



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

*City of Leavenworth, Kansas
For the Year Ended December 31, 2016*

City of Leavenworth, Kansas

Comprehensive Annual Financial Report

Fiscal Year Ended
December 31, 2016

Prepared by:

Ruby Maline
Director of Finance

City of Leavenworth, Kansas
Comprehensive Annual Financial Report
Year Ended December 31, 2016

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Introductory Section



August 31, 2017

To the City Commission and the
Citizens of the City of Leavenworth:

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Leavenworth, Kansas (the City) for the year ended December 31, 2016. Kansas statutes require the City to issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. The CAFR is prepared in accordance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), accounting principles generally accepted (GAAP) in the United States of America, and audited in accordance with auditing standards generally accepted (GAAS) in the United States of America.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Berberich Trahan & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended December 31, 2016 are fairly presented in all material respects in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City’s internal controls, and compliance with legal requirements, with special emphasis on internal controls and compliance with legal requirements involving the administration of federal awards. These reports are available in the Single Audit section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City’s MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Leavenworth, Kansas was established in 1854 and incorporated by the first Kansas territorial legislature in 1855. The City is a legally constituted city of the First Class and the county seat of Leavenworth County. It sits on the west bank of the Missouri River approximately 28 miles northwest of Kansas City, Missouri and 45 miles northeast of Topeka, Kansas. The City has a population of 36,154 and covers an area of approximately 23.5 square miles.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing body.

The City has operated under the commission–manager form of government since 1969. Policymaking and legislative authority are vested in the City Commission, which consists of five Commissioners. The City Commission is responsible for passing ordinances, adopting the annual budget and capital improvements program, appointing committees, and hiring the City Manager. City Commissioners are elected at large and on a non–partisan basis. Every two years, three Commissioners are elected; the two Commissioners with the highest vote totals receive four year terms while the Commissioner with the third highest vote total receives a two year term. Each year, a Mayor is selected by a majority vote of the Commissioners. The City Manager is responsible for carrying out the policies and ordinances of the City Commission, overseeing the day–to–day operations of the City, and appointing the heads of the City’s departments.

The City’s financial reporting entity includes all funds of the primary government (the City of Leavenworth) and of its component unit—the Public Library. A component unit is a legally separate entity for which the primary government is financially accountable. Additional information on this legally separate entity can be found in Note 1.A in the notes to the financial statements.

The City provides a full range of services, including:

- Public safety: police and fire protection, animal control, and parking enforcement.
- Public works: sewer, refuse, stormwater management, building inspection, airport, and the construction and maintenance of streets, bridges and other infrastructure.
- Housing and urban redevelopment: planning and zoning, code enforcement, and a range of housing and community development programs supported by federal grants.
- Culture and recreation: parks, recreation, community center, and performing arts.
- General governmental and administrative services.

The annual budget serves as the foundation for the City's financial planning and control. Applicable Kansas statutes require that annual budgets be legally published and adopted for all funds (including Proprietary Funds) unless exempted by a specific statute. Statutory exemptions currently exist for all Capital Project Funds, Fiduciary Funds, certain Special Revenue Funds and certain Proprietary Funds. Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures.

The statutes provide for the following sequence and timetable in adoption of budgets:

- (a) Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
- (b) Publication of proposed budget on or before August 15 of each year.
- (c) A minimum of 10 days' notice of public hearing, published in local newspaper, on or before August 15 of each year.
- (d) Adoption of the final budget on or before August 25 of each year.

Budgets are prepared by fund, department, and activity. City management may make transfers of appropriations at the department and activity level of a fund without seeking the approval of the governing body; however, management cannot amend the total budget of a fund without approval of the governing body. The legal level of budgetary control is the fund level and is the level at which the governing body must approve any over expenditures of appropriations or transfers of appropriated amounts. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Such statutes permit original fund expenditure budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the expenditure budget of a fund. Ten days after publication, a public hearing is held and the City Commission may amend the expenditure budget of the fund at that time.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local economy

The City of Leavenworth is known nationally as the home of the Leavenworth Federal Penitentiary. Several other federal institutions, including Fort Leavenworth, the Command and General Staff College of the U.S. Army, and the U.S. Disciplinary Barracks make the City an important site for governmental and military purposes. These federal institutions provide employment for nearly 1,720 civilians. The Veterans Administration—which operates a full service medical center and employs approximately 700 civilians—is another federal agency that has a significant presence in the City. Also, a privately-owned corrections facility serving the federal Marshall’s Service employs approximately 230 people.

The City enjoys a strong, almost recession-proof economy, and local indicators suggest continued stability. Over recent years, population and tax base trends indicate moderate but steady growth and the City’s median family income and housing values remain above those of the state as a whole. This economic stability is primarily due to the presence of the federal institutions and several large private sector firms including Hallmark Cards (employing 260 people), Northrop Grumman, Cubic Defense Applications Group, and Armed Forces Insurance Corporation.

Long-term financial planning

The City Commission recently approved a five-year capital improvements program (2017 – 2021) that contains in excess of \$33.1 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	\$7,400,500
Bridges	2,435,945
Sidewalks, curbs, gutters	2,515,981
Sewer and stormwater	5,136,293
Equipment	3,843,738
Economic development	1,790,781
Buildings	2,487,925
Parks	170,465
Other	7,374,201

To the extent possible, these projects are funded on a pay-as-you-go basis with City and Countywide sales tax proceeds or other operating sources. In fact, \$23,745,739 of identified projects are funded in this manner. An additional \$1,488,555 of identified projects are funded by federal and state grants for street and bridge construction.

Finally, approximately \$7,921,535 of identified projects are funded with long-term capital financing. It is expected that the debt service associated with bonds issued to finance these projects will have a minimal impact on the City's mill levy rates for the next five years.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leavenworth for its comprehensive annual financial report in the fiscal year ended December 31, 2015. This was the 22nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Our appreciation is extended to the Mayor and City Commission for their unfailing support for maintaining the highest standard of professionalism in the management of the City's finances. We would also like to acknowledge the staff of the Finance Department and City Clerk's Office for their assistance during the preparation of this report. Finally, we would like to recognize the accounting firm of Berberich Trahan & Co., P.A. for their assistance in the preparation of this report.



Paul Kramer
City Manager



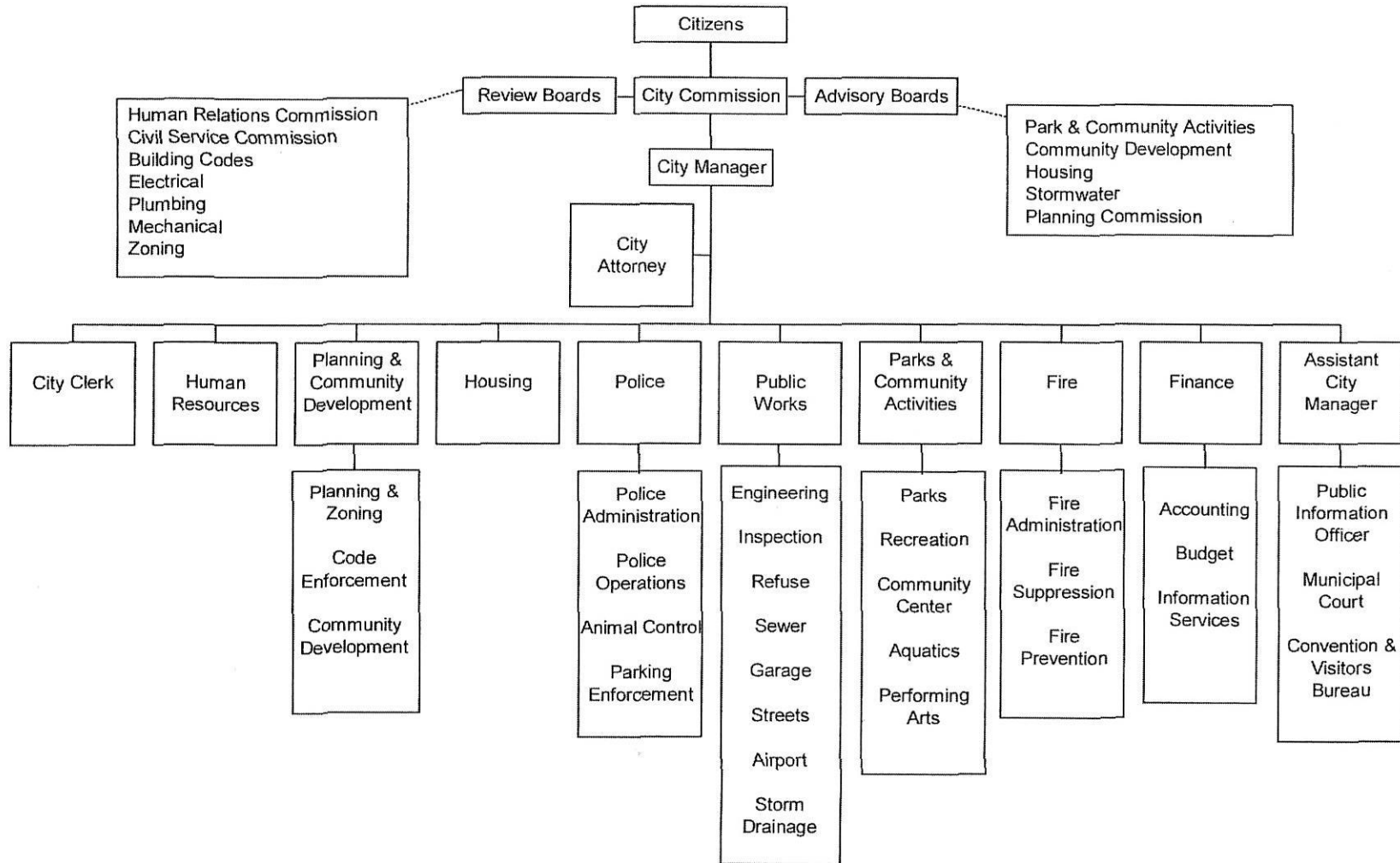
Ruby Maline
Finance Director

City of Leavenworth, Kansas
 List of Elected and Appointed Officials
 December 31, 2016

Elected Officials	Position	Term Expires
Larry Dedeke	Mayor	2020
Nancy Bauder	Mayor Pro Tem	2020
Charles Raney	Commissioner	2018
Mark Preisinger	Commissioner	2018
Lisa Weakley	Commissioner	2018

Appointed Officials	Position	Length of Service
Paul Kramer	City Manager	1 year
Thomas Dawson	City Attorney	8 years
Taylor Tedder	Assistant to the City Manager	1 year
Melissa Bower	Public Information Officer	5 years
Lona Lanter	Human Resources Director	13 years
Carla Williamson	City Clerk	1 year
Ruby Maline	Finance Director	1 year
Steve Grant	Director of Parks & Community Activities	1 year
Michael McDonald	Director of Public Works	28 years
Pat Kitchens	Police Chief	9 years
Gary Birch	Fire Chief	3 years
Julie Hurley	City Planner	2 years

City of Leavenworth Organizational Chart





Government Finance Officers Association

**Certificate of
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in Financial
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**City of Leavenworth
Kansas**

**For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended**

December 31, 2015

Executive Director/CEO

Financial Section



INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and City Commission
City of Leavenworth, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Leavenworth Public Library, the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Leavenworth Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Leavenworth Public Library discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and 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 nonmajor fund financial statements and schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Berberich Trahan + Co., P.A.

August 31, 2017
Topeka, Kansas

Management's Discussion and Analysis

As management of the City of Leavenworth, Kansas, (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The City's bond rating in 2016 was Aa2.
- 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 \$39,754,611 (*net position*). Implementation of the accounting changes required by GASB 68 in 2015 resulted in a prior period adjustment that reduced net position \$16,009,375. As a result, the City has an *unrestricted net position* of \$(10,269,911) at December 31, 2016.
- The City's total net position increased \$320,113, or 1.0 percent, during the fiscal year.
- As of December 31, 2016, the City's governmental funds reported combined ending fund balances of \$13,888,776, an increase of \$2,427,046 over the prior year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$6,022,461, or 35.6 percent of total General Fund expenditures.
- The City's total bonded debt increased \$385,000 (one percent) during the current fiscal year. General obligation bonds totaling \$6,575,000 were issued for governmental activities to provide for general infrastructure improvements, fire trucks and apparatus, TIF improvements, and to refund the Series 2011-A bonds. However, \$6,190,000 of previously existing debt for both governmental and business-type activities was retired during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and 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.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and housing and urban redevelopment. The business-type activities of the City include a Sewer Fund and a Refuse Fund.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate public library for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

Complete financial statements for the Public Library are available from their offices at 417 Spruce Street, Leavenworth, Kansas 66048.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other fourteen governmental funds are combined into a single, aggregated presentation. Individual funds data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for the General and Debt Service Funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 21-24 of this report.

The City maintains one type of *proprietary fund*. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and refuse operations.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Refuse Funds, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 25-27 of this report.

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

The basic fiduciary fund financial statements can be found on pages 28-29 of this report.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-86 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's progress in funding its obligations to provide pension and postemployment benefits to certain of its employees. Required supplementary information can be found on pages 87-95 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 96-118 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$39,754,611 at the close of the current fiscal year.

By far, the largest portion of the City's net position (89 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Leavenworth's Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 22,425,500	\$ 20,337,158	\$ 2,435,039	\$ 2,914,847	\$24,860,539	\$23,252,005
Capital assets	56,170,763	57,682,840	15,037,377	14,552,359	71,208,140	72,235,199
Total assets	78,596,263	78,019,998	17,472,416	17,467,206	96,068,679	95,487,204
Total deferred outflows of resources	3,572,037	1,171,801	186,711	67,380	3,758,748	1,239,181
Long-term liabilities						
outstanding	41,246,850	34,864,593	8,766,410	8,750,749	50,013,260	43,615,342
Other liabilities	3,157,712	6,603,198	212,567	1,017,120	3,370,279	7,620,318
Total liabilities	44,404,562	41,467,791	8,978,977	9,767,869	53,383,539	51,235,660
Total deferred inflows of resources	6,563,008	5,977,379	126,269	78,848	6,689,277	6,056,227
Net position:						
Net investment in capital assets	36,850,763	38,894,256	7,732,377	6,502,359	44,583,140	45,396,615
Restricted	5,441,382	4,318,029	0	0	5,441,382	4,318,029
Unrestricted	(11,091,415)	(11,465,656)	821,504	1,185,510	(10,269,911)	(10,280,146)
Total net position	\$ 31,200,730	\$ 31,746,629	\$ 8,553,881	\$ 7,687,869	\$39,754,611	\$39,434,498

An additional portion of the City's net position (\$5,441,382) represents resources that are subject to external restrictions on how they may be used.

The City's overall net position increased \$320,113 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities

Governmental activities decreased the City's net position \$545,899. Key elements of the decline in the current year are as follows:

- Charges for services decreased \$428,504 during the year. Of this amount \$70,646 was a reduction of Municipal Court revenues, \$205,772 was a reduction of Fire revenue from the termination of the V.A. Fire contract, and \$214,959 is attributed to reduced fuel sales and vehicle repairs in the Garage operations.

Of particular note is a significant increase in Code Enforcement revenues related to charges for mowing services in the amount of \$78,450, and the food services and room rentals at the Community Center in the amount of \$64,796.

- Operating grants and contributions increased \$571,736 during the year. The City received \$247,454 more Community Development Block Grant funds and \$390,852 more federal financial assistance for Section 8 and the Veterans Affairs Supportive Housing (VASH) low income housing voucher programs than in the prior year. Additional increases in grants were for Police grants and cumulative smaller amounts in other areas.
- Capital grants and contributions decreased \$564,257 during the year due to the completion of the community center flood wall project and the community center sandstone project.
- Revenue from all taxes, including property taxes, increased \$686,088 during the year. In February of 2014, voters approved a referendum to increase the City's sales tax rate by 1% effective July 1, 2014 to reduce the property tax levy beginning in 2015. The City's property tax levy was reduced 21 mills in 2015. The \$69,648 increase in property taxes for 2016 over the previous year is related to a higher than normal collection rate and a slight increase in property values. Typically the City experiences a 97% collection rate and in 2016, the collection rate was 98%. Sales tax revenue increased \$381,993 over 2015. Compensating use tax revenue decreased \$96,062 partially due to an adjustment in the formula used to calculate the County Wide sales tax allocation, which is based on the ratio of property taxes to other cities in the county. With the \$4,110,100 drop in property taxes in 2015, the formula for the County Wide distribution of sales and use tax shifted.

