CITY OF FAIRWAY, KANSAS

BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

CITY OF FAIRWAY, KANSAS

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CUDNEY, ECORD, MCENROE & MULLANE L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council
City of Fairway, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairway, Kansas (the City), as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

1310 CARONDELET DRIVE, SUITE 333, KANSAS CITY, MISSOURI 64114, 816/942-3133
EMAIL: CUDNEYECORD@SBCGLOBAL.NET

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Fairway, Kansas as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Cudney, Ecord, McGuire & Williams

May 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Fairway's (the City) financial statements provides a narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2017. This discussion follows guidelines prescribed by the Governmental Accounting Standards Board (GASB) Statement 34, which enhances comparability between governments. The information presented here should be read in conjunction with the accompanying basic financial statements and the notes to those basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $8,941,651 (net position).

- While the City's total net position decreased during this fiscal year by $69,353, the City's unrestricted portion increased by $38,944.

- At the close of 2017, the City's governmental funds reported combined ending fund balances of $2,677,167, an increase of $185,216 over the prior year. This was primarily due to not spending $138,474 of the Storm Water Fund's 2017 revenues, lower debt service expenditures and utilizing debt service fund balance.

- At the close of 2017, the available fund balance for the General Fund was $1,375,501, a decrease of $144,569 over the prior year. This change is mainly due to an increase in transfers related mostly to the new City Hall.

- The City's total general obligation (GO) debt increased by $1,705,000 during 2017 due to the issuance of $2,320,000 in temporary notes for the new City Hall. This was offset by scheduled payments on GO debt of $615,000.

- The City also entered into a new $172,281 capital lease to finance the purchase of a new street sweeper.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the City's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two reported as net position. These statements include infrastructure assets as well as all known liabilities, including long-term debt. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *Statement of Activities* provides information detailing *how* the City's net position changed during 2017.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to demonstrate compliance with legal requirements, such as state statutes or bond covenants. There are three types of funds: governmental, proprietary, and fiduciary. All of the City's funds are classified as governmental funds. Fund accounting focuses on 1) cash flow and how financial assets can readily be converted to available resources, and 2) the balances left at the end of the fiscal year for future spending. The focus is on the budgetary, short-term financial picture of the reported operations rather than on the longer term economic picture of the City as a whole.

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

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

Notes to the Basic Financial Statements

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

Other Supplementary Information

Required budgetary data related to the General Fund, pension related schedules, combining statements for non-major governmental funds and fund budgetary schedules are presented immediately following the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Governmental Activities	
	2017	2016
Current and other assets	$ 4,950,243	$ 4,305,077
Capital assets	19,464,736	17,911,564
Total assets	24,414,979	22,216,641
Deferred outflows of resources	598,265	546,837
Long-term liabilities	13,584,223	11,715,700
Other liabilities	502,237	150,872
Total liabilities	14,086,450	11,866,572
Total deferred inflows of resources	1,985,143	1,885,902
Net position:		
Net investment in capital assets	7,982,990	8,161,584
Restricted	638,841	568,544
Unrestricted	319,820	280,876
Total net position	$ 8,941,651	$ 9,011,004

Analysis of Net Position

As previously mentioned, net position may serve as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $8,941,651 at the close of 2017.

The largest portion of the City's net position reflects its investment of $7,982,990 in capital assets (e.g. land, buildings, equipment and infrastructure) less any related outstanding debt used to acquire those assets. These assets are used on an ongoing basis to provide services to citizens, and are thus not available for future spending. The City's investment in its capital assets is reported net of related debt; however, the resources needed to repay this debt must come from other sources. The capital assets themselves cannot be liquidated to satisfy these liabilities.

An additional $638,841 of the City's net position represents resources that are subject to external restrictions on how they may be used. Restricted net position includes amounts from the Debt Service Fund and other special revenue funds.

