<b>Fund Balances</b>							
Reserved for receivables/ Prepaid expense	\$ -	\$ 68,846	-	\$ 724,353	\$ -	\$ -	\$1,237,322
Unreserved – Undesignated	1,306,000	(68,846)	-	(724,353)	185,100	178,622	583,078
<b>Total fund balances</b>	<b><u>\$1,306,000</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>\$185,100</u></b>	<b><u>\$178,622</u></b>	<b><u>\$1,820,400</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$1,306,000</u></b>	<b><u>\$ 68,846</u></b>	<b><u>-</u></b>	<b><u>\$ 724,353</u></b>	<b><u>\$185,100</u></b>	<b><u>\$195,695</u></b>	<b><u>\$3,075,486</u></b>

CITY OF LIBERAL, KANSAS

Schedule 6

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

For the year ended December 31, 2009

	<u>Improvement Projects</u>						
	<u>6 Points Pavement &amp; Signals</u>	<u>Airport Retention Ponds</u>	<u>North Fire Station</u>	<u>Pedestrian/ Bicycle Path</u>	<u>City Hall Construction</u>	<u>New City Pool</u>	<u>Widen 8<sup>th</sup> Street Three Lanes</u>
<u>Revenue</u>							
Entities' share	-	\$ 1,903	\$ 333,991	-	-	\$1,166,686	-
Grants:							
State of Kansas	-	-	-	-	-	5,210	-
Total revenue	<u>-</u>	<u>\$ 1,903</u>	<u>\$ 333,991</u>	<u>-</u>	<u>-</u>	<u>\$1,171,896</u>	<u>-</u>
<u>Expenditures</u>							
Construction cost	\$ -	\$ 1,530	\$ 23,929	\$ 339,989	\$ 86,766	\$2,030,408	\$ 443,550
Engineering/architect	6,600	-	-	525	-	5,230	220
Other	-	-	-	-	-	16,981	-
Total expenditures	<u>\$ 6,600</u>	<u>\$ 1,530</u>	<u>\$ 23,929</u>	<u>\$ 340,514</u>	<u>\$ 86,766</u>	<u>\$2,052,619</u>	<u>\$ 443,770</u>
Excess or (deficiency) of revenue over expenditures	\$ (6,600)	\$ 373	\$ 310,062	\$ (340,514)	\$ (86,766)	\$ (880,723)	\$ (443,770)
Fund Balances, January 1	100,000	-	-	-	144,044	880,723	340,911
Other Financing Sources (Uses):							
Increase (decrease) in reserves	-	(373)	(310,062)	340,514	-	-	102,859
Fund Balances, December 31	<u>\$ 93,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 57,278</u>	<u>-</u>	<u>-</u>

CITY OF LIBERAL, KANSAS

Schedule 6  
(Continued)

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

For the year ended December 31, 2009

Improvement Projects

	<u>Western Ave. Street Improvement</u>	<u>Pre- Development Grant</u>	<u>Homeowner for Rehabilitation</u>	<u>NBP Desludging Pond 4</u>	<u>Mahuron Park Community Building</u>	<u>Light Park Improvement</u>	<u>Total</u>
<u>Revenue</u>							
Entities' share	\$1,350,000	\$ -	\$ 51,630	-	\$185,100	\$ 133,477	\$3,222,787
Grants:							
State of Kansas	-	68,755	49,168	-	-	2,490	125,623
Total revenue	<u>\$1,350,000</u>	<u>\$ 68,755</u>	<u>\$100,798</u>	<u>-</u>	<u>\$185,100</u>	<u>\$ 135,967</u>	<u>\$3,348,410</u>
<u>Expenditures</u>							
Construction cost	\$ -	\$ -	\$ 1,653	-	-	\$ 911,674	\$3,839,499
Engineering/architect	44,000	-	-	-	-	30,048	86,623
Other	-	114,312	3,750	-	-	-	135,043
Total expenditures	<u>\$ 44,000</u>	<u>\$114,312</u>	<u>\$ 5,403</u>	<u>-</u>	<u>-</u>	<u>\$ 941,722</u>	<u>\$4,061,165</u>
Excess or (deficiency) of revenue over expenditures	\$1,306,000	\$ (45,557)	\$ 95,395	-	\$185,100	\$ (805,755)	\$ (712,755)
Fund Balances, January 1	-	-	-	-	-	984,377	2,450,055
Other Financing Sources (Uses):							
Increase (decrease) in reserves	-	45,557	(95,395)	-	-	-	83,100
Fund Balances, December 31	<u>\$1,306,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$185,100</u>	<u>\$ 178,622</u>	<u>\$1,820,400</u>