Tax Increment (TIF) revenue (property and local sales) increased \$137,487 over the prior year. Transient guest tax increased \$141,954 in tax revenue over the prior year. Finally, revenue from franchise taxes increased \$126,915 from the prior year.

- Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Overall, expenses increased \$1,467,594 over the prior year.

General government expenses decreased \$803,285 during the year. Pension expenses decreased \$214,879. Other personnel costs decreased \$93,491 due to turnover. Software maintenance expenses decreased \$33,890 due to the purchase and implementation of new financial software. In addition, a separate fund was established to track CIP sales tax activities, which reduced general government expenses by \$419,875. A separate fund was established for both Convention and Visitor's Bureau (CVB) and Economic Development. CVB activities are still included in General Government.

Public safety expenses increased by \$1,351,962. Pension expenses increased by \$517,706; Depreciation expenses were \$818,397.

Public works expenses decreased \$670,180 from the prior year. Personnel expenses decreased by \$143,019 due to employee turnover. Fuel costs at the garage decreased \$61,768 and repair parts decreased \$109,684 from the prior year. Depreciation expense was \$195,210.

Culture and recreation expenses increased \$582,478 over 2015. Building and grounds maintenance increased \$73,678. Food services expenses increased by \$36,782. Depreciation expenses were \$955,712. Personnel expenses decreased \$95,110.

Housing and urban redevelopment expenses increased \$844,013 over the prior year. Building and ground improvements increased \$58,800, while expenses in the Community Development Block Grant program increased \$243,709 due to an increase in the federal financial funding for the program. Section 8/VASH housing program expenses increased by \$398,516, also due to increased federal financial funding. Economic development grants and tax incentive payments also increased \$142,988 over the prior year.

City of Leavenworth's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenue:						
Charges for services	\$4,625,653	\$5,054,157	\$6,073,036	\$5,959,232	\$10,698,689	\$11,013,389
Operating grants and						
Contributions	4,031,401	3,459,665	0	0	4,031,401	3,459,665
Capital grants and						
contributions	970,391	1,534,648	772,325	0	1,742,716	1,534,648
General revenue:						
Property taxes	5,351,495	5,149,544	0	0	5,351,495	5,149,544
Other taxes	17,222,746	16,738,609	0	0	17,222,746	16,738,609
Grants and contributions not						
restricted to specific programs	0	98,849	0	0	0	98,849
Gain on sale of capital assets	52,397	0	834	0	53,231	0
Unrestricted investment						
earnings	30,963	21,192	0	0	30,963	21,192
Total revenue	32,285,046	32,056,664	6,846,195	5,959,232	39,131,241	38,015,896
Expenses:						
General government	3,582,125	4,385,410	0	0	3,582,125	4,385,410
Public safety	12,819,901	11,467,939	0	0	12,819,901	11,467,939
Public works	3,476,393	4,146,573	0	0	3,476,393	4,146,573
Culture and recreation	3,864,795	3,282,317	0	0	3,864,795	3,282,317
Housing and urban						
redevelopment	4,716,419	3,872,406	0	0	4,716,419	3,872,406
Unallocated depreciation						
expense	3,790,328	3,635,561	0	0	3,790,328	3,635,561
Interest on long-term debt	628,329	620,490	0	0	628,329	620,490
Sewer	0	0	4,123,179	4,148,953	4,123,179	4,148,953
Refuse	0	0	1,809,659	1,931,036	1,809,659	1,931,036
Total expenses	32,878,290	31,410,696	5,932,838	6,079,989	38,811,128	37,490,685
Change in net position before						
Transfers	(593,244)	645,968	913,357	(120,757)	320,113	525,211
Transfers	47,345	70,185	(47,345)	(70,185)	0	0
Change in net position	(545,899)	716,153	866,012	(190,942)	320,113	525,211
Net position – beginning	31,746,629	46,133,519	7,687,869	8,785,143	39,434,498	54,918,662
Prior period adjustment	0	(15,103,043)	0	(906,332)	0	(16,009,375)
Net position – ending	\$31,200,730	\$31,746,629	\$8,553,881	\$7,687,869	39,754,611	\$39,434,498

Business-type activities

Business-type activities increased the City's net position \$866,012, accounting for all of the total increase in the City's net position. Key elements of this increase are as follows:

- Sewer Fund revenue increased \$100,405, from the prior year due primarily to a 3% increase in the sewer utility rate initiated at the beginning of the year. This rate increase was enacted to accommodate normal inflationary cost increases and capital outlay.

Sewer Fund expenses decreased \$25,774, due primarily to a one time settlement payment of \$46,200 in 2015, and a decrease of \$34,784 in repairs and maintenance and a \$74,110 decrease in professional services. Sewer personnel expenses increased \$20,136, commodities such as sewer operating supplies increased by \$78,200. Depreciation expense increased \$17,690.

- Refuse Fund revenue increased \$14,234, due to a 3% increase in refuse rates. Refuse Fund expenses decreased \$121,377, due primarily to an \$83,001 decrease in vehicle maintenance costs, \$13,305 decrease in fuel costs, and a \$12,451 decrease in personnel costs during the year. Depreciation expense and landfill post-closure expenses increased during the year by \$13,750 and \$56,000, respectively.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$13,888,776, an increase of \$2,427,046 over the prior year. Approximately 43 percent of this amount (\$5,974,476) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes (\$5,513,461), 2) committed for particular purposes (\$2,352,854), or 3) assigned for particular purposes (\$47,985).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$6,022,461. Approximately 99 percent of this amount (\$5,974,476) is designated as unassigned fund balance, which is available for spending at the City's discretion. \$47,985 of total fund balance is designated as assigned to reflect amounts intended to be used by the City for specific purposes that are neither restricted nor committed.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.3 percent of total General Fund expenditures, while total fund balance represents 35.6 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased \$401,214 to \$6,022,461 during the current fiscal year. Revenue from all sources decreased \$601,529 from the prior year and total expenses decreased \$717,836 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds decreased \$351,084 due primarily to a \$330,481 decrease in the transfer of the local sales tax revenue dedicated for capital projects and a \$12,000 decrease in transfer to the street fund.

The Debt Service Fund had a restricted fund balance of \$415,724 at the end of the current year, a \$109,309 increase from the prior year. Revenue increased \$3,080,199 from the prior year due primarily to bond proceeds. Debt service expenditures increased \$2,599,985 from the prior year primarily due to an increase in principal retirement of \$2,560,000. In the current year, refunding bonds of \$2,690,000 were issued, resulting in a substantial increase in principal retirement during that year. Finally, transfers from other funds increased \$295,766.

At the end of the year, the fund balance of the Capital Projects Fund was \$2,352,854, an increase of \$896,624 from the prior year. Several factors contributed to this increase:

- Total revenue increased \$32,182 during the year due primarily to a \$70,737 increase in the sale of vehicles and equipment, a \$227,404 decrease in transfers, a \$47,696 decrease in charges for services, a decrease of \$595,949 in federal and state grants, and a \$761,758 increase in debt issuances.
- Total expenditures decreased \$1,383,811 due to a decrease in capital outlay during the year.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net position of the Sewer Fund at the end of the year amounted to \$1,178,372, and those for the Refuse Fund amounted to \$(356,868). In comparison with the prior year, unrestricted net position for the Sewer Fund decreased \$510,887 while unrestricted net position for the Refuse Fund increased \$146,881. Factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's final General Fund budget did not differ from the original budget since the budget was not amended during fiscal year 2016.

During the year, revenues were \$151,232 more than budgetary estimates due to:

- Revenue from tax sources were \$413,720 above budgetary expectations. Ad valorem taxes exceeded expectations by \$13,798 due to a 98% collection rate instead of the 97% collection rate. Delinquent tax collections exceeded expectations by \$21,067. Motor Vehicle taxes exceeded expectations by \$75,658.
- Sales tax revenue budgeted in the General Fund exceeded expectations by \$331,243 while revenue from the compensating use tax were below expectations by \$8,755. Finally, franchise tax revenue exceeded expectations by \$72,922.
- Revenue from licenses and permits were \$35,634 greater than budgetary expectations as business licenses exceeded expectations by \$24,536 and residential permits for new homes and remodeling were \$19,998 more than anticipated.
- Revenue from charges for services were \$157,086 below budgetary expectations because revenue from fuel sales and vehicle repairs in the Garage operation were \$324,017 below budget.
- Revenue from fines and forfeitures were \$218,634 below budgetary expectations due to decreased revenue from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.
- Miscellaneous revenue were \$100,354 over budgetary expectations due primarily to an unbudgeted premium reimbursement of \$81,510 received from the City's workers compensation insurance carrier and an unanticipated \$71,033 increase in 911 fees. Interest income was \$43,506 less than anticipated.

During the year, expenditures were \$3,039,749 less than budgetary estimates due to:

- Public safety expenditures were \$559,514, or nearly five percent, below budgetary expectations. Police Department personnel costs resulting from position vacancies throughout the year were below budget by \$470,437. Fuel costs were below budget by \$108,248.
- Culture and recreation expenditures were \$41,351 below budgetary expectations due to savings of \$60,065 in Parks personnel costs resulting from position vacancies throughout the year and an overage in building and ground maintenance of \$40,765.
- Public works expenditures were \$396,170, below budgetary expectations. \$71,394 of savings is due to employee turnover, and \$292,588 of savings was in gasoline and diesel fuel purchases.

Transfers to other funds were \$148,871 below budgetary expectations during the year. Transfer of the \$154,755 budgeted subsidy to the Special Fuel Fund was unnecessary given the strong performance of the Fund during the year.

During the year, revenue exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance beyond that which was originally budgeted.

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$71,208,140 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, streets, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 3.0 percent (a 2.6 percent decrease for governmental funds and a 5.6 percent increase for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Numerous street and bridge reconstruction projects were completed at a cost of \$3,346,843 while several projects continued. Construction in progress for such projects as of the close of the fiscal year had reached \$1,436,470.
- Building construction was completed at a cost of \$146,048 for the demolition and construction of a restroom at Hawthorn Park, design for improvements to the Performing Arts HVAC system was completed in the amount of \$14,554, diesel exhaust system improvements at all three fire stations were completed in the amount of \$48,100, and improvements to the Southside Ball Field were completed in the amount of \$14,993.
- Several sidewalk projects were completed at a cost of \$408,291. In addition, four storm water projects were completed at a cost of \$915,154 while several other projects continued.
- During 2016, a truck and baseball/softball equipment valued at \$55,745 was donated to the parks department. Additional parks and recreation equipment was purchased totaling \$75,188. Engineering purchased two vehicles and a GIS compatible printer totaling \$54,793; City lighting upgrades totaled \$44,443; CVB purchased a vehicle for \$25,104; the police department purchased vehicles and equipment totaling \$209,557 including a police dog and K-9 equipment, Tasers, and body cameras; and the fire department purchased vehicles and equipment totaling \$130,081 including rescue tools and air compressors. In addition, the fire department obligated \$1.5 million dollars (through issuing G.O. bonds) to replace 3 fire trucks which were completed and received in 2017.
- Finally, a project to convert the City's financial software continued; at year end, construction in progress totaled \$331,829.
- In the business-type activities, the Sewer Department replaced the plant roof at a cost of \$152,333 and purchased a backhoe for \$101,214.

City of Leavenworth's Capital Assets

(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2016	2015	2016	2015	2016	2015
Land	\$2,695,354	\$2,695,054	\$58,634	\$58,634	\$2,753,988	\$2,753,688
Buildings	9,554,909	10,485,516	5,799,760	6,617,084	15,354,669	17,102,600
Improvements other than buildings	8,463,200	7,071,842	6,915,578	7,204,466	15,378,778	14,276,308
Machinery and equipment	3,586,805	3,761,089	627,718	672,175	4,214,523	4,433,264
IT Equipment & Software	30,279	0	0	0	30,279	0
Infrastructure	30,403,746	29,333,335	1,635,687	0	32,039,433	29,333,335
Construction in progress	1,436,470	4,336,004	0	0	1,436,470	4,336,004
Total	\$56,170,763	\$57,682,840	\$15,037,377	\$14,552,359	\$71,208,140	\$72,235,199

Additional information on the City of Leavenworth's capital assets can be found in note 4.B on pages 50-53 of this report.

Long-term debt

At the end of the year, the City had total bonded debt outstanding of \$25,840,000, all of which is debt backed by the full faith and credit of the City. Of this amount, \$18,535,000 relates to governmental activities while \$7,305,000 relates to business-type activities.

The City's total bonded debt increased \$385,000 during the current fiscal year. General obligation bonds totaling \$5,700,000 were issued for governmental activities to provide permanent financing for general infrastructure of \$1,725,000 and \$1,340,000 for the purchase of three fire trucks and \$2,635,000 for refunding Series 2011-A general obligation bonds. An additional \$875,000 of general obligation bonds were issued in support of an economic development project located in one of the City's TIF districts. However, \$6,190,000 of previously existing debt for governmental and business-type activities was retired during the year.

The City maintains an "Aa2" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 30 percent of its total equalized assessed valuation. The current debt limit for the City is \$69,128,610, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 4.D on pages 54-59 of this report.

Economic Factors and Next Year's Budgets and Rates

The City has successfully recovered from the "Great Recession" that began in 2008 and reserves have increased.

It is important to note that the budgeted 2016 beginning balance in the General Fund was estimated to be \$3,391,600, based on the assumption the City would recognize a \$38,445 deficit from 2015 activities. The actual 2016 beginning balance was \$5,566,724 which is \$2,136,679 more than anticipated.

Collectively, in all funds supported by property taxes ("the Tax funds"), the increase in beginning balances available to support the 2017 budget is approximately \$1,090,225.

This is particularly fortunate since the 2017 budget is expected to see several changes. First, probation services were not offered by the City before. Accordingly, in late 2016, the City began incurring costs to implement this new program. In order to support this program, the mill was increased by .316.

2016 assessed valuation increases were mostly in the TIF and NRA districts, which do not increase the amount of revenues available for operations. The NRA tax refunds are anticipated to be approximately \$100,000.

In addition to the decrease in City's motor vehicle tax revenue due to the 21 mill reduction, the City's portion of County Wide sales tax is anticipated to decrease since the formula for determining the tax is partially based upon the City's mill levy rate.

Franchise revenues are anticipated to remain relatively flat in 2017.

Healthy reserve levels will be necessary to help offset the impact of the property tax lid proposed by legislation which becomes effective for the 2018 budget.

However, these declines will be offset by current economic development activities, such as the Business and Technology Park and new housing addition that are currently under construction. The full economic impact cannot be quantified at present.

The 2017 compensation plan for employees will include a 3% COLA allocated at mid-year. Health insurance benefits are anticipated to increase by 6% in 2017.

In summary, the approved 2017 budget increases the mill levy from 31.027 mills to 31.343 mills to support the new probation service.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 100 North 5th Street, Leavenworth, Kansas, 66048.