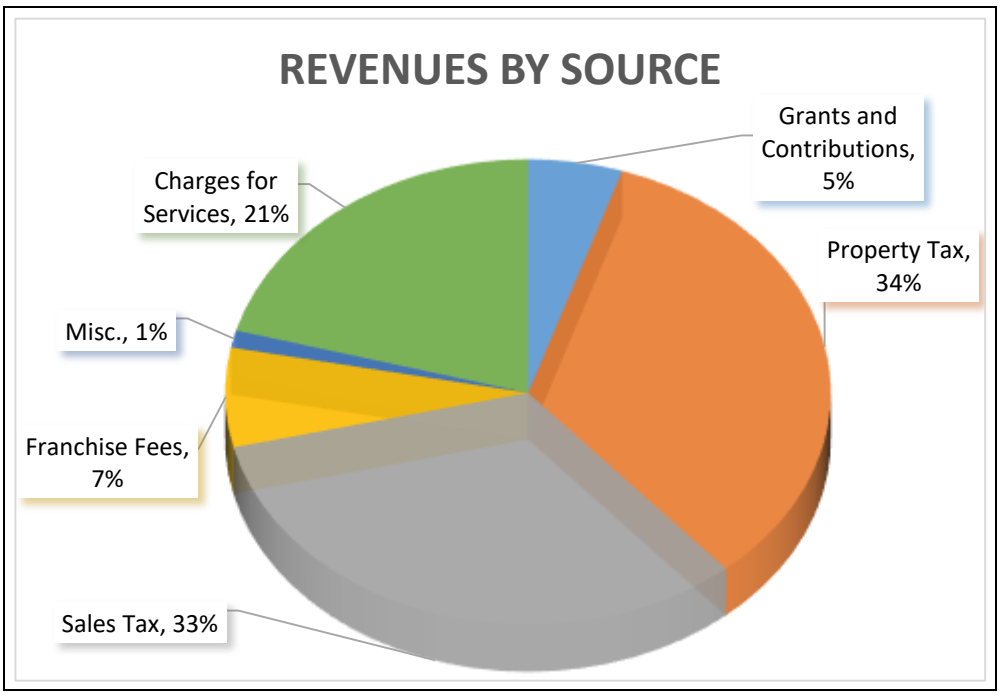
Analysis of Changes in Net Position

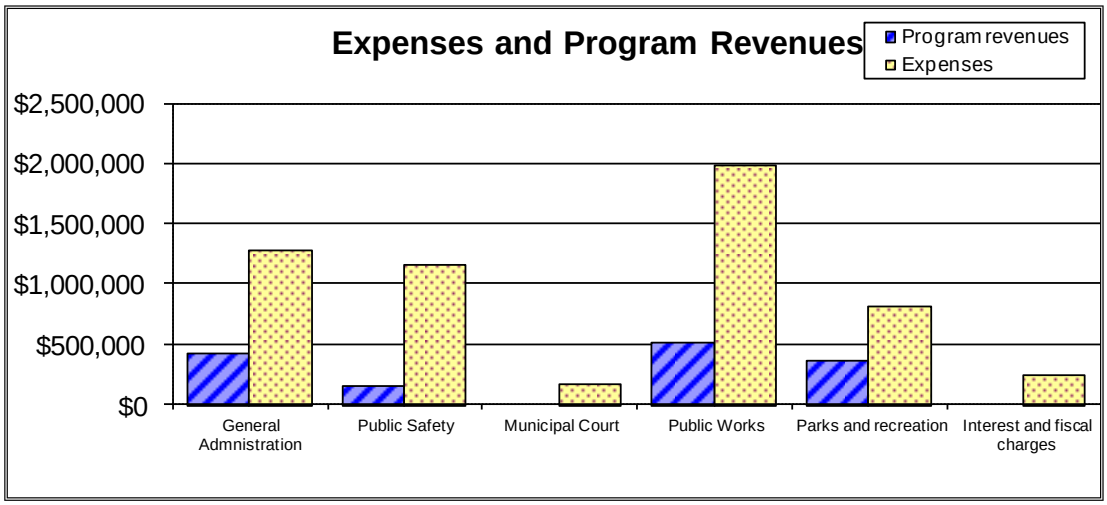
Condensed Statement of Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues:		
Charges for services	$ 1,147,606	$ 1,054,401
Operating grants and contributions	212,751	375,420
Capital grants and contributions	66,659	1,502
General Revenues:		
Property taxes	1,864,773	1,660,776
Sales taxes	1,805,216	1,724,349
Franchise taxes	381,221	382,497
Intergovernmental not restricted	16,873	17,198
Unrestricted investment earnings	9,487	5,950
Miscellaneous	39,730	297,449
Total revenues	5,544,316	5,519,542
Expenses		
General administration	1,267,882	1,124,487
Public safety	1,155,147	1,004,181
Municipal court	164,186	154,122
Public works	1,980,950	2,342,684
Parks and recreation	813,928	681,652
Interest and fiscal charges	231,576	331,400
Total expenses	5,613,669	5,638,526
Change in net position	(69,353)	(118,984)
Net position - beginning of year	9,011,004	9,129,988
Net position - end of year	$ 8,941,651	$ 9,011,004

The City's net position decreased during the fiscal year by a total of $69,353, including these changes:

- Increased revenues consist of additional property taxes due to an increase in assessed valuations and levy rates, increased building permit activity, and higher pool attendance. Operating grant revenues decreased from the prior year as it included a large grant for street improvements.
- The majority of the decrease in expenses is due to the decrease in Public Works expenses from performing two years of street maintenance in 2016. This was offset by increased expenses for public safety and public works personnel. The decrease in interest and fiscal charges reflects the benefit of prior year's bond refundings.
- Under the Parks & Recreation function, the Shawnee Indian Mission Fund was created in 2016 for managing expenses of the Shawnee Indian Mission State Historic Site. The 2017 expenses reflect a full year of operations for this fund.





The charts illustrate Fairway's governmental expenses and program revenues by function, and revenues by source. Public works represents the largest portion of 2017 expenses as the depreciation on infrastructure capital assets is allocated to this function. This is followed by general administration and public safety. Other revenues and expense functions fall within anticipated ranges.

For governmental activities, overall property taxes are the largest source of revenue (34%) followed closely by sales taxes (33%).

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

At the close of 2017, the City's governmental funds reported combined ending fund balances of $2,677,167, an increase of $185,216 over the prior year. This is mostly due to not expending $138,474 of Storm Water Fund 2017 revenues.

The General Fund is the primary operating fund for the City. At the close of 2017, the available fund balance for the General Fund was $1,375,501, $649,153 of which is assigned for subsequent year's expenditures.

The fund balance for the City's General Fund decreased by $144,569 during the fiscal year due to increased revenues which were offset by additional transfers to the Capital Projects Fund for the new City Hall project.

The Capital Projects Fund increased in fund balance by $229,066 as a result of the additional General Fund transfers. This fund continues to receive revenue from the passage of the .5% sales tax in 2009. Per resolution passed by the City Council, ½ of the sales tax is deposited into the Capital Projects Fund.

The Debt Service Fund had a decrease of $86,198 as a result of the budgeted use of fund balance in 2017. This fund receives the other ½ of the revenue from the passage of the .5% sales tax as mentioned above.

Other governmental funds increased by $186,917 primarily due to revenues exceeding expenditures.

The 2014 Sales Tax Fund receives revenues from the passage of a .5% sales tax in 2014 which are to be used to pay costs of a new public works facility and for parks and recreation capital improvements and associated debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between the final budget and actual amounts are not expected to impact either liquidity or future services. The City budgets for reserves and contingency, but does not expect to expend more than a portion of the contingency. This creates a positive budget variance each year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's net capital assets were $19,464,736 as of December 31, 2017. These capital assets include land, buildings, improvements, equipment, drainage improvements, streets and bridges.

Capital Assets
(net of depreciation)

	Governmental Activities	
	2017	**2016**
Land	$ 3,001,614	$ 2,841,072
Construction in progress	-	1,200
Buildings	5,643,953	3,732,116
Improvements other than buildings	785,492	825,232
Equipment	1,030,193	789,999
Infrastructure	9,003,484	9,721,945
Total	$ 19,464,736	$ 17,911,564

Major capital activity in 2017 included the construction of a new City Hall. Additional information about the City's capital assets may be found in Note 2 to the basic financial statements.

Long-Term Debt

At December 31, 2017 the City had total long-term bonds backed by the full faith and credit of the City outstanding of $8,230,000. In December 2012, to take advantage of low interest rates, the City issued $2,670,000 in GO Refunding Bonds (Series 2012-A) to refinance a portion of the Series 2008-A and Series 2008-B GO Bonds. The refunding will save the City $272,000 in interest costs. This savings was allocated to 2014-2018 bond payments. In 2017, the City issued $2,320,000 in temporary notes to fund the acquisition and construction of a new City Hall.

In October 2016, to take advantage of low interest rates, the City issued $3,760,000 (Series 2016-A) in GO Refunding Bonds to refinance a portion of the Series 2010-A GO Bonds. The refunding will save the City $575,573 in future interest costs.

The City's total long-term bonds payable decreased by $615,000 during the fiscal year due to the pay down of prior bond issues.

In January, 2010 the City received notification that Standard & Poor's assigned an 'AA' rating to the City's series 2010-A GO Bonds. S&P affirmed this rating for the Series 2012-A GO Refunding Bonds. S&P assigned the City a 'AA+' rating to the series 2015-A GO Bonds and that rating was re-affirmed with the Series 2016-A GO Bonds.

Kansas statutes limit the amount of general obligation debt a governmental entity may issue to 30% of their total assessed valuation. The current debt limitation for the City is $30,205,864, leaving a debt margin of $19,655,864. The City's general obligation debt subject to the limitation is $10,550,000, which equates to only 10.5% of the total assessed valuation.

Additional information on the City's long-term debt can be found in Note 4 of the basic financial statements.

Outstanding Bonds

General Obligation Bonds

	Governmental Activities	
	2017	2016
General Obligation Bonds		
Series 2010-A	$ -	$ 105,000
Series 2010-B	40,000	75,000
Series 2012-A	1,625,000	1,940,000
Series 2014-A	865,000	910,000
Series 2015-A	2,010,000	2,055,000
Series 2016-A	3,690,000	3,760,000
Total	$ 8,230,000	$ 8,845,000

In addition to the general obligation bonds above, the City also has $2,320,000 of general obligation temporary notes outstanding as of December 31, 2017.