CITY OF LIBERAL, KANSAS

Schedule 7

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

For the year ended December 31, 2009

<u>Revenues</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavor.)</u>
<u>Taxes:</u>				
Ad valorem property tax	\$ 48,107	\$ 48,107	\$ 71,775	\$ 23,668
Back tax collections	-	-	4,210	4,210
Special assessments	5,000	5,000	49,374	44,374
Motor vehicle tax	<u>17,900</u>	<u>17,900</u>	<u>21,741</u>	<u>3,841</u>
Total taxes	\$ 71,007	\$ 71,007	\$ 147,100	\$ 76,093
<u>Use of Money and Property:</u>				
Interest income	15,000	25,584	-	(25,584)
Sales of raw water	71,170	71,170	380,493	309,323
Other income	<u>-</u>	<u>-</u>	<u>12,005</u>	<u>12,005</u>
Total revenue	\$ <u>157,177</u>	\$ <u>167,761</u>	\$ <u>539,598</u>	\$ <u>371,837</u>
<u>Expenditures</u>				
Bond principal	\$ 2,121,000	\$ 7,107,000	\$ 6,954,549	\$ 152,451
Interest coupons	538,000	538,000	336,536	201,464
Miscellaneous	<u>106,000</u>	<u>106,000</u>	<u>59,260</u>	<u>46,740</u>
Total expenditures	\$ <u>2,765,000</u>	\$ <u>7,751,000</u>	\$ <u>7,350,345</u>	\$ <u>400,655</u>
Revenue over (under) expenditures	\$ (2,607,823)	\$ (7,583,239)	\$ (6,810,747)	\$ 772,492
<u>Other Financing Sources (Uses):</u>				
Operating transfer in (out)	2,448,750	7,023,412	6,942,118	(81,294)
Fund Balances, January 1	159,073	559,827	2,623,578	2,063,751
<u>Other Changes:</u>				
<u>Increase or (Decrease) in Reserves:</u>				
Receivables and encumbrances	<u>-</u>	<u>-</u>	<u>(162,702)</u>	<u>(162,702)</u>
Fund Balances, December 31	<u>-</u>	<u>-</u>	\$ <u>2,592,247</u>	\$ <u>2,592,247</u>

CITY OF LIBERAL, KANSAS

Schedule 8

CAPITAL ASSETS USED IN THE OPERATION  
OF GOVERNMENTAL FUNDS – SCHEDULE BY SOURCE  
December 31, 2009

Governmental Funds Capital Assets:

Land	\$ 1,587,301
Buildings	8,416,208
Structures and improvements other than buildings	7,490,569
Machinery, equipment, furniture and fixtures	4,601,541
Vehicles	4,272,424
Streets	50,860,810
Construction in progress	<u>2,477,112</u>

Total Governmental Funds Capital Assets \$79,705,965

Investments in Governmental Funds Capital Assets by Source:

Revenue bonds	\$ 53,115
General fund revenue	64,694,383
Federal and state grants	6,920,624
Revenue sharing fund revenue	94,266
Other special revenue fund revenue	4,235,707
General obligation bonds	2,842,682
Bequests and donations	<u>865,188</u>