Basic Financial Statements

City of Leavenworth, Kansas

Statement of Net Position

December 31, 2016

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Library
ASSETS				
Cash and cash equivalents	\$ 13,737,666	\$ 1,869,706	\$ 15,607,372	\$ 964,646
Cash in escrow	425,032	-	425,032	-
Deposits restricted for tenant deposit refunds	31,945	-	31,945	-
Receivables (net of uncollectibles)				
Property tax	5,157,767	-	5,157,767	899,905
Special assessment tax	205,996	-	205,996	-
Sales tax	2,108,710	-	2,108,710	-
Use tax	197,538	-	197,538	-
Interest receivable	7,994	-	7,994	-
Due from other governments	93,902	-	93,902	-
Accounts receivable	458,950	565,333	1,024,283	-
Capital assets (net of accumulated depreciation)				
Land	2,695,354	58,634	2,753,988	-
Buildings and systems	9,554,909	5,799,760	15,354,669	-
Improvements other than buildings	8,463,200	6,915,578	15,378,778	-
Machinery and equipment	3,617,084	627,718	4,244,802	660,434
Infrastructure	30,403,746	1,635,687	32,039,433	-
Construction in progress	1,436,470	-	1,436,470	-
Total assets	78,596,263	17,472,416	96,068,679	2,524,985
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	3,572,037	186,711	3,758,748	94,383
LIABILITIES				
Accounts payable	716,890	100,071	816,961	-
Accrued compensation	593,279	61,911	655,190	-
Accrued interest payable	140,216	50,585	190,801	-
Tenant deposits	31,945	-	31,945	-
Unearned revenues	15,382	-	15,382	-
Bond anticipation notes payable	1,660,000	-	1,660,000	-
Long-term liabilities:				
Due within one year	2,933,895	782,752	3,716,647	-
Due in more than one year	38,312,955	7,983,658	46,296,613	510,628
Total liabilities	44,404,562	8,978,977	53,383,539	510,628
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pension	1,249,776	126,269	1,376,045	25,525
Deferred receivable - property taxes	5,173,714	-	5,173,714	899,905
Deferred inflows - grants	139,518	-	139,518	-
Total deferred inflows of resources	6,563,008	126,269	6,689,277	925,430
NET POSITION				
Net investment in capital assets	36,850,763	7,732,377	44,583,140	660,434
Restricted for:				
Capital improvements	2,140,577	-	2,140,577	-
Tax increment financing	809,124	-	809,124	-
Street maintenance	72,658	-	72,658	-
Law enforcement	161,607	-	161,607	-
Recreation programs	113,605	-	113,605	-
Housing services	1,036,568	-	1,036,568	-
Community redevelopment	38,468	-	38,468	-
General obligation debt	343,645	-	343,645	-
Economic development	447,542	-	447,542	-
Tourism & convention activities	277,588	-	277,588	-
Unrestricted	(11,091,415)	821,504	(10,269,911)	522,876
Total net position	\$ 31,200,730	\$ 8,553,881	\$ 39,754,611	\$ 1,183,310

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Activities
For the Year Ended December 31, 2016

	Program Revenues				Net (Expense) Revenue and Change in Net Position			Component Unit Library
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Functions/Programs								
Primary government:								
Governmental activities								
General government	\$ 3,582,125	\$ 2,063,853	\$ 130,612	\$ 1,098	\$ (1,386,562)	\$ -	\$ (1,386,562)	\$ -
Public safety	12,819,901	452,930	79,856	-	(12,287,115)	-	(12,287,115)	-
Public works	3,476,393	896,938	1,062,903	256,743	(1,259,809)	-	(1,259,809)	-
Culture and recreation	3,864,795	705,652	65,306	361,582	(2,732,255)	-	(2,732,255)	-
Housing and urban development	4,716,419	506,280	2,692,724	350,968	(1,166,447)	-	(1,166,447)	-
Unallocated depreciation expense	3,790,328	-	-	-	(3,790,328)	-	(3,790,328)	-
Interest on long term debt	628,329	-	-	-	(628,329)	-	(628,329)	-
Total governmental activities	32,878,290	4,625,653	4,031,401	970,391	(23,250,845)	-	(23,250,845)	-
Business-type activities:								
Sewer	4,123,179	4,176,334	-	772,325	-	825,480	825,480	-
Refuse	1,809,659	1,896,702	-	-	-	87,043	87,043	-
Total business-type activities	5,932,838	6,073,036	-	772,325	-	912,523	912,523	-
Total primary government	\$ 38,811,128	\$ 10,698,689	\$ 4,031,401	\$ 1,742,716	(23,250,845)	912,523	(22,338,322)	-
Component unit:								
Library	\$ 1,212,364	\$ 28,300	\$ 19,897	\$ -	-	-	-	(1,164,167)
Total component unit	\$ 1,212,364	\$ 28,300	\$ 19,897	\$ -	-	-	-	(1,164,167)
General revenues:								
Taxes:								
Property taxes					5,351,495	-	5,351,495	1,028,257
Tax increment property taxes					126,217	-	126,217	-
Sales taxes					10,896,918	-	10,896,918	-
Tax increment sales taxes					808,165	-	808,165	-
Compensating use taxes					1,508,063	-	1,508,063	-
Franchise taxes					2,802,922	-	2,802,922	-
Motor vehicle taxes					729,991	-	729,991	-
Transient guest tax					350,470	-	350,470	-
Intergovernmental revenue not restricted to specific programs					-	-	-	45,443
Gain on sale of capital assets					52,397	834	53,231	-
Miscellaneous					-	-	-	34,249
Unrestricted investment earnings					30,963	-	30,963	4,207
Transfers					47,345	(47,345)	-	-
Total general revenues					22,704,946	(46,511)	22,658,435	1,112,156
Change in net position					(545,899)	866,012	320,113	(52,011)
Total net position - beginning					31,746,629	7,687,869	39,434,498	1,235,321
Total net position - ending					\$ 31,200,730	\$ 8,553,881	\$ 39,754,611	\$ 1,183,310

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Balance Sheet

Governmental Funds

December 31, 2016

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,956,552	\$ 431,671	\$ 4,346,855	\$ 4,002,588	\$ 13,737,666
Cash in escrow	-	-	-	425,032	425,032
Deposits restricted for tenant deposit refunds	-	-	-	31,945	31,945
Receivables (net of uncollectibles)					
Special assessments	137,860	68,136	-	-	205,996
Property tax	3,036,375	1,607,254	-	514,138	5,157,767
Sales tax	1,167,583	-	-	941,127	2,108,710
Compensating use tax receivable	197,538	-	-	-	197,538
Accrued interest receivable	7,904	-	5	85	7,994
Due from other governments	-	-	2,385	91,517	93,902
Due from other funds	35,336	-	-	-	35,336
Accounts receivable	416,977	-	7,145	34,828	458,950
Total assets	<u>\$ 9,956,125</u>	<u>\$ 2,107,061</u>	<u>\$ 4,356,390</u>	<u>\$ 6,041,260</u>	<u>\$ 22,460,836</u>
LIABILITIES					
Accounts payable	\$ 243,867	\$ -	\$ 343,536	\$ 129,487	\$ 716,890
Accrued compensation	515,562	-	-	77,717	593,279
Due to other funds	-	-	-	35,336	35,336
Bond anticipation notes payable	-	-	1,660,000	-	1,660,000
Tenant deposits	-	-	-	31,945	31,945
Unearned revenues	-	-	-	15,382	15,382
Total liabilities	<u>759,429</u>	<u>-</u>	<u>2,003,536</u>	<u>289,867</u>	<u>3,052,832</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	3,036,375	1,675,390	-	514,138	5,225,903
Unavailable revenues - special assessments	137,860	15,947	-	-	153,807
Unavailable revenues - grants	-	-	-	139,518	139,518
Total deferred inflows of resources	<u>3,174,235</u>	<u>1,691,337</u>	<u>-</u>	<u>653,656</u>	<u>5,519,228</u>
FUND BALANCES					
Restricted	-	415,724	-	5,097,737	5,513,461
Committed	-	-	2,352,854	-	2,352,854
Assigned	47,985	-	-	-	47,985
Unassigned	5,974,476	-	-	-	5,974,476
Total fund balances	<u>6,022,461</u>	<u>415,724</u>	<u>2,352,854</u>	<u>5,097,737</u>	<u>13,888,776</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,956,125</u>	<u>\$ 2,107,061</u>	<u>\$ 4,356,390</u>	<u>\$ 6,041,260</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	56,170,763
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	205,996
Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore are not reported in the funds.	3,572,037
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(41,387,066)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore are not reported in the funds.	<u>(1,249,776)</u>
Net position of governmental activities	<u>\$ 31,200,730</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,114,577	\$ 1,960,797	\$ -	\$ 6,498,867	\$ 22,574,241
Intergovernmental	177,550	-	400,563	3,904,870	4,482,983
Licenses and permits	393,979	-	8,483	-	402,462
Charges for services	1,496,224	-	-	1,162,029	2,658,253
Fines and forfeitures	781,366	-	-	43,174	824,540
Investment earnings	30,019	-	26	918	30,963
Miscellaneous	316,004	95,747	700,060	137,990	1,249,801
Total revenues	<u>17,309,719</u>	<u>2,056,544</u>	<u>1,109,132</u>	<u>11,747,848</u>	<u>32,223,243</u>
EXPENDITURES					
Current:					
General government	3,185,219	-	201,681	162,562	3,549,462
Public safety	10,819,552	-	423,984	123,532	11,367,068
Public works	2,110,304	-	248,968	984,488	3,343,760
Culture and recreation	824,836	-	529,518	1,529,392	2,883,746
Housing and urban redevelopment	-	-	50,404	4,414,346	4,464,750
Debt service:					
Principal retirement	-	5,445,000	39,348	-	5,484,348
Interest and fiscal charges	-	415,888	205,344	700	621,932
Capital outlay	-	-	4,659,724	96,149	4,755,873
Total expenditures	<u>16,939,911</u>	<u>5,860,888</u>	<u>6,358,971</u>	<u>7,311,169</u>	<u>36,470,939</u>
Excess (deficiency) of revenues over (under) expenditures	<u>369,808</u>	<u>(3,804,344)</u>	<u>(5,249,839)</u>	<u>4,436,679</u>	<u>(4,247,696)</u>
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	-	-	-	52,397	52,397
General obligation bonds issued	-	2,690,000	3,010,000	875,000	6,575,000
Transfers in	94,690	1,223,653	3,757,549	641,113	5,717,005
Transfers out	(63,284)	-	(621,086)	(4,985,290)	(5,669,660)
Total - other financing sources (uses)	<u>31,406</u>	<u>3,913,653</u>	<u>6,146,463</u>	<u>(3,416,780)</u>	<u>6,674,742</u>
Net change in fund balances	401,214	109,309	896,624	1,019,899	2,427,046
Fund balances - beginning	<u>5,621,247</u>	<u>306,415</u>	<u>1,456,230</u>	<u>4,077,838</u>	<u>11,461,730</u>
Fund balances - ending	<u>\$ 6,022,461</u>	<u>\$ 415,724</u>	<u>\$ 2,352,854</u>	<u>\$ 5,097,737</u>	<u>\$ 13,888,776</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Funds Balances of Governmental Funds
to the Statement of Activities

For the Year Ended December 31, 2016

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

Net change in fund balances - total governmental funds	\$ 2,427,046
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(1,512,077)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(41,341)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,090,652)
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 the governmental funds.	<u>(328,875)</u>
Change in net position of governmental activities	<u><u>\$ (545,899)</u></u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		Variance with
	<u>Both Original</u>	<u>Actual</u>	<u>Final Budget -</u>
	<u>and Final</u>	<u>Amounts</u>	<u>Positive</u>
			<u>(Negative)</u>
REVENUES			
Taxes	\$ 13,700,857	\$ 14,114,577	\$ 413,720
Intergovernmental	156,800	177,550	20,750
Licenses and permits	358,345	393,979	35,634
Charges for services	1,653,310	1,496,224	(157,086)
Fines and forfeitures	1,000,000	781,366	(218,634)
Investment earnings	73,525	30,019	(43,506)
Miscellaneous	215,650	316,004	100,354
Total revenues	<u>17,158,487</u>	<u>17,309,719</u>	<u>151,232</u>
EXPENDITURES			
Current:			
General government	4,706,655	2,663,941	2,042,714
Public safety	11,427,230	10,867,716	559,514
Public works	3,062,675	2,666,505	396,170
Culture and recreation	831,085	789,734	41,351
Total expenditures	<u>20,027,645</u>	<u>16,987,896</u>	<u>3,039,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,869,158)</u>	<u>321,823</u>	<u>3,190,981</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	78,575	94,690	16,115
Transfers out	(212,155)	(63,284)	148,871
Total - other financing sources (uses)	<u>(133,580)</u>	<u>31,406</u>	<u>164,986</u>
Net change in fund balances	(3,002,738)	353,229	3,355,967
Fund balances - beginning	3,391,600	5,566,724	2,175,124
Prior year encumbrances relieved	-	54,523	54,523
Fund balances - ending	<u>\$ 388,862</u>	<u>\$ 5,974,476</u>	<u>\$ 5,585,614</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Proprietary Funds

December 31, 2016

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,583,348	\$ 286,358	\$ 1,869,706
Accounts receivable	415,388	149,945	565,333
Total current assets	1,998,736	436,303	2,435,039
Noncurrent assets:			
Capital assets:			
Land	14,000	44,634	58,634
Buildings and system	17,054,789	6,575	17,061,364
Improvements other than buildings	12,487,939	37,440	12,525,379
Machinery and equipment	2,129,186	1,266,227	3,395,413
Infrastructure	1,665,071	-	1,665,071
Less accumulated depreciation	(18,759,513)	(908,971)	(19,668,484)
Total capital assets (net of accumulated depreciation)	14,591,472	445,905	15,037,377
Total noncurrent assets	14,591,472	445,905	15,037,377
Total assets	16,590,208	882,208	17,472,416
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows-pensions	108,561	78,150	186,711
LIABILITIES			
Current liabilities:			
Accounts payable	62,249	37,822	100,071
Accrued compensation	35,420	26,152	61,572
Accrued compensated absences	12,320	5,432	17,752
Other	211	128	339
Bonds payable	750,000	-	750,000
Accrued interest payable	50,585	-	50,585
Accrued landfill closure/postclosure care costs	-	15,000	15,000
Total current liabilities	910,785	84,534	995,319
Noncurrent liabilities:			
Accrued compensated absences	96,549	42,572	139,121
Other post-employment benefits	116,757	62,735	179,492
Net pension liability	483,682	411,355	895,037
Bonds payable	6,555,000	-	6,555,000
Accrued landfill closure/postclosure care costs	-	215,008	215,008
Total noncurrent liabilities	7,251,988	731,670	7,983,658
Total liabilities	8,162,773	816,204	8,978,977
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows-pension	71,152	55,117	126,269
NET POSITION			
Net investment in capital assets	7,286,472	445,905	7,732,377
Unrestricted	1,178,372	(356,868)	821,504
Total net position	\$ 8,464,844	\$ 89,037	\$ 8,553,881

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
Operating revenues:			
Charges for services	\$ 4,158,881	\$ 1,896,280	\$ 6,055,161
Miscellaneous	17,453	422	17,875
Total operating revenues	4,176,334	1,896,702	6,073,036
Operating expenses:			
Personal services	950,701	707,041	1,657,742
Contractual services	1,474,310	814,957	2,289,267
Commodities	226,121	180,478	406,599
Depreciation	1,311,834	107,183	1,419,017
Total operating expenses	3,962,966	1,809,659	5,772,625
Operating income	213,368	87,043	300,411
Nonoperating revenues (expenses):			
Interest expense	(160,213)	-	(160,213)
Gain on disposal of assets	834	-	834
Total nonoperating revenues (expenses)	(159,379)	-	(159,379)
Income before capital contributions and transfers	53,989	87,043	141,032
Capital contributions and transfers:			
Contributed capital	772,325	-	772,325
Transfers out	-	(47,345)	(47,345)
Total capital contributions and transfers	772,325	(47,345)	724,980
Change in net position	826,314	39,698	866,012
Total net position - beginning	7,638,530	49,339	7,687,869
Total net position - ending	\$ 8,464,844	\$ 89,037	\$ 8,553,881

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2016

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,092,922	1,892,513	\$ 5,985,435
Payments to suppliers	(1,740,023)	(1,056,581)	(2,796,604)
Payments to employees	(943,153)	(725,424)	(1,668,577)
Net cash provided by operating activities	<u>1,409,746</u>	<u>110,508</u>	<u>1,520,254</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(47,345)	(47,345)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of assets	834	-	834
Purchases of capital assets	(1,131,710)	-	(1,131,710)
Principal paid on capital debt	(745,000)	-	(745,000)
Interest paid on capital debt	(164,442)	-	(164,442)
Net cash used by capital and related financing activities	<u>(2,040,318)</u>	<u>-</u>	<u>(2,040,318)</u>
Net increase (decrease) in cash and cash equivalents	(630,572)	63,163	(567,409)
Cash and cash equivalents, January 1	<u>2,213,920</u>	<u>223,195</u>	<u>2,437,115</u>
Cash and cash equivalents, December 31	<u>\$ 1,583,348</u>	<u>\$ 286,358</u>	<u>\$ 1,869,706</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 213,368	\$ 87,043	\$ 300,411
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	1,311,834	107,183	1,419,017
Increase in receivables	(83,412)	(4,189)	(87,601)
Increase in deferred outflows	(72,316)	(47,015)	(119,331)
Increase in deferred inflows	28,738	18,683	47,421
Increase (decrease) in accounts payable	(39,592)	689	(38,903)
Increase in accrued compensation	6,734	2,601	9,335
Decrease in compensated absences	(10,225)	(5,538)	(15,763)
Increase (decrease) in postemployment benefits	34,592	(124)	34,468
Increase in net pension liability	19,814	12,882	32,696
Increase (decrease) in accrued landfill closure/postclosure care costs	-	(61,835)	(61,835)
Increase in other deductions	211	128	339
Net cash provided by operating activities	<u>\$ 1,409,746</u>	<u>\$ 110,508</u>	<u>\$ 1,520,254</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Contributions of capital assets	<u>\$ 772,325</u>	<u>\$ -</u>	<u>\$ 772,325</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Fiduciary Funds

December 31, 2016

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 613,926	\$ 23,547
Accrued interest receivable	345	-
Property tax receivable	140,046	899,905
Total assets	<u>754,317</u>	<u>923,452</u>
LIABILITIES		
Accounts payable	50	23,547
Deferred revenue	140,046	-
Amounts due other parties	-	899,905
Total liabilities	<u>140,096</u>	<u>923,452</u>
NET POSITION		
Restricted for pension	<u>\$ 614,221</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2016

	<u>Pension Trust</u>
ADDITIONS	
Employer contributions	\$ 162,567
Interest	1,268
Total additions	<u>163,835</u>
 DEDUCTIONS	
Benefits	<u>134,794</u>
Total deductions	<u>134,794</u>
Changes in net position	29,041
Net position - beginning	<u>585,180</u>
Net position - ending	<u><u>\$ 614,221</u></u>

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2016

1. Summary of significant accounting policies

A. Reporting entity

The City of Leavenworth, Kansas, a city of the first class, was incorporated in 1855. The City operates under a Commission-Manager form of government. The City is governed by an elected five-member board. As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements present the City (the primary government) and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit

The Leavenworth Public Library (the Library) is reported as a discretely presented component unit of the City since its board is appointed by the City Commission and it imposes a financial burden on the City. Specifically, the City issued debt to construct the library facility and continues to assume responsibility for maintenance of the library.