Economic Factors and Next Year's Budgets and Rates

Total assessed property values for the City are projected to rise again in 2018. In addition, prior increases in building permits further strengthened the City's property tax assessment base. The factors that drive changes in both revenues and expenditures have been increasing in tandem, a prognosis for future stable mill levy rates.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the City's finances for all interested parties. Questions concerning any of the information provided in the report or requests for additional information should be directed to the City Administrator/City Clerk, City of Fairway, 5240 Belinder Road, Fairway, Kansas 66205.

Basic
Financial Statements

City of Fairway, Kansas

Statement of Net Position
December 31, 2017

	Governmental Activities
Assets	
Deposits and investments	$ 2,631,280
Receivables (net of allowance for uncollectibles):	
Property taxes	1,842,006
Sales and other taxes	373,885
Intergovernmental	51,522
Other	1,404
Restricted deposits and investments	10,286
Prepaid items	39,860
Capital assets:	
Land	3,001,614
Other capital assets, net of depreciation	16,463,122
Total assets	24,414,979
Deferred Outflows of Resources	
Deferred amount on refunding	132,850
Pension related amounts	465,415
Total assets and deferred outflows of resources	25,013,244
Liabilities	
Accounts and retainage payable	357,333
Accrued payroll and payroll liabilities	63,441
Accrued interest payable	71,157
Court bonds payable	10,296
Long-term liabilities:	
Due within one year	887,148
Due in more than one year	10,942,861
Net pension liability	1,754,214
Total liabilities	14,086,450
Deferred Inflows of Resources	
Property taxes receivable	1,842,006
Pension related amounts	143,137
Total deferred inflows of resources	1,985,143
Net Postion	
Net investment in capital assets	7,982,990
Restricted for:	
Debt service	290,426
Capital projects	261,309
Other purposes	87,106
Unrestricted	319,820
Total net position	$ 8,941,651

See the accompanying notes to the basic financial statements.

City of Fairway, Kansas

Statement of Activities

For the year ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:					
General administration	$ 1,267,882	$ 416,583	$ -	$ -	$ (851,299)
Public safety	1,155,147	151,322	-	-	(1,003,825)
Municipal court	164,186	-	-	-	(164,186)
Public works	1,980,950	297,034	138,378	66,659	(1,478,879)
Parks and recreation	813,928	282,667	74,373	-	(456,888)
Interest and fiscal charges	231,576	-	-	-	(231,576)
Total primary government	$ 5,613,669	$ 1,147,606	$ 212,751	$ 66,659	(4,186,653)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	1,819,472
Property taxes, levied for debt service	45,301
Sales taxes	1,805,216
Franchise taxes	381,221
Intergovernmental not restricted to a specific program	16,873
Unrestricted investment earnings	9,487
Miscellaneous	39,730
Total general revenue	4,117,300
Change in net position	(69,353)
Net position-beginning of year	9,011,004
Net position-end of year	$ 8,941,651

See the accompanying notes to the basic financial statements.

City of Fairway, Kansas

Balance Sheet
Governmental Funds
December 31, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Deposits and investments	$ 1,254,165	$ 56,894	$ 758,538	$ 561,683	$ 2,631,280
Receivables (net of allowance for uncollectibles):					
Property taxes	1,787,464	54,542	-	-	1,842,006
Sales and other taxes	271,954	25,483	25,483	50,965	373,885
Intergovernmental	24,428	-	-	27,094	51,522
Other	1,404	-	-	-	1,404
Restricted deposits and investments	10,286	-	-	-	10,286
Prepaid items	39,860	-	-	-	39,860
Total assets	$ 3,389,561	$ 136,919	$ 784,021	$ 639,742	$ 4,950,243
Liabilities:					
Accounts and retainage payable	$ 152,859	$ -	$ 201,039	$ 3,435	$ 357,333
Accrued payroll and payroll liabilities	63,441	-	-	-	63,441
Court bonds payable	10,296	-	-	-	10,296
Total liabilities	226,596	-	201,039	3,435	431,070
Deferred inflows of resources:					
Property taxes receivable	1,787,464	54,542	-	-	1,842,006
Fund balances:					
Nonspendable	39,860	-	-	-	39,860
Restricted for:					
Debt service	-	82,377	-	250,711	333,088
Capital projects	-	-	-	278,490	278,490
Other purposes	-	-	-	87,106	87,106
Committed for capital projects	-	-	-	20,000	20,000
Assigned to:					
Capital projects	-	-	582,982	-	582,982
Subsequent year's expenditures	649,153	-	-	-	649,153
Unassigned	686,488	-	-	-	686,488
Total fund balances	1,375,501	82,377	582,982	636,307	2,677,167
Total liabilities, deferred inflows of resources and fund balances	$ 3,389,561	$ 136,919	$ 784,021	$ 639,742	$ 4,950,243

See the accompanying notes to the basic financial statements.

City of Fairway, Kansas

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
December 31, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Ending fund balances - total governmental funds	$ 2,677,167
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Position the cost of those assets is capitalized and shown at cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Position.	19,464,736
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as liabilities within the fund financial statements. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Discounts, premiums, and deferred amounts on refunding are reported in the governmental fund financial statements when the debt was issued, whereas these amounts are deferred and amortized over the life of the related debt in the government-wide financial statements. Balances as of December 31, 2017 for long-term liabilities and related items are:	
Deferred amount on refunding	132,850
Accrued interest payable	(71,157)
Pension related deferred outflows of resources	465,415
Pension related deferred inflows of resources	(143,137)
Net pension liability	(1,754,214)
Long-term liabilities	(11,830,009)
Total net position of governmental activities	$ 8,941,651

See the accompanying notes to the basic financial statements.

City of Fairway, Kansas

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2017

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Ad valorem taxes	$ 1,819,472	$ 45,301	$ -	$ -	$ 1,864,773
Sales tax	1,244,605	140,153	140,153	280,305	1,805,216
Special assessments	266,457	-	-	-	266,457
Intergovernmental	41,301	-	74,438	160,544	276,283
Licenses, permits and fees	172,054	-	-	-	172,054
Franchise taxes	381,221	-	-	-	381,221
Charges for services	279,608	-	-	280,775	560,383
Fines, forfeitures and penalties	148,712	-	-	-	148,712
Use of money and property	9,487	-	-	-	9,487
Miscellaneous	39,615	-	-	20,115	59,730
Total revenues	4,402,532	185,454	214,591	741,739	5,544,316
Expenditures:					
Current:					
General administration	1,111,794	-	-	-	1,111,794
Public safety	1,059,202	-	-	-	1,059,202
Municipal court	162,009	-	-	-	162,009
Public works	761,206	-	-	93,252	854,458
Parks and recreation	505,196	-	-	150,551	655,747
Capital outlay	-	-	3,072,794	-	3,072,794
Debt service:					
Principal retirements	267,488	223,048	-	261,298	751,834
Interest, fiscal charges and issue costs	41,454	48,604	21,208	111,987	223,253
Total expenditures	3,908,349	271,652	3,094,002	617,088	7,891,091
Excess (deficiency) of revenues over expenditures	494,183	(86,198)	(2,879,411)	124,651	(2,346,775)
Other financing sources (uses):					
Issuance of temporary notes	-	-	2,320,000	-	2,320,000
Capital leases	-	-	172,281	-	172,281
Proceeds from the sale of capital assets	39,710	-	-	-	39,710
Transfers in	-	-	616,196	62,266	678,462
Transfers out	(678,462)	-	-	-	(678,462)
Total other financing sources (uses)	(638,752)	-	3,108,477	62,266	2,531,991
Net change in fund balances	(144,569)	(86,198)	229,066	186,917	185,216
Fund balances, beginning of year	1,520,070	168,575	353,916	449,390	2,491,951
Fund balances, end of year	$ 1,375,501	$ 82,377	$ 582,982	$ 636,307	$ 2,677,167

See the accompanying notes to the basic financial statements.