Total Investment in Governmental Funds Capital Assets \$79,705,965

CITY OF LIBERAL, KANSAS

Schedule 9

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

For the year ended December 31, 2009

<u>Function and Activity</u>	<u>Governmental</u> <u>Fund Capital</u>				<u>Governmental</u>
	<u>Assets</u> <u>01/01/09</u>	<u>Additions</u>	<u>Reductions</u>	<u>Transfers</u>	<u>Fund Capital</u> <u>Assets</u> <u>12/31/09</u>
<b>General Government:</b>					
Administration	\$ 2,727,736	\$ 1,228	\$ 614	\$ 21,211	\$ 2,749,561
Building inspection	108,946	17,155	10,175	-	115,926
Legislative	3,438	-	-	1,664	5,102
Utility billing	5,548	-	-	8,617	14,165
Finance & personnel	30,483	-	795	(13,664)	16,024
City Manager	31,685	-	2,020	1,850	31,515
Data processing	214,447	-	28,119	(12,584)	173,744
Total general government	<u>\$ 3,122,283</u>	<u>\$ 18,383</u>	<u>\$ 41,723</u>	<u>\$ 7,094</u>	<u>\$ 3,106,037</u>
<b>Public Safety:</b>					
Police	\$ 3,007,504	\$ 132,173	\$122,159	\$ 91,805	\$ 3,109,323
Fire	4,515,248	378,566	31,761	-	4,862,053
Municipal Court	101,895	4,452	-	(88,572)	17,775
Public Safety & animal control	132,913	16,350	-	-	149,263
Communications	44,925	-	-	-	44,925
Total public safety	<u>\$ 7,802,485</u>	<u>\$ 531,541</u>	<u>\$153,920</u>	<u>\$ 3,233</u>	<u>\$ 8,183,339</u>
<b>Public Works:</b>					
Transportation	\$55,222,006	\$ 160,588	\$110,925	\$ (125,695)	\$55,145,974
Engineering	31,200	-	-	(418)	30,782
Recreation	1,495,090	1,000	15,130	(5,005)	1,475,955
Arkalon	199,512	-	-	-	199,512
Street lighting	212,418	-	-	7,299	219,717
Airport	2,015,375	-	-	509,383	2,524,758
Total public works	<u>\$59,175,601</u>	<u>\$ 161,588</u>	<u>\$126,055</u>	<u>\$ 385,564</u>	<u>\$59,596,698</u>
<b>Community Service:</b>					
Golf course	\$ 1,046,924	\$ 60,719	\$100,280	\$ 19,791	\$ 1,027,154
Parks	1,724,925	32,209	43,876	12,167	1,725,425
Swimming pool	1,629,630	3,673,457	-	1,891	5,304,978
Economic development	22,028	14,500	-	(16,895)	19,633
Cemetery	313,629	31,907	12,064	12,093	345,565
Tourism	193,988	6,975	825	-	200,138
Housing	42,851	-	76,000	133,430	100,281
Air Museum	71,621	-	-	2,775	74,396
Beautification	17,770	14,725	-	(10,174)	22,321
Total community service	<u>\$ 5,063,366</u>	<u>\$3,834,492</u>	<u>\$233,045</u>	<u>\$ 155,078</u>	<u>\$ 8,819,891</u>
<b>Total Governmental Funds</b>					
Capital Assets	<u>\$75,163,735</u>	<u>\$4,546,004</u>	<u>\$554,743</u>	<u>\$ 550,969</u>	<u>\$79,705,965</u>

LIBERAL  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

City Commission  
City of Liberal, Kansas

**Compliance**

We have audited the City of Liberal, Kansas' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2009. The City of Liberal's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements referred to above is the responsibility of the City of Liberal's management. Our responsibility is to express an opinion on the City of Liberal's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program identified in the accompanying schedule of findings and questioned costs occurred. An audit includes examining, on a test basis, evidence about the City of Liberal's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Liberal's compliance with those requirements.

In our opinion, the City of Liberal, Kansas complied, in all material respects, with the compliance requirements referred to above that are applicable to its major federal program identified in the accompanying schedule of findings and questioned costs for the year ended December 31, 2009.

City Commission  
City of Liberal, Kansas

Page 2

### **Internal Control Over Compliance**

Management of the City of Liberal, Kansas is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the City of Liberal's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Liberal's internal control over compliance.

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

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

The City of Liberal's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Liberal's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the City Commission, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hay•Rice & Associates, Chartered*