Complete financial statements for the Public Library are available from their offices at 417 Spruce Street, Leavenworth, Kansas 66048.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which generally rely upon fees and charges for support. Likewise, the *primary government* is reported apart from the legally separate *component unit* for which the primary government is financially accountable.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements (continued)

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and non-agency fiduciary fund financial statements. The agency funds do not have a measurement focus and use the accrual basis of accounting to report their financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Property taxes, franchise taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

The *Capital Projects Fund* accounts for capital improvements (except for those financed by proprietary funds) which are financed from the City's general obligation bonds, special assessments, and other specific receipts.

The City reports the following major proprietary funds:

The *Sewer Fund* accounts for all activities necessary to provide sewer services to the residents of the City.

The *Refuse Fund* accounts for all activities necessary to provide refuse collection and disposal services to residents of the City.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Additionally, the City reports the following fund types:

The *Pension Trust Fund* accounts for the activities of the City's Police and Firemen's Pension Plans.

The *Agency Fund* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. It is used to account for assets held by the City as an agent for the Leavenworth Public Library system.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's sewer and refuse function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

D. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term, highly-liquid investments with original maturities of three months or less from the date of acquisition.

According to the City's formal investment policy adopted by the governing body, the City may pool idle cash from all funds for the purpose of increasing income through temporary investment activities. During the year, idle cash was invested in certificates of deposit and repurchase agreements. Certificates of deposit are carried at cost because they are not affected by market rate changes. The repurchase agreements are stated at cost because they are not negotiable or transferable and are not affected by market fluctuations. The City also has investments consisting of money market mutual funds which are recorded at fair value.

Investment earnings are allocated to the funds required to accumulate interest. Other investment earnings are allocated based on management discretion based on the average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2016, investment earnings allocated to the various funds were approximately \$30,963.

E. Property taxes and other receivables

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis 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 balance 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 the taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due until the ensuing year. At December 31, 2016, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of \$180,719, with a corresponding amount recorded as unavailable revenue on the balance sheets of the appropriate funds. Delinquent taxes held by the County Treasurer at December 31, 2016 are not significant.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

F. Special assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Special assessments received prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Special assessments and related interest received after the issuance of the general obligation bonds are recorded as revenue in the Debt Service Fund. Further, state statutes require levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's Debt Service Fund. Special assessments are levied over a 10- or 20-year period, and annual installments are due and payable with annual ad valorem taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, 2016, the special assessment taxes levied are a lien on the property and the amount due in 2016 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$10,220, in the Debt Service Fund with a corresponding amount recorded as unavailable revenue.

State statutes and City ordinances allow special assessments to be levied against a property to reimburse the City for costs incurred for involuntary blight removal and lot clean-up. Such special assessments are levied over a one year period and are due and payable with annual ad valorem property taxes. At December 31, 2016, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$20,679, in the General Fund with a corresponding amount recorded as unavailable revenue.

G. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

G. Capital assets (continued)

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized.

Major outlays for capital assets are capitalized as projects are constructed.

Depreciation of all capital assets is calculated using the straight-line method over the following estimated useful lives:

Buildings	15 to 30 years
Improvements other than buildings	15 to 30 years
Machinery and equipment	5 to 15 years
Infrastructure	15 to 30 years

H. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. See Note 5 for more information on the deferred outflows for the pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has items that qualify for reporting in this category. One item, *unavailable revenues/deferred receivables*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and grants. The governmental activities report deferred receivables from property taxes and grants. These amounts are deferred and recognized as inflows of resources in the period that these amounts become available. The other item that qualifies for reporting as a deferred inflow is related to the pensions. See Note 5 for more information on the deferred inflows for the pensions.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

I. Compensated absences and other termination payments

All permanent full-time and permanent part-time employees with 90 days of employment are eligible for vacation benefits in varying annual amounts. Employees are allowed to accumulate and carry forward 240 hours of vacation, except for fire fighters and police officers who are allowed to accumulate and carry forward 333.5 and 255 hours of vacation, respectively. Hours accumulated and not taken in excess of these amounts at December 31 of each year are lost by employees unless proper approvals are given. Sick leave benefits accrue to all full-time employees at the rate of one working day per month. There is no maximum amount of sick leave that can be accumulated. Upon resignation in good standing, an employee will receive 20% of sick leave. Upon retirement, an employee will receive 40% of sick leave.

Retirees may purchase health and dental insurance benefits through the City's group plans at 100% of the City's cost. Certain retirees are eligible for assistance with their monthly health and dental insurance premiums through a Health Benefit Account. Eligible employees are those who meet KPERS, KP&F, or Local Plan retirement criteria and who have completed a minimum of 20 years of service with the City, or who are approved for disability benefits under KPERS or KP&F.

For eligible employees, the remaining 60% of unused sick leave is converted to a cash value which establishes the amount of the retiree's Health Benefit Account (a memorandum account). The City shall pay 50% of the retiree's actual monthly health and dental premiums on a pay-as-you-go basis from this memorandum account as long as a balance remains in the retiree's Health Benefit Account. The remaining 50% of the monthly premiums must be paid by the retiree. When the retiree's Health Benefit Account is exhausted, all City premium payments cease. Retirees may not convert the benefit into an in-lieu payment.

All employer related costs of vacation, sick leave, and retiree premium payments are accrued and recorded when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

J. Long-term obligations

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

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

K. Pensions

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

L. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

M. Pending Governmental Accounting Standards Board statements

At December 31, 2016, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, and requires governments to report a liability on the face of the financial statements for the OPEB they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. The provisions of this statement are effective for periods beginning after June 25, 2017.

GASB Statement No. 80, *Blending Requirement for Certain Component Units*, amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The provisions of this statement are effective for periods beginning after June 15, 2016.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

M. Pending Governmental Accounting Standards Board statements (continued)

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67, No. 68 and No. 73* was issued in March 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus of the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements, including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The requirements of this statement are effective for periods beginning after June 15, 2017.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

1. Summary of significant accounting policies (continued)

N. Adoption of New Accounting Standards

During the year, the City adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining fair value measurement for financial reporting purposes, as well as applying fair value to certain investments and the disclosures related to all fair value investments. Implementation of this standard required the City to expand disclosures made about fair value measurements, the level of fair value hierarchy, and valuation techniques.

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$41,387,066 difference are as follows:

Bonds payable	\$ (18,535,000)
Accrued interest payable	(140,216)
Accrued compensated absences	(2,243,658)
Other postemployment benefits	(3,884,738)
Net pension liability	(16,583,454)
	<hr/>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (41,387,066)</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

2. Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ 1,512,077 difference are as follows:

Capital outlay	\$ 4,844,528
Depreciation expense	<u>(6,356,605)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (1,512,077)</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

2. Reconciliation of government-wide and fund financial statements (continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities (continued)

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, 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.” The details of this \$1,090,652 difference are as follows:

Debt issued or incurred:	
Issuance of general obligations bonds	\$ (6,575,000)
Principal repayments:	
General obligation debt	5,445,000
Capital leases	39,348

Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (1,090,652)

Another element of that reconciliation states that “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.” The details of this \$328,875 difference are as follows:

Accrued interest	\$ (6,397)
Compensated absences	(80,024)
Other postemployment benefits	(388,368)
Pension contributions	145,914

Net adjustment to decrease <i>net change in fund balances – total Governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (328,875)

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

3. Stewardship, compliance, and accountability

A. Budgetary information

Applicable Kansas statutes require that annual budgets be legally published and adopted for all funds (including Proprietary Funds) unless exempted by a specific statute. Statutory exemptions currently exist for all Capital Project Funds, Fiduciary Funds, and certain Special Revenue Funds (the Police Seizure, Police Grants, Housing, Community Development, and Special Park Gift Funds).

The statutes provide for the following sequence and timetable in adoption of budgets:

- (a) Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
- (b) Publication of proposed budget on or before August 15 of each year.
- (c) A minimum of 10 days' notice of public hearing, published in local newspaper, on or before August 15 of each year.
- (d) Adoption of the final budget on or before August 25 of each year.

Budgets are prepared by fund, department, and activity. City management may make transfers of appropriations at the department and activity level of a fund without seeking the approval of the governing body; however, management cannot amend the total budget of a fund without approval of the governing body. The legal level of budgetary control is the fund level and is the level at which the governing body must approve any over-expenditures of appropriations or transfers of appropriated amounts. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Such statutes permit original fund expenditure budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the expenditure budget of a fund. Ten days after publication, a public hearing is held and the City Commission may amend the expenditure budget of the fund at that time. During the year, several budgets were amended in accordance with Kansas statutes.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

Control over spending in funds that are not subject to legal budgets is maintained by use of internal spending limits established by management. Applicable Kansas statutes require the use of an encumbrance system as a management control technique to assist in controlling expenditures. For budget purposes, unencumbered cash balances are determined by deducting liabilities and encumbrances from cash.

Accordingly, the actual data presented in the budgetary comparison statements include encumbrances and, consequently, differ from the expenditure data presented in the governmental fund financial statements prepared in conformity with GAAP.

A reconciliation of the General Fund budgetary basis statement to the governmental fund statement as of December 31, 2016 is as follows:

	<u>General Fund</u>
Expenditures and other financing sources and uses and encumbrances (Basis of budgeting)	\$ 16,956,490
Add 2015 encumbrances	54,523
Less 2016 encumbrances	(47,985)
Less 2015 encumbrances relieved	(54,523)
Expenditures and other financing sources and uses (GAAP Basis)	<u>\$ 16,908,505</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds

A. Deposits and investments

Deposits

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal depository policy, but Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts. At December 31, 2016, the City's carrying amount of deposits was \$13,276,790 and the bank balance was \$13,352,316. Of the bank balance, \$507,921 was covered by Federal depository insurance and \$12,844,395 was covered by collateral held by the City or its agent in the City's name.

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's deposits have a main or branch bank in the county in which the Library is located and the banks provide an acceptable rate of return on deposits. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit custodial credit risk. At December 31, 2016, the Library's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2016, the City had the following investments:

	Maturities	Fair Value
Repurchase agreements	1 – 89 days	\$ 3,000,000
Money market mutual funds	< 1 year	425,032
Total investments		<u>\$ 3,425,032</u>

The securities underlying the repurchase agreements are guaranteed by the U. S. Government and their fair value exceeds that of the repurchase agreements.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Investments (continued)

Credit risk

The City's investment policy parallels state statutes and allows for idle funds to be invested in temporary notes issued by the governing body, certificates of deposits, time deposits, repurchase agreements and United States treasury bills or notes. Inactive funds may also be invested in the state investment pool, if local financial institutions are not willing to pay an interest rate at least equal to the weekly "investment rate", which is the equivalent yield on U.S. government securities with maturities comparable to that of the investment being offered.

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City has no formal policy regarding custodial credit risk. The City is not exposed to custodial credit risk.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates, but state statutes do establish a two-year limitation on investment maturities. In practice, the City does not exceed a one year maturity when investing idle funds. The City is not exposed to significant interest rate risk.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended December 31, 2016, money market mutual funds held by the City were valued using quoted prices in active markets (Level 1 inputs).

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

B. Capital assets

Capital assets activity for the year ended December 31, 2016 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 2,695,054	\$ 300	\$ -	\$ 2,695,354
Construction in progress	4,336,004	447,309	(3,346,843)	1,436,470
Total capital assets, not being depreciated	7,031,058	447,609	(3,346,843)	4,131,824
Capital assets, being depreciated				
Buildings	32,277,356	146,048	-	32,423,404
Improvements	15,470,493	2,008,102	-	17,478,595
Equipment	12,594,374	577,619	(171,506)	13,000,487
IT equipment & software	-	37,728	-	37,728
Infrastructure	86,856,888	4,901,188	-	91,758,076
Total capital assets, being depreciated	147,199,111	7,670,685	(171,506)	154,698,290
Less accumulated depreciation for:				
Buildings	21,791,840	1,085,284	(8,629)	22,868,495
Improvements	8,398,651	622,855	(6,111)	9,015,395
Equipment	8,833,285	850,689	(270,292)	9,413,682
IT equipment & software	-	7,449	-	7,449
Infrastructure	57,523,553	3,790,328	40,449	61,354,330
Total accumulated depreciation	96,547,329	6,356,605	(244,583)	102,659,351
Total capital assets, being depreciated, net	50,651,782	1,314,080	73,077	52,038,939
Governmental activities capital assets, net	\$ 57,682,840	\$ 1,761,689	\$ (3,273,766)	\$ 56,170,763

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 58,634	\$ -	\$ -	\$ 58,634
Capital assets, being depreciated				
Buildings	17,061,364	-	-	17,061,364
Improvements other than buildings	12,373,047	152,332	-	12,525,379
Infrastructure	-	1,665,071	-	1,665,071
Machinery and equipment	3,309,586	101,214	(15,387)	3,395,413
Total capital assets, being depreciated	32,743,997	1,918,617	(15,387)	34,647,227
Less accumulated depreciation for:				
Buildings	10,444,280	817,324	-	11,261,604
Improvements other than buildings	5,168,581	441,220	-	5,609,801
Infrastructure	-	29,384	-	29,384
Machinery and equipment	2,637,411	131,089	(805)	2,767,695
Total accumulated depreciation	18,250,272	1,419,017	(805)	19,668,484
Total capital assets, being depreciated, net	14,493,725	499,600	(14,582)	14,978,743
Business-type activities capital assets, net	\$ 14,552,359	\$ 499,600	\$ (14,582)	\$ 15,037,377

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

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

Governmental activities:	
General government	\$ 231,554
Public safety	818,397
Public works	300,430
Culture and recreation	970,497
Housing and urban redevelopment	245,399
Unallocated depreciation expense (depreciation of infrastructure assets)	3,790,328
Total depreciation expense – governmental activities	<u>\$ 6,356,605</u>
 Business-type activities:	
Sewer	\$ 1,311,834
Refuse	107,183
Total depreciation expense – business-type activities	<u>\$ 1,419,017</u>

Construction commitments

The City has active construction projects as of December 31, 2016. The projects include widening and improvements of streets and bridges, improvements of buildings, improvements of parks, and improvements of sewer system facilities. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitments
Street improvements	\$ 233,703	\$ 577,541
Bridge improvements	299,987	1,765,388
Stormwater improvements	250,053	151,210
Total	<u>\$ 783,743</u>	<u>\$ 2,494,139</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

Discretely presented component unit

	Beginning Balance	Increases	Decreases	Ending Balances
Capital assets, being depreciated				
Machinery and equipment	\$ 2,129,963	\$ 116,135	\$ (101,588)	\$ 2,144,510
Total capital assets, being depreciated	2,129,963	116,135	(101,588)	2,144,510
Less accumulated depreciation for:				
Machinery and equipment	1,448,147	130,614	(94,685)	1,484,076
Library capital assets, net	\$ 681,816	\$ (14,479)	\$ (6,903)	\$ 660,434

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2016, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 35,336

These interfund balances result from the time lag between the dates that (1) transactions are recorded in the accounting system, and (2) payments between funds are made.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

C. Interfund receivables, payables, and transfers (continued)

Interfund transfers for the year ended December 31, 2016, are as follows:

Interfund transfers:

Fund	Transfers In	Transfers Out
Major funds		
General Fund	\$ 94,690	\$ 63,284
Debt Service Fund	1,223,653	-
Capital Projects Fund	3,757,549	621,086
Refuse	-	47,345
Nonmajor governmental funds	641,113	4,985,290
Total transfers	<u>\$ 5,717,005</u>	<u>\$ 5,717,005</u>

Transfers are primarily used to move revenues from the fund with statutory collection authorization to the Debt Service Fund as debt service principal and interest becomes due or to the Capital Projects Fund to finance various capital projects.