City of Fairway, Kansas

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the year ended December 31, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	$ 185,216
Governmental funds report capital outlays as expenditures in the year acquired. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts are the effect of capital additions and depreciation in the current period:	
Capital additions	2,900,146
Depreciation expense	(1,261,970)
The proceeds from the sale of capital assets are reported as revenues in the governmental funds. However, the cost and accumulated depreciation are removed from the capital asset accounts and offset against the proceeds in the Statement of Activities. This is the amount of the net book value of the assets disposed.	(85,004)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the effect of the differences in the treatment of long-term debt and related items:	
Temporary note proceeds	(2,320,000)
Capital leases	(172,281)
Principal payments	751,834
Accrued interest expense	(17,004)
Amortization of bond premiums	29,065
Amortization of the deferred amount on refunding	(20,384)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Pension expense	(19,341)
Change in compensated absences	(33,096)
Change in postemployment benefits	(6,534)
Total change in net position of governmental activities	$ (69,353)

See the accompanying notes to the basic financial statements.

Notes to the
Basic
Financial Statements

Note 1: Summary of Significant Accounting Policies

The City of Fairway, Kansas (the City), was incorporated in 1949 as a City of the second class. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police), street maintenance, solid waste removal, culture and recreation, public improvements, and general administrative services.

The accounting and reporting policies of the City of Fairway, Kansas conform to accounting principles generally accepted in the United States of America. The more significant accounting and reporting policies and practices employed by the City are as follows:

A. Reporting Entity

Generally accepted accounting principles require that the basic financial statements present the City (the primary government) and its component units. Component units are required to be included in the City's reporting entity based on the concept of financial accountability; including the significance of their operational or financial relationships with the City. Based on the evaluation criteria, there are no component units related to the City which should be included in the basic financial statements.

B. Basis of Presentation

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City, the primary government, as a whole. Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange transactions.

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

The City's net position is reported in three parts—net investment in capital assets, which consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets; restricted, which consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation; and unrestricted. The City generally utilizes restricted resources first to finance qualifying activities.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

Fund Financial Statements

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

The major governmental funds of the City are described below:

General Fund - is the main operating fund of the City which accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are financed through revenues received by the General Fund.

Capital Projects Fund - is used to account for all resources derived from bond proceeds, grants and contributions from outside agencies used to finance major capital improvements in the City.

Debt Service Fund - is used to account for resources to be used for the payment of principal, interest and related costs of the general obligation bonds and certain other long-term obligations of the City.

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, sales tax and donations. Revenues from grants or donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes sales taxes, franchise taxes, investment earnings and state-levied locally shared taxes (including motor

fuel taxes). Reimbursements due for grant funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes receivable are recorded and deferred until they become available.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on long-term debt which have not matured are recognized when due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Budgetary Basis Accounting and Information

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specially exempted by statute), and the Debt Service Fund. An annual operating budget is not required for the Drug Tax special revenue fund under the statutory exemption. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

(1) Preparation of the budget for the succeeding calendar year on or before August 1st.

(2) Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

(3) Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

(4) Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at any time. There were no budget amendments in 2017.

The statutes establish the overall budget level of control at the fund level by prohibiting expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may not amend a fund's budgeted expenditures without Council approval. Spending in funds that 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 City.

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

Property Taxes Receivable

In accordance with governing state statutes, property taxes levied during the current year are revenue sources to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and are levied and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, the taxes levied during the current year are not recognized as revenue until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred inflows of resources on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer as of December 31, 2017. Estimated delinquencies are insignificant and have not been recorded.

Deposits and Investments

The disclosures that follow have been prepared in accordance with the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement establishes disclosure requirements for investment and deposit risks related to credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk.

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

A summary of the carrying values of deposits, certificates of deposit and petty cash at December 31, 2017 is as follows:

Total deposits	$ 2,236,343
Certificates of deposit	405,054
Petty cash	169
	$ 2,641,566

Restricted deposits and investments consist of cash held for court bonds in the General Fund.

Investment Policies

State statutes limit the types of investments the City may utilize. Allowable investments generally include United States Treasury bills or notes with maturities not exceeding two years, repurchase agreements and the Kansas State Municipal Investment Pool. In addition, bond proceeds may be invested in United States government agency securities, money market mutual funds that invest in United States government or agency securities and certain Kansas municipal obligations.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For deposits, the City's policy follows state statutes which require pledged collateral with a fair value equal to 100% of the funds on deposit, less insured amounts, and that the collateral be held in safekeeping in the City's name at other than the depository financial institution.

At December 31, 2017, the City's deposits were covered by Federal depository insurance or were fully collateralized by securities held by the City's agent in the City's name.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the City follows state statues which generally limit investment maturities to two years. To minimize the risk of loss, the City matches investments to anticipated cash flows and diversifies the investment types to the extent practicable.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (i.e. roads, storm sewers, etc.), are reported in the applicable governmental activities column in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial individual cost of $1,000 or more and a useful life greater than one year. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Assets, which have been acquired with funds received through grants, must be used in accordance with the terms of the grant.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position and is provided on the straight-line basis over the following estimated useful lives:

Buildings	20 years
Improvements other than buildings	7-30 years
Equipment	5-20 years
Infrastructure	10-50 years

Fully depreciated capital assets are included in the capital asset accounts until their disposal.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position now reports a separate section for deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources

(expense/expenditure) until then. The City reports the deferred amount on refunding and pension related amounts in this category. A deferred amount on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and balance sheets now report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reports unavailable revenue from property taxes that will be recognized as an inflow of resources in the period for which they were levied and pension related amounts in this category.

Compensated Absences

City employees earn vacation time in varying amounts based upon their length of service. The City's policies allow unused vacation leave and all unused compensatory time to be carried over into the next year. The unused vacation leave carryover is limited to the maximum number of hours earned in the calendar year. This carryforward is payable upon separation from service. The liability of $159,652 for compensated absences at December 31, 2017 is reported in the government-wide financial statements, but not in the governmental fund financial statements as it is not estimated to be payable from expendable available resources.

In lieu of sick time, employees are allowed to receive salary continuation for up to 30 consecutive days per illness upon approval of their supervisor. If an employee is unable to perform their duties as a result of illness or disability, the City provides a short-term disability policy through a third-party to all full-time employees. The policy takes effect on the 31st calendar day following a salary continuation that has been paid for by the City and may last up to 22 weeks.