September 16, 2010

CITY OF LIBERAL, KANSAS

Schedule 10

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2009

<u>Federal Grantor/Pass Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Grant Award</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Rural Development:				
Rural Self-Help Housing Technical Assistance	10.420		\$ 68,756	\$ 68,756
U.S. Department of Transportation Federal Aviation Administration:				
Recovery Act – Airport Improvement Program – Acquire ARFF Vehicle	20.106		600,170	590,670
Recovery Act – Airport Improvement Program – Install Taxiway Pavement Markings (Phases I & II)	20.106		30,077	29,602
U.S. Department of Homeland Security Passed Through Kansas Division of Emergency Management:				
Blizzard Response	97.050	FEMA	44,247	44,247
U.S. Department of Homeland Security:				
Assistance to Firefighters Grant	97.044		99,063	96,839
U.S. Department of Justice:				
Recovery Act – Edward Byrne Memorial Justice Assistance Grant	16.804		49,233	-
Bulletproof Vest Partnership Program	16.607		3,986	3,986
U.S. Department of Transportation Passed Through Kansas Department of Transportation:				
Sobriety Checkpoints	20.601	N/A	<u>1,933</u>	<u>1,933</u>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$897,465</u></b>	<b><u>\$836,033</u></b>

CITY OF LIBERAL, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2009

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Liberal, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note B: Subrecipient Grant Agreement

There were no subrecipient agreements at December 31, 2009.

Note C: Noncash Assistance and Cumulative Endowment Funds

The City of Liberal, Kansas received no federal noncash assistance and no cumulative endowment funds for the year ended December 31, 2009.

Note D: Federal Loan or Loan Guarantee Programs

For the year 2009, there were no loans or loan guarantees outstanding at year end.

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

CITY OF LIBERAL, KANSAS

Schedule 11

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2009

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion.
2. The following significant deficiencies in internal control disclosed by the audit of the financial statements were considered material weaknesses:

Payroll Department – There needs to be greater oversight over payroll and greater segregation of duties within the department. Cross training the function would also strengthen the uninterrupted continuance of the department's activities.

Inventory – The City needs to continue to develop stronger controls over inventory. Perpetual systems should be considered.

Fixed Assets – Reconciliations of fixed asset records should be completed more timely to identify differences between the records and the general ledger.

3. No instances of noncompliance material to the financial statements of the City of Liberal, Kansas were disclosed during the audit.
4. There were no significant deficiencies relating to the audit of the major federal awards that were considered material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the City of Liberal, Kansas expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for the City of Liberal, Kansas as reported in Part C. of this schedule.
7. The programs tested as major programs include:  
    Airport Improvement Program CFDA #20.106
8. The threshold for determining type A and B programs was:  
    Type A – the larger of \$300,000 or 3% of total federal awards expended  
    Type B – any programs that do not meet type A criteria specified above
9. The City of Liberal, Kansas was not determined to be a low-risk auditee.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2009

B. FINDINGS – FINANCIAL STATEMENTS

Material Weaknesses

2009-1. Payroll Department

Condition: There is a lack of segregation of duties and oversight within the department.

Criteria: Internal controls should be in place that provide reasonable assurance that payroll is correct.

Cause: Internal controls over the payroll department are inadequately designed.

Effect: Because of the lack of segregation of duties and oversight, payroll may not be correct.

Recommendation: Procedures should be implemented that result in greater segregation of duties and oversight such as cross-training.

Response: The City agrees with the finding and the recommended procedures will be implemented.

2009-2. Inventory

Condition: There is a lack of adequate internal controls over inventory.

Criteria: Internal controls should be in place that provide reasonable assurance that inventory is safeguarded.

Cause: Internal controls over inventory are inadequately designed.

Effect: Because of the lack of internal controls over inventory, inventory is not adequately safeguarded.

Recommendation: Procedures should be implemented that result in greater safeguarding of inventory.

CITY OF LIBERAL, KANSAS

Schedule 11  
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended December 31, 2009

B. FINDINGS – FINANCIAL STATEMENTS (Continued)

Material Weaknesses (Continued)

2009-2. Inventory (Continued)

Response: The City agrees with the finding and the recommended procedures will be implemented.

2009-3. Fixed Assets

Condition: There is a lack of adequate internal controls over fixed assets.

Criteria: Internal controls should be in place that provide for more timely reconciliation of fixed asset records to the general ledger.

Cause: Internal controls over fixed assets are inadequately designed.

Effect: Because of the lack of internal controls over fixed assets, it is not always possible to determine that fixed asset amounts are correct.

Recommendation: Procedures should be implemented that result in more timely reconciliation of fixed asset records to the general ledger.

Response: The City agrees with the finding and the recommended procedures will be implemented.

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

None.

CITY OF LIBERAL, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended December 31, 2009

There were no audit findings relating to federal award programs in the prior years audit.