D. Long-term debt

General obligation bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During the year, general obligation bonds totaling \$5,700,000 were issued for governmental activities to provide permanent financing for public safety equipment and general infrastructure improvements. In addition, \$875,000 in taxable general obligation bonds were issued for economic development in the hotel TIF district.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Balance December 31, 2016
Governmental activities				
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	\$ 1,085,000
GO Refunding	2011B	1.00% - 2.60%	09/01/22	1,975,000
GO Refunding & Internal Improvements	2012B	1.10% - 2.30%	09/01/22	1,440,000
GO Refunding & Internal Improvements	2013A	0.65% - 2.40%	09/01/25	3,200,000
GO Refunding & Internal Improvements	2014A	2.00% - 2.50%	09/01/24	1,765,000
Computer Hardware/Software	2014B	2.25% - 3.00%	09/01/24	400,000
Internal Improvements	2015A	1.50% - 2.75%	09/01/25	1,550,000
Internal Improvements - Taxable	2015B	1.85% - 3.15%	09/01/25	545,000
Fire Trucks & Refunding	2016A	1.50% - 2.30%	09/01/31	5,700,000
TIF Hotel-Taxable	2016A	1.30% - 2.25%	09/01/26	875,000
				<u>18,535,000</u>
Business-type activities				
GO Refunding	2011B	1.00% - 2.60%	09/01/18	285,000
Sewer System Improvements	2012A	2.00% - 2.75%	09/01/32	3,500,000
GO Refunding & Sewer	2012B	1.10% - 2.30%	09/01/25	1,415,000
GO Refunding & Sewer	2014A	2.00% - 2.50%	09/01/23	2,105,000
				<u>7,305,000</u>
				<u>\$ 25,840,000</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

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

	Principal	Interest	Total
Governmental activities			
2017	\$ 2,680,000	\$ 382,515	\$ 3,062,515
2018	2,570,000	322,470	2,892,470
2019	2,420,000	278,328	2,698,328
2020	2,240,000	229,698	2,469,698
2021	2,005,000	188,402	2,193,402
2022-2026	6,125,000	405,289	6,530,289
2027-2031	495,000	32,875	527,875
	<u>18,535,000</u>	<u>1,839,577</u>	<u>20,374,577</u>
Business-type activities			
2017	750,000	151,755	901,755
2018	755,000	138,568	893,568
2019	640,000	125,123	765,123
2020	650,000	113,330	763,330
2021	665,000	101,028	766,028
2022-2026	2,370,000	312,041	2,682,041
2027-2031	1,210,000	128,405	1,338,405
2032-2036	265,000	7,288	272,288
	<u>7,305,000</u>	<u>1,077,538</u>	<u>8,382,538</u>
Total	<u>\$ 25,840,000</u>	<u>\$ 2,954,023</u>	<u>\$ 28,794,023</u>

At December 31, 2016, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is \$69,128,610 which, after reduction of outstanding debt of \$10,659,848, provides a debt margin of \$58,468,762. General obligation bonds of \$16,408,481 for traffic way, sewer and refuse improvements and refundings issued under K.S.A. 10-427 are exempt from this calculation.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans.

Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Through December 31, 2016, there is one series of Industrial Revenue Bonds (IRB) outstanding, with an aggregate principal amount payable of approximately \$1,602,985.

E. Bond anticipation notes

Kansas statutes permit the issuance of bond anticipation notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. During the year, bond anticipation notes totaling \$1,625,000 were issued for governmental activities to provide temporary financing for general capital improvements.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

E. Bond anticipation notes (continued)

Bond anticipation notes issued for governmental activities for which all legal steps and the ability to consummate refinancing have not been met are reported as a fund liability in the fund receiving proceeds. The following bond anticipation notes are reported as fund liabilities at December 31, 2016:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2016
Governmental activities				
Internal Improvements	2014A	1.00%	07/01/17	\$ 35,000
Internal Improvements	2016A	1.03%	01/01/18	1,625,000
Total				<u>\$ 1,660,000</u>

Short-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	\$ 2,410,000	\$ 1,625,000	\$ 2,375,000	\$ 1,660,000

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

F. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 17,405,000	\$ 6,575,000	\$ 5,445,000	\$ 18,535,000	\$ 2,680,000
Capital leases	39,348	-	39,348	-	-
Net pension liability	14,671,925	1,911,529	-	16,583,454	-
Compensated absences	2,163,632	1,484,971	1,404,945	2,243,658	253,895
Other postemployment benefits	3,496,370	388,368	-	3,884,738	-
Total	\$ 37,776,275	\$10,359,868	\$ 6,889,293	\$ 41,246,850	\$ 2,933,895
Business-type activities					
General obligation bonds	\$ 8,050,000	\$ -	\$ 745,000	\$ 7,305,000	\$ 750,000
Compensated absences	172,635	77,205	92,967	156,873	17,752
Other postemployment benefits	145,024	34,468	-	179,492	-
Net pension liability	862,341	32,696	-	895,037	-
Accrued landfill closure post-closure care costs	291,843	-	61,835	230,008	15,000
Total	\$ 9,521,843	\$ 144,369	\$ 899,802	\$ 8,766,410	\$ 782,752
Discretely presented component unit					
Net pension liability	\$ 398,312	\$ 112,316	\$ -	\$ 510,628	\$ -

For the governmental activities, compensated absences, net pension liability, and other postemployment benefits are generally liquidated by the General Fund.

G. Fund balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2016, fund balances for governmental funds are made up of the following:

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

G. Fund balances (continued)

Nonspendable fund balance includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criteria includes items that are not expected to be converted to cash, such as inventories and prepaid amounts.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or removed only with the consent of resource providers, such as grantors, bondholders, or higher levels of government.

Committed fund balance includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The City Commission is the highest level of decision-making authority that can, by adoption of a resolution, prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned fund balance includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. The City Commission has by resolution authorized the City Manager to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of the assignment.

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the abovementioned classifications. Unassigned amounts are technically available for any purpose. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

In circumstances when an expenditure is made for a purpose which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

G. Fund balances (continued)

Fund balances for all the major and nonmajor governmental funds as of December 31, 2016 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital improvements	\$ -	\$ -	\$ -	\$ 2,140,577	\$ 2,140,577
Tax increment financing	-	-	-	809,124	809,124
Street maintenance	-	-	-	72,658	72,658
Law enforcement	-	-	-	161,607	161,607
Tourism & conventions	-	-	-	277,588	277,588
Recreation programs	-	-	-	113,605	113,605
Housing services	-	-	-	1,036,568	1,036,568
Community redevelopment	-	-	-	38,468	38,468
Economic development	-	-	-	447,542	447,542
General obligation debt	-	415,724	-	-	415,724
Subtotal	-	415,724	-	5,097,737	5,513,461
Committed to:					
Capital improvements	-	-	2,352,854	-	2,352,854
Subtotal	-	-	2,352,854	-	2,352,854
Assigned to:					
Purchases on order	47,985	-	-	-	47,985
Subtotal	47,985	-	-	-	47,985
Unassigned	5,974,476	-	-	-	5,974,476
Total fund balance	\$ 6,022,461	\$ 415,724	\$ 2,352,854	\$ 5,097,737	\$ 13,888,776

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

4. Detailed notes on all funds (continued)

G. Fund balances (continued)

The City Commission adopted a formal General Fund Reserve Policy on December 30, 2003. The policy aims to ameliorate the adverse impacts of unforeseen financial events such as an economic downturn, significant unanticipated and unavoidable expenditures, or significant unanticipated and unavoidable reductions of revenue.

It is the policy of the City to maintain a General Fund budgetary basis fund balance equal to 8.33% of annual General Fund expenditures. Consistent with K.S.A. 10-1101 et al (the Kansas “cash basis law”), the budgetary basis fund balance is defined as cash less payables less encumbrances.

Further, to facilitate the creation and maintenance of the aforementioned General Fund balance policy, it is the policy of the City to annually budget a non-appropriated reserve of 4.00% of General Fund expenditures as authorized by K.S.A. 79-2927.

Finally, it is the policy of the City to consider the General Fund non-appropriated reserve as being unavailable for expenditures and to restrict the utilization of the reserve—as a last resort—to accommodating revenue shortfalls that cannot be overcome through budgetary revisions or emergency expenditures that cannot be deferred to future periods.

5. Other information

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

For its workers compensation insurance, the City is a participant in the Kansas Eastern Regional Insurance Trust (KERIT), a not-for-profit public entity risk pool established by a group of city and county governmental entities in the eastern region of Kansas. As of December 31, 2016, the membership of KERIT included fourteen cities and two counties.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

A. Risk management (continued)

The City pays an annual premium to KERIT for this workers compensation insurance. KERIT members are subject to additional premium assessments in the event of deficiencies and may receive dividends from those claims years when revenues exceed expenses. KERIT provides coverage for its members within a self-insured retention limit of \$400,000 in accordance with State statutes and obtains independent coverage for insured events up to an annual aggregate limit of \$5 million.

A Comprehensive Annual Financial Report for KERIT is available from their offices at 600 Broadway, Suite 300, Kansas City, Missouri 64105-1554.

B. Pension plans - Kansas Public Employees Retirement System

General Information About the Pension Plan

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

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

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

Those employees participating in the Pension Plan for the City and the Library are included in both the Local and Police and Firemen employee groups.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

General Information About the Pension Plan (continued)

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

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 Kansas Legislature. Member employees (except police and firemen) with ten or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 points (police and firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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

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 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.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

General Information About the Pension Plan (continued)

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

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

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether an employee is a KPERS 1, KPERS 2, or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2, and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates are determined based on the results of an 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. KPERS is funded on an actuarial reserve basis.

For KPERS 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 increase over the prior year contribution rate is 1.1% of total payroll for the KPERS fiscal year ended June 30, 2016.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

General Information About the Pension Plan (continued)

The actuarially determined employer contribution rate (not including the 1% contribution rate for the Death and Disability Program) and the statutory contribution rate were 9.18% for KPERS and 20.42% for KP&F for the year ended December 31, 2016. Contributions to the Pension Plan from the City were \$524,221 for KPERS and \$1,140,546 for KP&F for the year ended December 31, 2016. Contributions from the Library for KPERS were \$ 51,618 for the year ended December 31, 2016.

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

At December 31, 2016, the City reported a liability of \$ 5,007,441 for KPERS and \$11,146,119 for KP&F and the Library reported a liability of \$510,628 for KPERS for their proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016, and the total pension liability to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. Although KPERS administers one cost-sharing multiple-employer defined benefit plan, separate (sub) actuarial valuations are prepared to determine the actuarial contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

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

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and nonemployer. 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 Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, the City's proportion for KPERS was .323681%, which was a decrease of .044547% from its proportion measured as of June 30, 2015. At June 30, 2016, the City's proportion for KP&F was 1.200103%, which was a decrease of .08006% from its proportion measured as of June 30, 2015. At June 30, 2016, the Library's proportion for KPERS was .0330%, which was an increase of .0027% from its proportion measured as of June 30, 2015.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

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

For the year ended December 31, 2016, The City recognized pension expense of \$372,677 for KPERS and \$1,370,916 for KP&F, and the Library recognized pension expense of \$49,159 for KPERS. At December 31, 2016, the City and the Library reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 617,341	\$ 205,406
Net difference between projected and actual earnings on pension plan investments	2,050,901	-
Changes in assumptions	-	115,558
Changes in proportionate share	228,556	1,055,081
City contributions subsequent to measurement date	832,791	-
Total	\$ 3,729,589	\$ 1,376,045

	Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,964	\$ 9,216
Net difference between projected and actual earnings on pension plan investments	60,321	-
Changes in assumptions	-	4,777
Changes in proportionate share	31,098	11,532
Total	\$ 94,383	\$ 25,525

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

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

The \$832,791 for the City reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	City	Library
2017	\$ 177,335	\$ 8,075
2018	177,335	8,075
2019	782,482	26,949
2020	439,203	21,640
2021	(55,602)	4,119
	<u>\$ 1,520,753</u>	<u>\$ 68,858</u>

Actuarial Assumptions. The total pension liability for KPERS in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

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

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for a three year period ending December 31, 2012.

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 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 class included in the Pension Plan's target asset allocations as of June 30, 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%	

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

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

Discount Rate. The discount rate used by KPERS to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F, assuming all actuarial assumptions are met in future years. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

B. Pension plans - Kansas Public Employees Retirement System (continued)

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

Sensitivity of the City's and the Library's proportionate share of the collective net pension liability to changes in the discount rate. The following presents the City's and the Library's proportionate share of the collective net pension liability calculated using the discount rate of 8.00%, as well as what the proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's KPERS proportionate share of the collective net pension liability	\$ 6,863,507	\$ 5,007,441	\$ 3,433,641
City's KP&F proportionate share of the collective net pension liability	15,290,195	11,146,119	7,644,856
Library's KPERS proportionate share of the collective net pension liability	699,898	510,628	350,142

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

C. Pension Plans - Police and Fire Pension Plan

Plan description

Plan administration

The Police and Fire Pension Plan (the Plan) is a single-employer defined benefit pension plan that is administered by the City. The Plan was established by City ordinance in 1945 to provide retirement income benefits for police officers and firemen and became closed to new entrants in 1971. In 1971, when the City became affiliated with the Kansas Police and Firemen's Retirement System (KP&F), all members were given the option of joining KP&F or remaining with the Plan. All administrative costs are absorbed by the City's General Fund.

Management of the Plan is vested in the City Commission, which consists of five elected members. Plan provisions may be amended by the City Commission.

The Plan does not issue a stand-alone financial report but is included as a pension trust fund of the City.

Plan membership

The plan is closed to new entrants. At December 31, 2016, pension plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>0</u>
	4

Benefits provided

The Plan provides only retirement benefits. The retirement benefits are calculated as 50% of the higher of the final monthly salary or the average of the final twelve months of salary.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are determined by the City Commission.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

C. Pension Plans - Police and Fire Pension Plan (continued)

Plan description (continued)

Contributions

The contribution requirements of plan members and the reporting entity are established by City ordinance and may be amended by the City Commission. The City is required to contribute at an actuarially determined amount based on the latest actuarial report. As this is a closed plan and all members are retirees or beneficiaries, the members are no longer making any contribution to the Plan. The City provides for pension expenses by levying ad valorem property taxes each year. The actual employer contribution to the Plan during the year ended December 31, 2016 was \$162,567.

Investments

Investment Policy

The City has no formal investment policy or asset allocation policy for the Plan. All plan assets are invested in the City's cash pool which falls under the City's investment policy.