Pensions

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

Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported in the Statement of Net Position as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Issuance costs are expensed when incurred. Bonds payable are reported net of the applicable bond premium or discount. Refunding costs are deferred and amortized on a straight-line basis over the life of the new debt, or the remaining life of the old debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

Fund Balances

In the governmental fund financial statements, fund balances are reported in the following classifications, which are primarily based on the extent to which a government is bound to observe constraints imposed upon the use of the resources.

Nonspendable – Nonspendable consists of amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Committed – This classification consists of amounts that can be used only for the specific purposes imposed by a formal action of the governing body and cannot be used for any other purpose unless removed or changed by taking the same type of action that previously committed those amounts.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts would represent intended uses established by the governing body or a City official delegated that authority, and includes the amount to be used to finance expenditures for the next year's budget.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

Minimum Unassigned Fund Balance – It is the policy of the City to maintain an unassigned fund balance in the General Fund equal to 10% of the current year budget to be used for unanticipated expenditures of an emergency or nonrecurring nature, and for cash flow needs. Amounts above the minimum may be used for transfers to the Capital Projects or Debt Service funds.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 2: Capital Assets

A summary of changes in capital assets for the year follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 2,841,072	$ 160,542	$ -	$ 3,001,614
Construction in progress	1,200	-	1,200	-
Total capital assets not being depreciated	2,842,272	160,542	1,200	3,001,614
Capital assets being depreciated:				
Buildings	4,290,490	2,050,352	-	6,340,842
Improvements other than buildings	1,909,870	127,777	345,733	1,691,914
Equipment	1,939,555	428,539	279,963	2,088,131
Infrastructure	23,265,813	134,136	35,364	23,364,585
Total capital assets being depreciated	31,405,728	2,740,804	661,060	33,485,472
Less accumulated depreciation for:				
Buildings	558,374	138,515	-	696,889
Improvements other than buildings	1,084,638	88,287	266,503	906,422
Equipment	1,149,556	182,571	274,189	1,057,938
Infrastructure	13,543,868	852,597	35,364	14,361,101
Total accumulated depreciation	16,336,436	$ 1,261,970	$ 576,056	17,022,350
Total capital assets being depreciated, net	16,190,936			16,463,122
Governmental activities capital assets, net	$ 19,033,208			$ 19,464,736

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

General administration	$ 53,090
Public safety	90,283
Public works	948,256
Parks and recreation	170,341
Total depreciation expense	$ 1,261,970

Note 3: Special Assessments

Special assessment taxes consist of charges to the City's residents for trash and recycling services and are due and payable with annual ad valorem property taxes.

Note 4: Long-term Debt

The following is a summary of changes in long-term debt for the year ended December 31, 2017:

	Balance January 1, 2017	Increases	Decreases	Balance December 31, 2017	Amounts Due Within One Year
General obligation bonds	$ 8,845,000	$ -	$ 615,000	$ 8,230,000	$ 570,000
Temporary notes	-	2,320,000	-	2,320,000	-
Unamortized premium	249,044	-	29,065	219,979	29,066
Lease purchase agreement	729,959	-	84,261	645,698	86,168
Capital leases	79,211	172,281	52,573	198,919	49,067
Compensated absences*	126,556	105,085	71,989	159,652	152,847
Postemployment benefits	49,227	6,534	-	55,761	-
Total governmental activities debt	$ 10,078,997	$ 2,603,900	$ 852,888	$ 11,830,009	$ 887,148

* Compensated absences typically have been liquidated in the General Fund.

General obligation bonds outstanding at December 31, 2017 are as follows:

	Date Issued	Interest Rates	Original Amount	Maturity Date	Outstanding December 31, 2017
Internal improvements:					
Series 2010 B	12/15/10	2 - 3%	$ 310,000	9/1/18	$ 40,000
Series 2012 A	12/15/12	2%	2,670,000	9/1/22	1,625,000
Series 2014 A	10/30/14	1%	1,000,000	9/1/34	865,000
Series 2015 A	2/26/15	1 - 3%	2,100,000	9/1/34	2,010,000
Series 2016 A	10/27/16	2%	3,760,000	9/1/29	3,690,000
			$ 9,840,000		$ 8,230,000

The annual debt service requirements to amortize the general obligation bonds outstanding as of December 31, 2017 are as follows:

Year	Principal	Interest	Total
2018	$ 570,000	$ 169,670	$ 739,670
2019	575,000	158,770	733,770
2020	590,000	147,968	737,968
2021	600,000	136,888	736,888
2022	485,000	125,636	610,636
2023 - 2027	2,905,000	477,558	3,382,558
2028 - 2032	2,020,000	175,250	2,195,250
2033 - 2034	485,000	18,600	503,600
Total	$ 8,230,000	$ 1,410,340	$ 9,640,340

On April 27, 2017, the City issued $2,320,000 in General Obligation Temporary Notes, Series 2017-A to finance the property acquisition and related improvements to a new city hall building. The notes carry an interest rate of 1.2%, and will be refinanced upon their maturity on May 1, 2019. The annual debt service requirements at December 31, 2017 are:

Year	Principal	Interest	Total
2018	$ -	$ 13,920	$ 13,920
2019	2,320,000	13,920	2,333,920
	$ 2,320,000	$ 27,840	$ 2,347,840

The City entered into an $850,000 lease purchase agreement to acquire a building for its public works facility. The lease purchase carries an interest rate of 2.25% and is payable in semi-annual installments through September 2, 2024. The annual debt service requirements as of December 31, 2017 are:

Year	Principal	Interest	Total
2018	$ 86,168	$ 14,046	$ 100,214
2019	88,118	12,096	100,214
2020	90,111	10,103	100,214
2021	92,150	8,064	100,214
2022	94,235	5,979	100,214
2023-2024	194,916	5,513	200,429
	$ 645,698	$ 55,801	$ 701,499

The City has entered into two capital leases to finance the purchase of vehicles and equipment with a cost of $454,254 at interest rates of 3.08% and .78%, with payments due in semi-annual installments through 2024. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017 are as follows:

2018	$ 54,610
2019	27,736
2020	27,736
2021	27,736
2022	27,736
2023-2024	55,470
	221,024
Less imputed interest	22,105
Present value of minimum lease payments	$ 198,919

Legal Debt Margin

The City is subject to state statutes, which limit the amount of bonded debt (exclusive of revenue bonds, bonds issued for storm drainage and sanitary sewer improvements, and refunding bonds) that the City may issue to 30% of assessed valuation. Currently the City has a debt limit of $30,205,864, leaving a debt margin of $19,655,864.

Note 5: Pension and Other Postemployment Benefit Plans

Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description – The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan (the Plan). Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information in its Comprehensive Annual Financial Report which can be found on the KPERS website at http://www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

KPERS provides pension benefits to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

1) Public employees, which includes state/school employees and local employees

2) Police and firemen

3) Judges

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

The employees participating in the Plan for the City are included in the local employee group or the police and firemen group.

Benefits Provided – KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees (except police and firemen) with 10 or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with 10 years of credited service, or whenever an employee's combined age and years of credited service equal 85 (police and firemen's normal retirement ages are 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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

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

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with 5 years of service or 60 with 30 years of service. Early retirement is available at age 55 with 10 years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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

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

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

The actuarially determined employer contribution rate and the statutory contribution rate for the local employee group are both 8.46%. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2017 is 6%. The actuarially determined employer contribution rate and the statutory contribution rate for the police and firemen group are both 19.03%. Member contribution rates for this group are 7.15%.

Contributions to the Plan from the City for the local employee group and police and firemen group were $70,318 and $125,252, respectively, for the year ended December 31, 2017.

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

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

At December 31, 2017, the City reported a liability of $616,187 for KPERS and $1,138,027 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2017, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2017. The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

At June 30, 2017, the City's proportion and change from its proportion measured as of June 30, 2016 were as follows:

	Net pension liability as of June 30, 2017	Proportion as of June 30, 2017	Increase (decrease) in proportion from June 30, 2016
KPERS (local)	$ 616,187	.0425%	.0057%
KP&F	1,138,027	.1214%	.0065%
	$ 1,754,214		

For the year ended December 31, 2017, the City recognized pension expense of $78,188 for KPERS and $136,943 for KP&F. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 57,994	$ 29,819
Net differences between projected and actual earnings on pension plan investments	61,488	-
Changes in proportions	130,651	103,726
Changes in assumptions	112,651	9,592
Contributions subsequent to the measurement date	102,631	-
Total	$ 465,415	$ 143,137

$102,631 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as increases (decreases) to pension expense as follows:

Year Ended	
2018	$ 28,697
2019	96,694
2020	64,902
2021	8,960
2022	20,394
	$ 219,647

Actuarial Assumptions

The total pension liability for KPERS in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Price inflation	2.75%
Wage inflation	3.5%
Salary increases, including wage increases	3.5% to 12%, including inflation
Long-term rate of return, net of investment expense, and including price inflation	7.75%

The actuarial cost method is entry age normal. The amortization method is level percentage of payroll, closed.

Mortality rates were based on the RP-2014 Mortality Tables with age setbacks and set forwards, as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

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

The actuarial assumption changes adopted by the Pension Plan for all groups based on the experience study are as follows:

- Price inflation assumption lowered from 3% to 2.75%
- Investment return assumption was lowered from 8% to 7.75%
- General wage growth assumption was lowered from 4% to 3.5%
- Payroll growth assumption was lowered from 4% to 3%

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of the most recent experience study, dated November 18, 2016, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	2%	(0.25)%
Total	100%	

Discount Rate

The discount rate used by KPERS to measure the total pension liability at June 30, 2017 was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this

group may not increase by more than the statutory cap. Local employers are currently contributing the full actuarial contribution rate. Employers contribute the full actuarial determined rate for KP&F. The expected employer actuarial contribution rate was modeled for future years for these groups, assuming all actuarial assumptions are met in the future years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (6.75%)	Current Discount Rate	1% Increase (8.75%)
City's KPERS proportionate share of the net pension liability	$ 887,445	$ 616,187	$ 387,528
City's KP&F proportionate share of the net pension liability	1,614,456	1,138,027	739,189
	$ 2,501,901	$ 1,754,214	$ 1,126,717

Pension Plan Fiduciary Net Position

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

Defined Contribution Plan

The City has established a defined contribution plan for those full-time employees eligible for the KPERS and KP&F programs. The plan is administered by ING Life Insurance and Annuity Company, and any changes to the plan's provisions or the contribution requirements are determined by the governing body of the City. There were no contributions for 2017.

Other Postemployment Benefits

In accordance with GASB Statement No. 45, the City recognizes the cost of postemployment healthcare benefits in the year when the employee services are provided and reports the accumulated liability from prior years.

Plan Description - In addition to providing the pension benefits described above, the City provides employees that retire under KPERS and KP&F at the same time they end their service to the City the opportunity for continuation of medical and dental insurance coverage offered through Midwest

Public Risk (MPR), a public entity risk pool. It has been determined that MPR functions as an agent multiple-employer plan.

Retirees who elect to continue coverage in the medical and dental plans offered through MPR are required to pay a contribution until the employee becomes eligible for Medicare. Since the retirees pay the premiums each year, the City's share of any premium cost is determined on the basis of a blended rate or implicit rate subsidy calculation. This implicit rate subsidy is considered an other postemployment benefit (OPEB) under GASB 45. The benefits and benefit levels are governed by City policy and the MPR pool arrangement.

The pool arrangement with MPR is maintained to collect premiums and pay claims and administrative costs and does not qualify as an OPEB plan and is not treated as holding assets in order to offset GASB 45 liabilities. The plan is not accounted for as a trust fund since an irrevocable trust has not been established. There is no stand alone financial report for the plan.

Funding Policy - The City does not pay retiree benefits directly, as they are paid implicitly over time through employer subsidization of active premiums that would be lower if retirees were not part of the experience group.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, which represents an amount that is actuarially determined in accordance with the requirements of GASB Statement 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year plus the amortization of the unfunded actuarial liability over thirty years.

For the year ended December 31, 2017, the components of the annual OPEB cost are as follows:

Normal cost	$4,334
Amortization of unfunded liability	2,877
Annual required contribution	7,211
Interest on net OPEB obligation	2,215
Adjustment to the ARC	(2,892)
Annual OPEB cost	$6,534

The schedule of employer contributions for the year ended December 31, 2017 is as follows:

Year Ending	Annual OPEB Cost	Estimated Retiree Benefits For the Year *	Percentage Contributed	Net OPEB Obligation
2015	$ 8,985	-	-0- %	$ 42,602
2016	6,625	-	-0- %	49,227
2017	6,534	-	-0- %	55,761

* Contribution related to implicit rate subsidy.

Funded Status and Funding Progress - As of July 1, 2015, which represents the most recent actuarial valuation date, the actuarial accrued liability for benefits within the plan for the City is $45,841. There are no assets set aside for funding the plan as of that date, thus the entire amount

is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1,198,240, which results in a ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll of 3.8 %.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% investment rate of return and an annual healthcare cost trend rate of 7% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized on a level dollar, open basis over a period of thirty years.

Note 6: Interfund Transfers

Interfund transfers for the year ended December 31, 2017 are as follows:

	Transfers In	Transfers Out
General fund	$ -	$ 678,462
SIM fund	52,266	-
Capital Projects fund	616,196	-
Equipment Reserve fund	10,000	-
	$ 678,462	$ 678,462

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

Note 7: Commitments and Contingencies

Litigation

The City is subject to various legal actions and claims arising in the normal course of its activities. In the opinion of management and counsel, the probability of material aggregate liabilities resulting from these claims is remote.

Operating Lease

The City entered into an operating lease agreement for City Hall office space which began September 15, 2008 and had an initial term of seven years, with an option to renew for an additional five years. In 2015, the final lease term was extended to December 2017. For 2017, the lease expenditures under this lease were $87,764.

Tax Abatements

Generally accepted accounting principles require the City to disclose information about tax abatement agreements entered into by it, or other governmental entities, that reduce the City's tax revenues. As of December 31, 2017, the City has not entered into any such agreements, and based on its review, has determined that no other governmental entities have entered into any agreements that would reduce its tax revenues.