Methods used to value investments

The pension plan assets consist of only pooled cash and investments that are pooled with the City's cash and investments. These consist of checking accounts, repurchase agreements and certificates of deposits. The Plan's portion is reported at fair value.

Concentrations

The entire pension fund assets are invested in the City's cash pool. The Plan holds no individual investments with a market value that exceeds five percent of net position available for benefits.

Rate of return

For year ended December 31, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.15%. The money weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

C. Pension Plans - Police and Fire Pension Plan (continued)

Net pension liability

The City's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined to by an actuarial valuation as of December 31, 2016.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2016 using the following actuarial assumptions:

Inflation	3%
Salary Increases	0%
Investment rate of return	3%, net of pension plan investment expense, including inflation
Actuarial cost method	Entry Age

Mortality rates were based on the RP-2000 Mortality Table with Blue Collar adjustment projected generationally with scale AA.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

C. Pension Plans - Police and Fire Pension Plan (continued)

Net pension liability (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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 Plan's target asset allocation as of December 31, 2016 are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Cash	100%	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that no plan member contributions would be made and that the City's contribution will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

C. Pension Plans - Police and Fire Pension Plan (continued)

Changes in the net pension liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2015	\$ 2,128,432	\$ 724,650	\$ 1,403,782
Changes for the year:			
Service cost	-	-	-
Interest	61,831	-	61,831
Differences between expected and actual experience	23,728	-	23,728
Contributions-employer	-	163,144	(163,144)
Net investment income	-	1,266	(1,266)
Benefit payments, including refunds	(134,794)	(134,794)	-
Net changes	(49,235)	29,616	(78,851)
Balance at December 31, 2016	\$ 2,079,197	\$ 754,266	\$ 1,324,931

Plan fiduciary net position as a percentage of the total pension liability is 36.28%.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Plan, calculated using the discount rate of 3.00%, as well as, what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage point higher (4.00%) than the current rate:

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net pension liability	\$ 1,524,764	\$ 1,324,931	\$ 1,142,939

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

C. Pension Plans - Police and Fire Pension Plan (continued)

Pension expense and deferred outflows of resources and deferred inflows of resources

For the year ended December 31, 2016, the City recognized pension expense of \$ 71,720. At December 31, 2016, the City reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 29,159

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,		
2017	\$	8,326
2018		8,326
2019		8,327
2020		4,180
2021		-
Thereafter		-

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

D. Other postemployment healthcare benefits

Description

The City offers postemployment health insurance to retired employees. The benefits are provided through a single employer defined benefit postemployment healthcare plan administered by the City. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The health insurance benefit provides the same coverage for retirees and their dependants as for active employees and their dependants. The benefit is available for selection at retirement and is extended to retirees and their dependants until the individuals become eligible for Medicare at age 65. The plan does not issue a stand-alone financial report.

Funding policy

The City provides health insurance benefits to retirees and their dependants in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the State Legislature, establish that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100 percent of the blended premium cost of active employees up to age 65 (including the employer and employee share).

The City provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2016, the City made contributions of \$189,265 to the plan. Plan members receiving benefits contributed \$223,412.

Annual OPEB cost and net OPEB obligation

The City's annual OPEB (other postemployment benefit) cost is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

Annual OPEB cost and net OPEB obligation (continued)

Annual required contribution (ARC)	\$ 619,081
Interest on net OPEB obligation	118,345
Adjustment to ARC	(125,325)
Annual OPEB cost	612,101
Contributions made	(189,265)
Increase in net OPEB obligation	422,836
Net OPEB obligation at beginning of year	3,641,394
Net OPEB obligation at end of year	\$ 4,064,230

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014, 2015 and 2016 are as follows:

Fiscal Year Ending December 31	Annual OPEB Cost	Percent of Annual OPEB Cost	Net OPEB Obligation
2014	\$ 498,536	30.7%	\$ 3,282,517
2015	525,968	31.8	3,641,394
2016	612,101	31.8	4,064,230

Funded status and funding progress

As of December 31, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$6,537,191. The City's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,537,191. The covered payroll (annual payroll of active employees covered by the plan) was \$10,554,308, and the ratio of the UAAL to the covered payroll was 61.9%.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

Funded status and funding progress (continued)

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. The valuation includes, for example, assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with the 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 the plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based upon the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefits 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 actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial methods and assumptions used includes a 3.00 percent inflation rate assumption and a 3.25 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the City's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 7.0 to 9.0 percent in the first five years and an ultimate averaging rate of 5.0 percent after five years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized on an open basis over a period of 30 years with the remaining amortization period of 29 years.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

E. Closure and postclosure care costs

State and federal laws and regulations require the City's sanitary landfill to place a final cover on the landfill site and to perform certain maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs will be paid in future periods, the City reports these closure and postclosure care costs as an operating expense in each period based upon landfill capacity used as of the balance sheet date. The \$230,008 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2016 represents 100% of the estimated liability as the landfill is no longer accepting waste. The estimated liability is based upon what it would cost to perform all closure and postclosure care costs in 2016. Actual costs may be different than those estimated due to inflation, changes in technology or changes in regulations.

F. Commitments and contingencies

Normal commitments have been made for future expenditures related to the City's capital projects program.

The City is a defendant in various legal actions pending or in process for property damage, personal injuries, zoning matters and other miscellaneous claims. The ultimate liability that might result from the final resolution of the above matters is not presently determinable. While certain lawsuits involve substantial amounts, in the opinion of management and counsel, such litigation will have no material effect on the basic financial statements of the City.

The City receives significant financial assistance from numerous Federal, state and local governmental agencies in the form of grants. Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position as of December 31, 2016.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

F. Commitments and contingencies (continued)

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, committed, or assigned fund balance. At December 31, 2016, the City's recorded encumbrances in governmental funds were as follows:

General Fund	\$ 47,985
Capital Projects Fund	2,029,415
Other nonmajor governmental funds	
Recreation Fund	3,890
Police Seizure Funds	30
Community Development	10,200
Housing-CFP	<u>13,050</u>
 Total	 <u><u>\$ 2,104,570</u></u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

G. Tax Abatements

The City provides tax abatements through two programs - the Neighborhood Revitalization Plan and the Economic Development Plan.

For the fiscal year ended December 31, 2016, the City abated taxes totaling \$455,663, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

- The **Neighborhood Revitalization Plan (NRA)** was established under the authority of K.S.A 12-17, 114 et al. The purpose of the plan is intended to promote the rehabilitation, conservation, and /or redevelopment of areas within the city to protect the public health, safety, and welfare of the residents.

The tax rebate incentive is available to property owners for certain improvements that raise the appraised value of residential and commercial properties. The City evaluates all the properties before granting the abatement. Any default in paying taxes results in the property owner not receiving their abated monies. If the property is sold, the abatement stays in effect with the new property owner.

The plan provides for an ad valorem rebate of 100% of the increased taxes paid on eligible improvements for a period of 5-10 years. Interlocal agreements were entered into with the USD #453 school district and Leavenworth County. The NRA district includes properties from Metropolitan Avenue as the northern boundary to Spruce Street as the southern boundary and from N Esplanade Street as the eastern boundary to N 10th Street as the western boundary, with a portion of area between 10th and 11th street included. Within that area, two sections are considered Tax Increment Financing (TIF) areas instead of NRA.

As of December 31, 2016, the Commission approved extending the NRA for another 10 years. There are approximately 60 properties participating in the tax abatements, which totaled \$97,373.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

G. Tax Abatements (continued)

- **The Economic Development Plan** was established under the authority of K.S.A. 12-1770 et seq. and includes tax abatements for economic development purposes in the form of Tax Incremental Financings (TIFs) and Industrial Revenue Bonds (IRBs). The statutes require that the projects being considered for a TIF generate enough benefits and TIF revenues to cover or exceed the project costs. TIFs may take the form of either ad valorem tax abatements or sales tax abatements or both. IRBs not only provide financing for the project but also allow the sales taxes on the project to be abated using the City's sales tax exemption status.

As of December 31, 2016, the City has the following **Sales Tax TIF** agreements:

- Home Depot (2001-2021) refund of 100% of the original 1% City sales tax. The amount repaid to Home Depot in 2016 was \$251,012.
- Zeck Ford (2015- 2035) refund of 80% of the original 1% City sales tax that is generated on sales exceeding \$53,992,480 annually. The amount of sales tax repaid to Zeck for 2016 was \$107,278.

As of December 31, 2016, the City has the following **Property Tax TIF** agreements:

- Zeck Ford (2015-2035): 100% refund of the property tax generated in excess of the assessed value excluding the allocation to the state and the school district general fund that is exempted by statute. \$1,102,513 is considered the base value, and 2015 is considered the base year. At December 31, 2016, there was no increase in assessed valuation related to TIF eligible improvements.
- North Gateway Hotels (2014-2034): 100% of the property tax generated on the increased value of the properties in the North Gateway Hotel TIF is placed into a TIF fund, excluding the allocation to the state and the school district general fund that is exempted by statute. The monies paid into the TIF fund will be used to repay the \$875,000 of GO bonds issued on behalf of the developer towards the construction of an extended stay hotel at that same location. As of December 31, 2016, the district generated \$126,217.
- Downtown Hotel (2014-2034): 100% of the property tax generated on the increased value of the properties in the Downtown Hotel TIF is placed into a TIF fund, excluding the allocation to the state and the school district general fund that is exempted by statute. The base year for assessed valuation is 2011 and the base value is \$2,352,884. As of December 31, 2016 there was no increase in value related to TIF improvements.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
(continued)

5. Other information (continued)

G. Tax Abatements (continued)

The City has Interlocal agreements with USD #453 and Leavenworth County for the property tax TIFs.

H. Subsequent events

Subsequent to year end, the City entered into an Interlocal agreement with the County for the purpose of developing a Business and Technology Park at the intersection of 20th and Eisenhower. The City issued \$4,910,000 in General Obligation bonds, Series 2017-A for its portion of the project cost and the County agreed to provide \$5,000,000 toward its portion of the project cost.

In addition to the Series 2017-A General Obligation Bonds, the City entered into a three-year capital lease in the amount of \$494,519. This lease is to finance the purchase of Information Technology equipment related to networking upgrades.

Required Supplementary Information

City of Leavenworth, Kansas

Schedule of the City's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System
 Last Three Fiscal Years¹

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the collective net pension liability:			
KPERS	0.323681%	0.368228%	0.355866%
KP&F	1.200103%	1.280163%	1.271155%
City's proportionate share of the collective net pension liability	\$16,153,560	\$14,130,484	\$12,716,814
City's covered-employee payroll	\$11,250,704	\$11,932,917	\$11,476,070
City's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	143.58%	118.42%	110.81%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%

¹ GASB 68 requires presentation of 10 years. As of December 31, 2016, only three years of information is available.

City of Leavenworth, Kansas
 Schedule of City's Contributions
 Kansas Public Employees Retirement System
 Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 1,709,712	\$ 1,785,936	\$ 1,741,195	\$ 1,491,559	\$ 1,424,239	\$ 1,358,240	\$ 1,220,228	\$ 1,217,312	\$ 1,069,774	\$ 1,004,136
Contributions in relation to the contractually required contribution	(1,709,712)	(1,785,936)	(1,741,195)	(1,491,559)	(1,424,239)	(1,358,240)	(1,220,228)	(1,217,312)	(1,069,774)	(1,004,136)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 11,235,594	\$ 11,590,840	\$ 11,710,799	\$ 11,436,682	\$ 11,429,992	\$ 11,958,524	\$ 11,990,714	\$ 11,957,511	\$ 10,621,615	\$ 10,707,249
Contributions as a percentage of covered-employee payroll	15.22%	15.41%	14.87%	13.04%	12.46%	11.36%	10.18%	10.18%	10.07%	9.38%

City of Leavenworth, Kansas

Schedule of the Library's Proportionate Share of the Collective Net Pension Liability
 Kansas Public Employees Retirement System
 Last Two Fiscal Years¹

	<u>2016</u>	<u>2015</u>
Library's proportion of the collective net pension liability	0.033%	0.030%
Library's proportionate share of the collective net pension liability	\$ 510,628	\$ 398,312
Library's covered-employee payroll	\$ 567,668	\$ 522,469
Library's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	89.95%	76.24%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%

¹ GASB 68 requires presentation of 10 years. As of December 31, 2016, only two years of information is available.

City of Leavenworth, Kansas

Schedule of Library's Contributions
 Kansas Public Employees Retirement System
 Last Two Fiscal Years¹

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 51,618	\$ 52,587
Contributions in relation to the contractually required contribution	<u>(51,618)</u>	<u>(52,587)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Library's covered-employee payroll	\$ 679,554	\$ 554,714
Contributions as a percentage of covered-employee payroll	7.600%	9.480%

¹ GASB 68 requires presentation of 10 years. As of December 31, 2016, only two years of information is available.

City of Leavenworth, Kansas
Schedule of Changes in Net Pension Liability and Related Ratios
Police and Fire Pension Plan
Last Three Fiscal Years¹

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ -	\$ -	\$ -
Interest	61,831	73,102	74,801
Changes of benefit terms	-	-	-
Differences between expected and actual experience	23,728	(305,853)	21,327
Changes of assumptions	-	-	-
Benefit payments, including refunds of member contributions	(134,794)	(151,091)	(154,434)
Net change in total pension liability	<u>(49,235)</u>	<u>(383,842)</u>	<u>(58,306)</u>
Total pension liability - beginning	2,128,432	2,512,274	2,570,580
Total pension liability - ending (a)	<u><u>\$ 2,079,197</u></u>	<u><u>\$ 2,128,432</u></u>	<u><u>\$ 2,512,274</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 163,144	\$ 160,245	\$ 159,716
Contributions - employee	-	-	-
Net investment income	1,266	846	846
Benefit payments, including refunds of member contributions	(134,794)	(151,091)	(154,434)
Administrative expenses	-	-	-
Other	-	-	(48)
Net change in plan fiduciary net position	<u>29,616</u>	<u>10,000</u>	<u>6,080</u>
Plan fiduciary net position - beginning	724,650	714,650	708,570
Plan fiduciary net position - ending (b)	<u><u>\$ 754,266</u></u>	<u><u>\$ 724,650</u></u>	<u><u>\$ 714,650</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 1,324,931</u></u>	<u><u>\$ 1,403,782</u></u>	<u><u>\$ 1,797,624</u></u>
Plan fiduciary net position as a percentage of the total pension liability	36.28%	34.05%	28.45%
Covered-employee payroll	\$ -	\$ -	\$ -
Net pension liability as a percentage covered-employee payroll	N/A	N/A	N/A

¹ GASB 67 requires presentation of ten years. As of December 31, 2016, only three years of information is available.

City of Leavenworth, Kansas
 Schedule of City Contributions
 Police and Fire Pension Plan
 Last Ten Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 91,608	\$ 117,310	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 140,458	\$ 140,458	\$ 143,349
Actual contributions	163,144	160,245	159,716	188,189	180,610	155,067	179,560	153,683	173,065	170,238
Contribution deficiency (excess)	\$ (71,536)	\$ (42,935)	\$ (6,061)	\$ (34,534)	\$ (26,955)	\$ (1,412)	\$ (25,905)	\$ (13,225)	\$ (32,607)	\$ (26,889)
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Open level dollar
Remaining amortization period	20 years
Asset valuation method	Market Value of Assets
Inflation	3.00%
Salary increases	N/A - Closed Plan
Investment rate of return	3.0% net of investment expenses
Retirement age	N/A - Closed Plan
Mortality	RP-2000 Mortality Table with Blue Collar adjustment projected generationally with scale AA

City of Leavenworth, Kansas
Schedule of Investment Returns
Police and Fire Pension Plan
Last Three Fiscal Years¹

<u>Fiscal Year</u>	<u>Annual Money-Weighted Rate of Return</u>
2016	0.15%
2015	0.14%
2014	0.14%

¹ GASB 67 requires presentation of 10 years. As of December 31, 2016, only three years of information is available.

City of Leavenworth, Kansas
 Schedule of Funding Progress
 Other Postemployment Benefits
 December 31, 2016

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Percentage of Covered Payroll
12/31/12	-	\$ 5,354,507	\$ 5,354,507	0.0 %	\$ 12,127,580	44.2 %
12/31/14	-	5,435,582	5,435,582	0.0	12,210,149	44.5
12/31/16	-	6,537,191	6,537,191	0.0	10,554,308	61.9

**Combining and Individual Fund
Statements and Schedules**

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2016

Special Revenue Funds

Fund Descriptions

Recreation Fund

To account for recreational program expenditures. Resources are generated by a tax levy and program user fees.