Commitments

Capital projects often extend over several years. The City has made normal commitments for future expenditures related to capital project programs.

Note 8: Risk Management

The City is exposed to various risks of loss related to torts, loss and damage to property, errors and omissions and injuries to employees. There have been no significant changes in coverages from the previous year and settled claims have not exceeded the insurance coverage in any of the past three years. The City obtains health, dental, and property and liability coverage through its membership in Midwest Public Risk (MPR), which was formed as a public entity risk retention pool. MPR has the authority to assess its members additional premiums should reserves and premiums be insufficient to meet its obligations. MPR has not had any deficiencies in the last three years and the City does not anticipate any additional assessments in excess of the premiums paid.

The City obtains workers' compensation insurance through its membership in the Kansas Eastern Region Insurance Trust (KERIT), whose members consist of local cities and counties. KERIT is a risk-sharing pool organized under the insurance laws of the State of Kansas, which self-insures workers' compensation and other related expenses up to certain limits and reinsures additional excess amounts up to certain limits. The City pays annual premiums to the Trust based upon historical experience and legal requirements mandated by the State of Kansas. The trust agreement allows for member assessments in the event claims and expenses exceed the Trust's self-insured retention limit. The City does not anticipate any additional assessments in excess of premiums paid as a result of their participation in the Trust.

Note 9: Shawnee Indian Mission Historical Site

In 2016, the City entered into various agreements to manage the Shawnee Indian Mission (SIM) historical site and created the Shawnee Indian Mission Fund to account for the activities associated with these agreements. The agreements are with the Kansas State Historical Society (KSHS), which is the custodian of the site, and the Shawnee Indian Mission Foundation (SIMF), a not-for-profit corporation whose purpose is to preserve and promote the site.

The agreement with the KSHS permits the City to manage the daily operations of the site, including the responsibility for routine maintenance, and allows the City to retain any admissions and rental fees. The agreement also provides funding for the operating costs of the site, subject to state appropriation, over the term of the agreement which is from July 1, 2016 to June 30 2021. The funding is only for the period from July 1, 2016 to June 30, 2019, and was $37,500 for 2017.

The agreement with the SIMF establishes the collaboration with the City to preserve and maintain the site and specifies the minimum SIMF funding to be provided to the City for the term of the agreement which is from July 1, 2016 to June 30, 2021. The funding for 2017 was $20,000. The City and the SIMF have also entered into an agreement to establish an endowment fund in order to generate additional resources to support the site.

Required Supplementary Information

City of Fairway, Kansas

Required Supplementary Information
Budgetary Comparison Schedule - General Fund
(Non-GAAP Basis)
For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	$ 1,829,302	$ 1,829,302	$ 1,819,472	$ (9,830)
Sales tax	1,134,000	1,134,000	1,244,605	110,605
Special assessments	267,479	267,479	266,457	(1,022)
Intergovernmental	18,109	18,109	41,301	23,192
Licenses, permits and fees	134,950	134,950	172,054	37,104
Franchise taxes	384,600	384,600	381,221	(3,379)
Charges for services	229,600	229,600	279,608	50,008
Fines, forfeitures and penalties	153,000	153,000	148,712	(4,288)
Use of money and property	700	700	9,487	8,787
Miscellaneous	-	-	39,615	39,615
Total revenues	4,151,740	4,151,740	4,402,532	250,792
Expenditures:				
Current:				
General administration	1,320,015	1,320,015	1,228,303	91,712
Public safety	1,115,526	1,115,526	1,089,949	25,577
Municipal court	169,674	169,674	162,009	7,665
Public works	998,358	998,358	922,892	75,466
Parks and recreation	578,091	578,091	505,196	72,895
Contingency	696,529	696,529	-	696,529
Total expenditures	4,878,193	4,878,193	3,908,349	969,844
Excess (deficiency) of revenues over expenditures	(726,453)	(726,453)	494,183	1,220,636
Other financing sources (uses):				
Proceeds from the sale of capital assets	-	-	39,710	39,710
Transfers out	(145,000)	(145,000)	(678,462)	(533,462)
Total other financing sources (uses)	(145,000)	(145,000)	(638,752)	(493,752)
Net change in fund balance	(871,453)	(871,453)	(144,569)	$ 726,884
Fund balance, beginning of year	871,453	871,453	1,520,070	
Fund balance, end of year	$ -	$ -	$ 1,375,501	

City of Fairway, Kansas

Schedule of the City's Proportionate Share of the Net Pension Liability

Kansas Public Employees Retirement System

December 31, 2017

	2017	2016	2015
City's proportion of the net pension liability:			
KPERS	.0425%	.0368%	.0376%
KP&F	.1214%	.1149%	.1316%
City's proportionate share of the net pension liability	$ 1,754,214	$ 1,636,703	$ 1,448,984
City's covered payroll	$ 1,390,361	$ 1,177,166	$ 1,225,299
City's proportionate share of the net pension liability as a percentage of its covered payroll	126.17%	139.04%	118.26%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%

The amounts presented were determined as of June 30th.

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

City of Fairway, Kansas

Schedule of Pension Contributions

Kansas Public Employees Retirement System

December 31, 2017

	2017	2016	2015
Contractually required contribution	$ 195,570	$ 175,756	$ 185,949
Contributions in relation to the contractually required contribution	(195,570)	(175,756)	(185,949)
Contribution deficiency (excess)	$ -	$ -	$ -
City's covered payroll	$ 1,489,359	$ 1,240,692	$ 1,154,587
Contributions as a percentage of covered payroll	13.13%	14.17%	16.11%

Note: This schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

City of Fairway, Kansas

Schedule of Funding Progress -
Other Postemployment Benefit Obligations
For the year ended December 31, 2017

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c)) UAL as a Percent of Covered Payroll
7/1/11	$ -	$ 46,597	$ 46,597	0%	$ 1,002,283	4.6%
7/1/13	$ -	$ 55,507	$ 55,507	0%	$ 1,102,887	5.0%
7/1/15	$ -	$ 45,841	$ 45,841	0%	$ 1,198,240	3.8%

City of Fairway, Kansas

Notes to Required Supplementary Information
December 31, 2017

Required supplementary information includes financial information and disclosures that are required by GASB but are not considered a part of the basic financial statements. This information includes the Budgetary Comparison Schedule – General Fund, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of Pension Contributions, and the Schedule of Funding Progress – Other Postemployment Benefits.

Budgetary Data

The City utilizes encumbrances for budgetary reporting purposes. Encumbrances relating to certain contractual agreements, supplies and equipment that have been ordered but not received are reported in the year the commitment arises for budgetary reporting purposes. However, for financial reporting purposes, the goods or services are reported when they are received. All unencumbered appropriations lapse at year-end.

Pension Schedules - Changes of Benefits or Assumptions

There were no changes in benefit terms during the Plan year ended June 30, 2017 that affected the measurement of the total pension liability.

Actuarial assumption changes were adopted by the Plan consisted of:

- Lowering the price inflation assumption from 3% to 2.75%
- Lowering the investment return assumption from 8% to 7.75%
- Lowering the general wage growth assumption from 4% to 3.5%
- Lowering the payroll growth assumption from 4% to 3%

Combining and Individual Fund Statements and Schedules

City of Fairway, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2017

	Special Revenue Funds							Capital Project Fund	
	Special Highway	Storm Water Utility	L.A.L. Park	Drug Tax	Tree Fund	2014 Sales Tax	Shawnee Indian Mission	Equipment Reserve	Totals
Assets:									
Deposits and investments	$ 48,302	$ 203,094	$ 33,419	$ 33	$ 53,475	$ 199,746	$ 3,614	$ 20,000	$ 561,683
Receivables, net:									
Sales and other taxes	-	-	-	-	-	50,965	-	-	50,965
Intergovernmental	27,094	-	-	-	-	-	-	-	27,094
Total assets	$ 75,396	$ 203,094	$ 33,419	$ 33	$ 53,475	$ 250,711	$ 3,614	$ 20,000	$ 639,742
Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,435	$ -	$ 3,435
Fund balances:									
Restricted for:									
Debt service	-	-	-	-	-	250,711	-	-	250,711
Public safety	-	-	-	33	-	-	-	-	33
Public works	-	-	-	-	53,475	-	-	-	53,475
Capital projects	75,396	203,094	-	-	-	-	-	-	278,490
Parks and recreation	-	-	33,419	-	-	-	179	-	33,598
Committed for capital projects	-	-	-	-	-	-	-	20,000	20,000
Total fund balances	75,396	203,094	33,419	33	53,475	250,711	179	20,000	636,307
Total liabilities and fund balances	$ 75,396	$ 203,094	$ 33,419	$ 33	$ 53,475	$ 250,711	$ 3,614	$ 20,000	$ 639,742

City of Fairway, Kansas

Combining Statement of Revenues, Expenditures
and Changes in Fund Balances - Nonmajor Governmental Funds
For the year ended December 31, 2017

	Special Revenue Funds							Capital Project Fund	
	Special Highway	Storm Water Utility	L.A.L. Park	Drug Tax	Tree Fund	2014 Sales Tax	Shawnee Indian Mission	Equipment Reserve	Totals
Revenues:									
Sales tax	$ -	$ -	$ -	$ -	$ -	$ 280,305	$ -	$ -	$ 280,305
Intergovernmental	106,171	-	16,873	-	-	-	37,500	-	160,544
Charges for services	-	258,474	-	-	15,200	-	7,101	-	280,775
Miscellaneous	-	-	-	-	-	-	20,115	-	20,115
Total revenues	106,171	258,474	16,873	-	15,200	280,305	64,716	-	741,739
Expenditures:									
Public works	93,252	-	-	-	-	-	-	-	93,252
Parks and recreation	-	-	33,450	-	-	-	117,101	-	150,551
Debt service:									
Principal retirements	-	87,037	-	-	-	174,261	-	-	261,298
Interest and fiscal charges	-	32,963	-	-	-	79,024	-	-	111,987
Total expenditures	93,252	120,000	33,450	-	-	253,285	117,101	-	617,088
Excess (deficiency) of revenues over expenditures	12,919	138,474	(16,577)	-	15,200	27,020	(52,385)	-	124,651
Other financing sources:									
Transfers in	-	-	-	-	-	-	52,266	10,000	62,266
Net change in fund balances	12,919	138,474	(16,577)	-	15,200	27,020	(119)	10,000	186,917
Fund balance, beginning of year	62,477	64,620	49,996	33	38,275	223,691	298	10,000	449,390
Fund balance, end of year	$ 75,396	$ 203,094	$ 33,419	$ 33	$ 53,475	$ 250,711	$ 179	$ 20,000	$ 636,307

City of Fairway, Kansas

Special Highway Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 103,010	$ 103,010	$ 106,171	$ 3,161
Expenditures:				
Public works	143,597	143,597	93,252	50,345
Net change in fund balance	$ (40,587)	$ (40,587)	12,919	$ 53,506
Fund balance, beginning of year			62,477	
Fund balance, end of year			$ 75,396	

City of Fairway, Kansas

Storm Water Utility Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	$ 253,000	$ 253,000	$ 258,474	$ 5,474
Expenditures:				
Public works	135,000	135,000	-	135,000
Debt service	120,000	120,000	120,000	-
Total expenditures	255,000	255,000	120,000	135,000
Net change in fund balance	$ (2,000)	$ (2,000)	138,474	$ 140,474
Fund balance, beginning of year			64,620	
Fund balance, end of year			$ 203,094	

City of Fairway, Kansas

L.A.L. Park Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 18,109	$ 18,109	$ 16,873	$ (1,236)
Expenditures:				
Parks and recreation	69,583	69,583	33,450	36,133
Net change in fund balance	$ (51,474)	$ (51,474)	(16,577)	$ 34,897
Fund balance, beginning of year			49,996	
Fund balance, end of year			$ 33,419	

City of Fairway, Kansas

Tree Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Charges for services	$ -	$ -	$ 15,200	$ 15,200
Expenditures:				
Public works	19,825	19,825	-	19,825
Net change in fund balance	$ (19,825)	$ (19,825)	15,200	$ 35,025
Fund balance, beginning of year			38,275	
Fund balance, end of year			$ 53,475	

City of Fairway, Kansas

2014 Sales Tax Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Sales tax	$ 285,000	$ 285,000	$ 280,305	$ (4,695)
Expenditures:				
Capital outlay	50,000	50,000	-	50,000
Debt service	253,736	253,736	253,285	451
Total expenditures	303,736	303,736	253,285	50,451
Net change in fund balance	$ (18,736)	$ (18,736)	27,020	$ 45,756
Fund balance, beginning of year			223,691	
Fund balance, end of year			$ 250,711	

City of Fairway, Kansas

Shawnee Indian Mission Fund

Schedule of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Intergovernmental	$ 31,000	$ 31,000	$ 37,500	$ 6,500
Charges for services	-	-	7,101	7,101
Other	60,000	60,000	20,115	(39,885)
Total revenues	91,000	91,000	64,716	(26,284)
Expenditures:				
Parks and recreation	123,255	123,255	117,101	6,154
Excess (deficiency) of revenues over expenditures	(32,255)	(32,255)	(52,385)	(20,130)
Other financing sources:				
Transfers in	30,000	30,000	52,266	22,266
Net change in fund balance	$ (2,255)	$ (2,255)	(119)	$ 2,136
Fund balance, beginning of year			298	
Fund balance, end of year			$ 179	

City of Fairway, Kansas

Debt Service Fund

Schedule of Revenues, Expenditures and
Changes in Fund Balance
Budget and Actual
(Non-GAAP Basis)

For the year ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Ad valorem taxes	$ 45,273	$ 45,273	$ 45,301	$ 28
Sales taxes	126,500	126,500	140,153	13,653
Total revenues	171,773	171,773	185,454	13,681
Expenditures:				
Debt service	275,250	275,250	271,652	3,598
Contingency and other	5,000	5,000	-	5,000
Total expenditures	280,250	280,250	271,652	8,598
Net change in fund balance	$ (108,477)	$ (108,477)	(86,198)	$ 22,279
Fund balance, beginning of year			168,575	
Fund balance, end of year			$ 82,377	