Economic Development Fund

To account for the economic development operations expenditures. Resources are generated from a 15% allocation of the Countywide sales tax.

Special Fuel Fund

To account for the operational expenditures of the Street Department. Resources are mainly from a state fuel tax.

CIP Sales Tax Fund

To account for the activities related to the ½ cent permanent sales tax dedicated for capital improvements.

Countywide Sales Tax Fund

To account for the receipt and disbursement of sales tax revenue resulting from a one-cent countywide sales tax enacted by Leavenworth County.

Tax Increment Fund – Zeck Fund

To account for the transactions related to the Zeck Ford properties Economic Development Incentives.

Tax Increment Fund – Hotels Fund

To account for the transactions related to Hotel Economic Development Incentives.

City of Leavenworth, Kansas

Nonmajor Governmental Funds
(Continued)

Fund Descriptions (continued)

Tax Increment Fund – Home Depot

To account for the receipt and disbursement of sales tax revenues related to the 2001 tax increment financing project.

Convention & Visitors Bureau

To account for the receipt and disbursement of transient guest taxes for the promotion of tourism and conventions.

Police Seizure Fund

To account for expenditures relating to the operation of police drug abuse abatement programs. Resources are generated from proceeds of the sale of assets confiscated or seized during the course of drug enforcement activities.

Police Grants Fund

To account for the receipt and disbursement of federal and state grants for various police programs.

Housing Fund

To account for monies relating to the maintenance and operation of the public housing facility and housing programs for low income persons. Financing is provided by user fees and federal financial assistance.

Community Development Fund

To account for monies expended for community development block grant programs and various other community improvements. Financing is provided by federal financial assistance.

Special Park Gift Fund

To account for public contributions for improvements to city parks.

City of Leavenworth, Kansas

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2016

	Recreation	Economic Development
ASSETS		
Cash and cash equivalents	\$ 127,485	\$ 382,404
Cash in escrow	-	-
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	514,138	-
Sales tax receivable	-	66,691
Interest receivable	-	-
Due from other governments	-	-
Accounts receivable	-	-
Total assets	<u>\$ 641,623</u>	<u>\$ 449,095</u>
LIABILITIES		
Accounts payable	\$ 19,708	\$ 700
Accrued compensation	29,281	853
Due to other funds	-	-
Tenant deposits	-	-
Unearned revenues	-	-
Total liabilities	<u>48,989</u>	<u>1,553</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	514,138	-
Unavailable revenues - grants	-	-
Total deferred inflows of resources	<u>514,138</u>	<u>-</u>
FUND BALANCES		
Restricted	<u>78,496</u>	<u>447,542</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 641,623</u>	<u>\$ 449,095</u>

Special Revenue

Special Fuel	CIP Sales Tax	Countywide Sales Tax	Tax Increment Zeck	Tax Increment Hotels
\$ 85,947	\$ 1,016,230	\$ 369,610	\$ 37,751	\$ 159,497
-	-	-	-	425,032
-	-	-	-	-
-	-	-	-	-
-	376,818	377,919	82,571	-
-	-	-	-	-
-	-	-	-	-
33,339	-	-	-	-
\$ 119,286	\$ 1,393,048	\$ 747,529	\$ 120,322	\$ 584,529
\$ 18,861	\$ -	\$ -	\$ -	\$ 21,254
27,767	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
46,628	-	-	-	21,254
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
72,658	1,393,048	747,529	120,322	563,275
\$ 119,286	\$ 1,393,048	\$ 747,529	\$ 120,322	\$ 584,529

(continued)

City of Leavenworth, Kansas

Combining Balance Sheet
(Continued)

Nonmajor Governmental Funds

December 31, 2016

	Tax Increment Home Depot	Convention & Visitors & Bureau
ASSETS		
Cash and cash equivalents	\$ 88,349	\$ 282,482
Cash in escrow	-	-
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	-	-
Sales tax receivable	37,128	-
Interest receivable	50	-
Due from other governments	-	-
Accounts receivable	-	1,489
Total assets	<u>\$ 125,527</u>	<u>\$ 283,971</u>
LIABILITIES		
Accounts payable	\$ -	\$ 1,184
Accrued compensation	-	5,199
Due to other funds	-	-
Tenant deposits	-	-
Unearned revenues	-	-
Total liabilities	<u>-</u>	<u>6,383</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	-	-
Unavailable revenues - grants	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>
FUND BALANCES		
Restricted	<u>125,527</u>	<u>277,588</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 125,527</u>	<u>\$ 283,971</u>

Special Revenue

Police Seizure	Police Grants	Housing	Community Development	Special Park Gift	Total Nonmajor Governmental Funds
\$ 159,486	\$ -	\$ 1,219,191	\$ 39,047	\$ 35,109	\$ 4,002,588
-	-	-	-	-	425,032
-	-	31,945	-	-	31,945
-	-	-	-	-	514,138
-	-	-	-	-	941,127
35	-	-	-	-	85
-	11,622	21,750	58,145	-	91,517
-	-	-	-	-	34,828
\$ 159,521	\$ 11,622	\$ 1,272,886	\$ 97,192	\$ 35,109	\$ 6,041,260
\$ 1,894	\$ 973	\$ 37,580	\$ 27,333	\$ -	\$ 129,487
-	-	11,893	2,724	-	77,717
-	6,669	-	28,667	-	35,336
-	-	31,945	-	-	31,945
-	-	15,382	-	-	15,382
1,894	7,642	96,800	58,724	-	289,867
-	-	-	-	-	514,138
-	-	139,518	-	-	139,518
-	-	139,518	-	-	653,656
157,627	3,980	1,036,568	38,468	35,109	5,097,737
\$ 159,521	\$ 11,622	\$ 1,272,886	\$ 97,192	\$ 35,109	\$ 6,041,260

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2016

	Recreation	Economic Development
REVENUES		
Taxes	\$ 556,523	\$ 444,733
Intergovernmental	65,306	-
Charges for services	642,865	-
Fines and forfeitures	-	-
Investment earnings	-	-
Miscellaneous	8,140	-
Total revenues	<u>1,272,834</u>	<u>444,733</u>
EXPENDITURES		
Current:		
General government	-	-
Public safety	-	-
Public works	-	-
Culture and recreation	1,520,610	-
Housing and urban redevelopment	-	93,367
Debt service		
Interest and fiscal charges	-	700
Capital outlay	-	300
Total expenditures	<u>1,520,610</u>	<u>94,367</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(247,776)</u>	<u>350,366</u>
OTHER FINANCING SOURCES (USES)		
Sale of general capital assets	-	-
General obligation bonds issued	-	-
Transfers in	300,000	243,336
Transfers out	(3,325)	(146,160)
Total - other financing sources (uses)	<u>296,675</u>	<u>97,176</u>
Net change in fund balances	48,899	447,542
Fund balances - beginning	<u>29,597</u>	<u>-</u>
Fund balances - ending	<u>\$ 78,496</u>	<u>\$ 447,542</u>

Special Revenue

Special Fuel	CIP Sales Tax	Countywide Sales Tax	Tax Increment Zeck	Tax Increment Hotels
\$ -	\$ 2,112,892	\$ 2,099,867	\$ 554,846	\$ 126,217
1,062,903	-	-	-	-
211	-	-	7,000	-
-	-	-	-	-
-	-	-	-	132
40,432	56,970	-	-	9,571
1,103,546	2,169,862	2,099,867	561,846	135,920
-	-	-	-	-
-	-	-	-	-
984,488	-	-	-	-
-	-	-	-	-
-	-	-	569,762	484,257
-	-	-	-	-
-	11,945	-	-	-
984,488	11,945	-	569,762	484,257
119,058	2,157,917	2,099,867	(7,916)	(348,337)
-	52,397	-	-	-
-	-	-	-	875,000
-	1,811	90,874	-	-
(47,345)	(2,013,055)	(2,775,405)	-	-
(47,345)	(1,958,847)	(2,684,531)	-	875,000
71,713	199,070	(584,664)	(7,916)	526,663
945	1,193,978	1,332,193	128,238	36,612
\$ 72,658	\$ 1,393,048	\$ 747,529	\$ 120,322	\$ 563,275

(continued)

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued)

Nonmajor Governmental Funds

For the Year Ended December 31, 2016

	Tax Increment Home Depot	Convention & Visitors Bureau
REVENUES		
Taxes	\$ 253,319	\$ 350,470
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment earnings	240	-
Miscellaneous	-	3,290
Total revenues	<u>253,559</u>	<u>353,760</u>
EXPENDITURES		
Current:		
General government	-	162,562
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
Housing and urban redevelopment	251,012	-
Debt service		
Interest and fiscal charges	-	-
Capital outlay	-	25,104
Total expenditures	<u>251,012</u>	<u>187,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,547</u>	<u>166,094</u>
OTHER FINANCING SOURCES (USES)		
Sale of general capital assets	-	-
General obligation bonds issued	-	-
Transfers in	-	-
Transfers out	-	-
Total - other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	2,547	166,094
Fund balances - beginning	<u>122,980</u>	<u>111,494</u>
Fund balances - ending	<u>\$ 125,527</u>	<u>\$ 277,588</u>

Special Revenue

Police Seizure	Police Grants	Housing	Community Development	Special Park Gift	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,498,867
-	75,356	2,070,748	630,557	-	3,904,870
-	10,851	490,734	4,735	5,633	1,162,029
43,174	-	-	-	-	43,174
420	-	126	-	-	918
-	-	4,474	6,338	8,775	137,990
43,594	86,207	2,566,082	641,630	14,408	11,747,848
-	-	-	-	-	162,562
33,488	90,044	-	-	-	123,532
-	-	-	-	-	984,488
-	-	-	-	8,782	1,529,392
-	-	2,369,544	646,404	-	4,414,346
-	-	-	-	-	700
-	-	58,800	-	-	96,149
33,488	90,044	2,428,344	646,404	8,782	7,311,169
10,106	(3,837)	137,738	(4,774)	5,626	4,436,679
-	-	-	-	-	52,397
-	-	-	-	-	875,000
-	5,092	-	-	-	641,113
-	-	-	-	-	(4,985,290)
-	5,092	-	-	-	(3,416,780)
10,106	1,255	137,738	(4,774)	5,626	1,019,899
147,521	2,725	898,830	43,242	29,483	4,077,838
\$ 157,627	\$ 3,980	\$ 1,036,568	\$ 38,468	\$ 35,109	\$ 5,097,737

City of Leavenworth, Kansas

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,969,969	\$ 1,971,182	\$ 1,960,797	\$ (10,385)
Miscellaneous	-	95,747	95,747	-
Total revenues	<u>1,969,969</u>	<u>2,066,929</u>	<u>2,056,544</u>	<u>(10,385)</u>
EXPENDITURES				
Debt service:				
Principal retirement	2,810,000	5,445,000	5,445,000	-
Interest and fiscal charges	361,840	415,887	415,888	(1)
Operating reserves	-	332,223	-	332,223
Total expenditures	<u>3,171,840</u>	<u>6,193,110</u>	<u>5,860,888</u>	<u>332,222</u>
Deficiency of revenues under expenditures	<u>(1,201,871)</u>	<u>(4,126,181)</u>	<u>(3,804,344)</u>	<u>321,837</u>
OTHER FINANCING SOURCES				
Sale of bonds	-	2,690,000	2,690,000	-
Transfers in	969,005	1,115,835	1,223,653	107,818
Total other financing sources	<u>969,005</u>	<u>3,805,835</u>	<u>3,913,653</u>	<u>107,818</u>
Net change in fund balances	(232,866)	(320,346)	109,309	429,655
Fund balances - beginning	<u>281,370</u>	<u>320,346</u>	<u>306,415</u>	<u>(13,931)</u>
Fund balances - ending	<u>\$ 48,504</u>	<u>\$ -</u>	<u>\$ 415,724</u>	<u>\$ 415,724</u>

City of Leavenworth, Kansas

Recreation Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 559,484	\$ 560,484	\$ 556,523	\$ (3,961)
Intergovernmental	56,000	56,000	65,306	9,306
Charges for services	551,250	609,446	642,865	33,419
Miscellaneous	2,350	1,400	8,140	6,740
Total revenues	<u>1,169,084</u>	<u>1,227,330</u>	<u>1,272,834</u>	<u>45,504</u>
EXPENDITURES				
Current:				
Culture and recreation	1,457,355	1,530,930	1,524,500	6,430
Total expenditures	<u>1,457,355</u>	<u>1,530,930</u>	<u>1,524,500</u>	<u>6,430</u>
(Deficiency) of revenues under expenditures	<u>(288,271)</u>	<u>(303,600)</u>	<u>(251,666)</u>	<u>51,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	301,000	300,000	(1,000)
Transfers out	-	-	(3,325)	(3,325)
Total other financing sources (uses)	<u>300,000</u>	<u>301,000</u>	<u>296,675</u>	<u>(4,325)</u>
Net change in fund balances	11,729	(2,600)	45,009	47,609
Fund balances - beginning	2,600	2,600	24,057	21,457
Prior year encumbrances relieved	-	-	5,540	5,540
Fund balances - ending	<u>\$ 14,329</u>	<u>\$ -</u>	<u>\$ 74,606</u>	<u>\$ 74,606</u>

City of Leavenworth, Kansas

Economic Development Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ 315,110	\$ 444,733	\$ 129,623
EXPENDITURES				
Current:				
Housing and urban development	-	388,200	93,367	294,833
Capital outlay	-	-	300	(300)
Operating reserves	-	91,671	-	91,671
Debt issuance cost	-	-	700	(700)
Total expenditures	-	479,871	94,367	385,504
Excess (deficiency) of revenues over (under) expenditures	-	(164,761)	350,366	515,127
OTHER FINANCING SOURCES (USES)				
Transfers in	-	164,761	243,336	78,575
Transfers out	-	-	(146,160)	(146,160)
Total other financing sources (uses)	-	164,761	97,176	(67,585)
Net change in fund balances	-	-	447,542	447,542
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 447,542	\$ 447,542

City of Leavenworth, Kansas

Special Fuel Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,031,400	\$ 1,031,400	\$ 1,062,903	\$ 31,503
Charges for services	-	-	211	211
Miscellaneous	1,000	1,000	40,432	39,432
Total revenues	<u>1,032,400</u>	<u>1,032,400</u>	<u>1,103,546</u>	<u>71,146</u>
EXPENDITURES				
Current:				
Public works	1,187,155	1,187,155	984,488	202,667
Total expenditures	<u>1,187,155</u>	<u>1,187,155</u>	<u>984,488</u>	<u>202,667</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(154,755)</u>	<u>(154,755)</u>	<u>119,058</u>	<u>273,813</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	154,755	154,755	-	(154,755)
Transfers out	-	-	(47,345)	(47,345)
Total other financing sources (uses)	<u>154,755</u>	<u>154,755</u>	<u>(47,345)</u>	<u>(202,100)</u>
Net change in fund balances	-	-	71,713	71,713
Fund balances - beginning	-	-	945	945
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,658</u>	<u>\$ 72,658</u>

City of Leavenworth, Kansas

CIP Sales Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,025,000	\$ 2,025,000	\$ 2,112,892	\$ 87,892
Miscellaneous	-	-	109,367	109,367
Total revenues	<u>2,025,000</u>	<u>2,025,000</u>	<u>2,222,259</u>	<u>197,259</u>
EXPENDITURES				
Current:				
Capital outlay	-	-	11,945	(11,945)
Total expenditures	<u>-</u>	<u>-</u>	<u>11,945</u>	<u>(11,945)</u>
Excess of revenues over expenditures	<u>2,025,000</u>	<u>2,025,000</u>	<u>2,210,314</u>	<u>185,314</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,811	1,811
Transfers out	<u>(2,025,000)</u>	<u>(2,025,000)</u>	<u>(2,013,055)</u>	<u>11,945</u>
Total other financing sources (uses)	<u>(2,025,000)</u>	<u>(2,025,000)</u>	<u>(2,011,244)</u>	<u>13,756</u>
Net change in fund balances	-	-	199,070	199,070
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>1,193,978</u>	<u>1,193,978</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,393,048</u>	<u>\$ 1,393,048</u>

City of Leavenworth, Kansas

Countywide Sales Tax Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,550,000	\$ 2,550,000	\$ 2,099,867	\$ (450,133)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	90,874	90,874
Transfers out	(2,938,075)	(2,938,075)	(2,775,405)	162,670
Total other financing sources (uses)	(2,938,075)	(2,938,075)	(2,684,531)	253,544
Net change in fund balances	(388,075)	(388,075)	(584,664)	(196,589)
Fund balances - beginning	388,075	388,075	1,332,193	944,118
Fund balances - ending	\$ -	\$ -	\$ 747,529	\$ 747,529

City of Leavenworth, Kansas

Tax Increment - Zeck Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ 580,702	\$ 554,846	\$ (25,856)
Charges for services	-	7,000	7,000	-
Total revenues	-	587,702	561,846	(25,856)
EXPENDITURES				
Current:				
Housing and urban development	-	631,535	569,762	61,773
Total expenditures	-	631,535	569,762	61,773
Excess (deficiency) of revenues over (under) expenditures	-	(43,833)	(7,916)	35,917
Net change in fund balances	-	(43,833)	(7,916)	35,917
Fund balances - beginning	-	43,833	128,238	84,405
Fund balances - ending	\$ -	\$ -	\$ 120,322	\$ 120,322

City of Leavenworth, Kansas

Tax Increment - Hotels Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 147,700	\$ 147,700	\$ 126,217	\$ (21,483)
Interest	-	-	132	132
Miscellaneous	-	-	9,571	9,571
Total revenues	<u>147,700</u>	<u>147,700</u>	<u>135,920</u>	<u>(11,780)</u>
EXPENDITURES				
Current:				
Housing and urban development	<u>198,175</u>	<u>198,175</u>	<u>484,257</u>	<u>(286,082)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,475)</u>	<u>(50,475)</u>	<u>(348,337)</u>	<u>(297,862)</u>
OTHER FINANCING SOURCES				
Bond issuance	-	-	875,000	875,000
Total - other financing sources	<u>-</u>	<u>-</u>	<u>875,000</u>	<u>875,000</u>
Net change in fund balances	(50,475)	(50,475)	526,663	577,138
Fund balances - beginning	<u>50,475</u>	<u>50,475</u>	<u>36,612</u>	<u>(13,863)</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 563,275</u>	<u>\$ 563,275</u>

City of Leavenworth, Kansas

Tax Increment - Home Depot Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 225,000	\$ 225,000	\$ 253,319	\$ 28,319
Investment earnings	530	530	240	(290)
Total revenues	<u>225,530</u>	<u>225,530</u>	<u>253,559</u>	<u>28,029</u>
EXPENDITURES				
Current:				
Housing and urban development	<u>315,920</u>	<u>315,920</u>	<u>251,012</u>	<u>64,908</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,390)</u>	<u>(90,390)</u>	<u>2,547</u>	<u>92,937</u>
Net change in fund balances	(90,390)	(90,390)	2,547	92,937
Fund balances - beginning	<u>90,390</u>	<u>90,390</u>	<u>122,980</u>	<u>32,590</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,527</u>	<u>\$ 125,527</u>

City of Leavenworth, Kansas

Convention & Visitors Bureau Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 180,000	\$ 180,000	\$ 350,470	\$ 170,470
Miscellaneous	-	-	3,290	3,290
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>353,760</u>	<u>173,760</u>
EXPENDITURES				
Current:				
General government	189,750	189,750	162,562	27,188
Capital outlay	26,230	26,230	25,104	1,126
Total expenditures	<u>215,980</u>	<u>215,980</u>	<u>187,666</u>	<u>28,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,980)</u>	<u>(35,980)</u>	<u>166,094</u>	<u>202,074</u>
OTHER FINANCING SOURCES				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net change in fund balances	<u>(30,980)</u>	<u>(30,980)</u>	<u>166,094</u>	<u>197,074</u>
Fund balances - beginning	30,980	30,980	106,844	75,864
Prior year encumbrances relieved	<u>-</u>	<u>-</u>	<u>4,650</u>	<u>4,650</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 277,588</u>	<u>\$ 277,588</u>

City of Leavenworth, Kansas

Agency Funds

December 31, 2016

Fund Description

Library Fund

To account for ad valorem and other taxes levied and receipted on behalf of the Leavenworth Public Library. Tax monies collected are received by the City and then distributed to the Library.

City of Leavenworth, Kansas

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year Ended December 31, 2016

	Balance January 1, 2016	Additions	Deductions	Balance December 31, 2016
Library				
Assets:				
Cash in bank	\$ -	\$ 23,547	\$ -	\$ 23,547
Property tax receivable	903,276	899,905	903,276	899,905
	<u>\$ 903,276</u>	<u>\$ 923,452</u>	<u>\$ 903,276</u>	<u>\$ 923,452</u>
Liabilities				
Accounts payable	\$ -	\$ 23,547	\$ -	\$ 23,547
Deferred revenue	903,276	899,905	903,276	899,905
	<u>\$ 903,276</u>	<u>\$ 923,452</u>	<u>\$ 903,276</u>	<u>\$ 923,452</u>

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Statistical Section

Statistical Section

This part of the City of Leavenworth’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	121-132
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	133-138
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	139-144
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	145-146
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	147-152

Sources: Unless otherwise noted, information in these sections is derived from the comprehensive annual financial reports for the relevant year.

City of Leavenworth, Kansas
 Net Position by Component
 Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental activities			
Net investment in capital assets	\$ 37,580,320	\$ 39,962,474	\$ 43,256,157
Restricted	-	-	-
Unrestricted	8,938,162	9,221,149	6,765,799
Total governmental activities net position	<u>\$ 46,518,482</u>	<u>\$ 49,183,623</u>	<u>\$ 50,021,956</u>
Business-type activities			
Net investment in capital assets	\$ 8,348,830	\$ 8,563,422	\$ 8,127,188
Unrestricted	2,130,300	2,049,738	2,611,536
Total business-type activities net position	<u>\$ 10,479,130</u>	<u>\$ 10,613,160</u>	<u>\$ 10,738,724</u>
Primary government			
Net investment in capital assets	\$ 45,929,150	\$ 48,525,896	\$ 51,383,345
Restricted	-	-	-
Unrestricted	11,068,462	11,270,887	9,377,335
Total primary government net position	<u>\$ 56,997,612</u>	<u>\$ 59,796,783</u>	<u>\$ 60,760,680</u>

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
\$ 42,320,043	\$ 40,913,632	\$ 40,411,904	\$ 40,049,777	\$ 39,488,841	\$ 38,894,256	\$ 36,850,763
-	3,527,423	3,078,003	2,318,950	2,976,464	4,318,029	5,441,382
6,953,098	2,864,839	2,411,409	2,255,580	3,668,214	(11,465,656)	(11,091,415)
<u>\$ 49,273,141</u>	<u>\$ 47,305,894</u>	<u>\$ 45,901,316</u>	<u>\$ 44,624,307</u>	<u>\$ 46,133,519</u>	<u>\$ 31,746,629</u>	<u>\$ 31,200,730</u>
\$ 7,974,877	\$ 8,272,844	\$ 7,631,457	\$ 7,478,339	\$ 6,926,217	\$ 6,502,359	\$ 7,732,377
2,384,532	1,686,816	2,082,114	1,707,398	1,858,926	1,185,510	821,504
<u>\$ 10,359,409</u>	<u>\$ 9,959,660</u>	<u>\$ 9,713,571</u>	<u>\$ 9,185,737</u>	<u>\$ 8,785,143</u>	<u>\$ 7,687,869</u>	<u>\$ 8,553,881</u>
\$ 50,294,920	\$ 49,186,476	\$ 48,043,361	\$ 47,528,116	\$ 46,415,058	\$ 45,396,615	\$ 44,583,140
-	3,527,423	3,078,003	2,318,950	2,976,464	4,318,029	5,441,382
9,337,630	4,551,655	4,493,523	3,962,978	5,527,140	(10,280,146)	(10,269,911)
<u>\$ 59,632,550</u>	<u>\$ 57,265,554</u>	<u>\$ 55,614,887</u>	<u>\$ 53,810,044</u>	<u>\$ 54,918,662</u>	<u>\$ 39,434,498</u>	<u>\$ 39,754,611</u>

City of Leavenworth, Kansas
Changes in Net Position
Last Ten Fiscal years
(accrual basis of accounting)

	2007	2008	2009
Expenses			
Governmental activities:			
General government	\$ 3,175,737	\$ 3,321,308	\$ 3,752,966
Public safety	10,601,555	11,469,502	11,631,240
Public works	3,913,371	4,162,190	4,036,853
Culture and recreation	2,577,644	2,616,612	2,985,096
Housing and urban redevelopment	2,403,603	3,245,216	3,121,926
Unallocated depreciation expense	3,109,795	3,159,401	3,418,630
Interest on long-term debt	954,888	1,033,025	978,152
Total governmental activities expenses	<u>26,736,593</u>	<u>29,007,254</u>	<u>29,924,863</u>
Business-type activities:			
Sewer	2,969,198	3,506,033	3,470,050
Refuse	1,529,887	1,594,748	1,636,297
Total business-type activities expenses	<u>4,499,085</u>	<u>5,100,781</u>	<u>5,106,347</u>
Total primary government expenses	<u>\$ 31,235,678</u>	<u>\$ 34,108,035</u>	<u>\$ 35,031,210</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 1,600,425	\$ 1,974,587	\$ 1,893,375
Public safety	626,349	638,907	634,969
Public works	1,306,315	1,477,331	1,266,949
Culture and recreation	664,638	760,694	791,542
Housing and urban redevelopment	428,240	390,632	396,551
Operating grants and contributions	3,536,854	3,835,416	4,134,068
Capital grants and contributions	4,059,674	2,954,685	1,673,619
Total governmental activities program revenues	<u>12,222,495</u>	<u>12,032,252</u>	<u>10,791,073</u>
Business-type activities:			
Charges for services:			
Sewer	3,338,972	3,347,631	3,447,930
Refuse	1,597,067	1,666,071	1,783,981
Operating grants and contributions	106,054	13,375	-
Capital grants and contributions	1,050,402	432,393	-
Total business-type activities program revenues	<u>6,092,495</u>	<u>5,459,470</u>	<u>5,231,911</u>
Total primary government program revenues	<u>\$ 18,314,990</u>	<u>\$ 17,491,722</u>	<u>\$ 16,022,984</u>
Net (Expense)/Revenue			
Governmental activities	\$ (14,514,098)	\$ (16,975,002)	\$ (19,133,790)
Business-type activities	<u>1,593,410</u>	<u>358,689</u>	<u>125,564</u>
Total primary government net expense	<u>\$ (12,920,688)</u>	<u>\$ (16,616,313)</u>	<u>\$ (19,008,226)</u>

		Fiscal Year											
		2010	2011	2012	2013	2014	2015	2016					
\$	4,030,168	\$	4,352,118	\$	3,731,226	\$	4,890,345	\$	3,773,326	\$	4,385,410	\$	3,582,125
	11,843,745		12,008,431		11,882,932		11,642,136		12,227,523		11,467,939		12,819,901
	4,108,248		4,443,172		4,073,389		4,105,004		4,326,643		4,146,573		3,476,393
	3,242,768		3,238,794		3,226,421		3,173,151		3,286,242		3,282,317		3,864,795
	2,898,887		3,307,860		3,096,295		2,980,409		2,884,617		3,872,406		4,716,419
	3,383,422		3,593,817		3,506,457		3,613,024		3,652,203		3,635,561		3,790,328
	936,659		1,077,433		800,498		590,364		651,141		620,490		628,329
	30,443,897		32,021,625		30,317,218		30,994,433		30,801,695		31,410,696		32,878,290
	3,776,559		3,766,429		4,090,751		4,318,011		4,399,423		4,148,953		4,123,179
	1,671,076		1,710,490		1,484,989		1,805,972		1,920,283		1,931,036		1,809,659
	5,447,635		5,476,919		5,575,740		6,123,983		6,319,706		6,079,989		5,932,838
\$	35,891,532	\$	37,498,544	\$	35,892,958	\$	37,118,416	\$	37,121,401	\$	37,490,685	\$	38,811,128
\$	1,919,296	\$	1,889,468	\$	1,929,579	\$	2,113,229	\$	1,848,902	\$	1,948,419	\$	2,063,853
	634,801		726,273		702,342		687,666		676,940		588,486		452,930
	1,273,124		1,529,150		1,311,654		1,311,813		1,383,007		1,244,162		896,938
	910,377		735,381		644,688		575,244		638,330		670,945		705,652
	578,098		776,573		546,902		604,527		460,988		602,145		506,280
	3,301,500		3,621,432		3,116,968		3,517,217		3,296,130		3,459,665		4,031,401
	1,677,095		1,100,609		448,448		440,024		860,690		1,534,648		970,391
	10,294,291		10,378,886		8,700,581		9,249,720		9,164,987		10,048,470		9,627,445
	3,271,676		3,211,525		3,507,038		4,027,182		4,093,310		4,076,766		4,176,334
	1,796,644		1,835,014		1,822,613		1,827,391		1,825,802		1,882,466		1,896,702
	-		35,831		-		-		-		-		-
	-		-		-		-		-		-		772,325
	5,068,320		5,082,370		5,329,651		5,854,573		5,919,112		5,959,232		6,845,361
\$	15,362,611	\$	15,461,256	\$	14,030,232	\$	15,104,293	\$	15,084,099	\$	16,007,702	\$	16,472,806
\$	(20,149,606)	\$	(21,642,739)	\$	(21,616,637)	\$	(21,744,713)	\$	(21,636,708)	\$	(21,362,226)	\$	(23,250,845)
	(379,315)		(394,549)		(246,089)		(269,410)		(400,594)		(120,757)		912,523
\$	(20,528,921)	\$	(22,037,288)	\$	(21,862,726)	\$	(22,014,123)	\$	(22,037,302)	\$	(21,482,983)	\$	(22,338,322)

(continued)

City of Leavenworth, Kansas
Changes in Net Position
Last Ten Fiscal years
(accrual basis of accounting)
(Continued)

	2007	2008	2009
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes	\$ 9,167,590	\$ 9,581,568	\$ 9,643,197
Franchise taxes	2,146,956	2,379,715	2,395,005
Sales taxes	5,469,786	5,629,107	5,334,666
Motor vehicle taxes	1,017,082	1,013,203	1,000,334
Other taxes	910,323	937,141	996,700
Intergovernmental revenue not restricted to specific programs	79,947	85,902	87,643
Gain on sale of capital assets	-	-	-
Payments in lieu of property taxes	3,169	3,143	-
Investment earnings	779,944	491,027	52,722
Transfers	-	156,796	-
Total governmental activities	<u>19,574,797</u>	<u>20,277,602</u>	<u>19,510,267</u>
Business-type activities:			
Gain on sale of capital assets	-	-	-
Transfers	-	(156,796)	-
Total business-type activities	<u>-</u>	<u>(156,796)</u>	<u>-</u>
Total primary government	<u>\$ 19,574,797</u>	<u>\$ 20,120,806</u>	<u>\$ 19,510,267</u>
Change in Net Position			
Governmental activities	\$ 5,060,699	\$ 3,302,600	\$ 376,477
Business-type activities	1,593,410	201,893	125,564
Total primary government	<u>\$ 6,654,109</u>	<u>\$ 3,504,493</u>	<u>\$ 502,041</u>

		Fiscal Year											
		2010	2011	2012	2013	2014	2015	2016					
\$	9,337,269	\$	9,491,948	\$	9,487,704	\$	9,283,277	\$	9,259,644	\$	5,149,544	\$	5,351,495
	2,502,959		2,565,587		2,540,990		2,736,877		2,861,614		2,676,007		2,802,922
	5,519,376		5,712,203		5,721,451		5,950,513		8,464,314		10,654,420		10,896,918
	1,016,050		922,183		917,453		1,113,514		1,014,989		1,074,498		729,991
	914,034		870,810		916,065		1,005,638		1,367,983		2,333,684		2,792,915
	88,794		87,420		88,957		98,073		98,434		98,849		-
	-		-		516,869		-		-		-		52,397
	-		-		-		-		-		-		-
	22,309		20,141		22,570		21,388		20,548		21,192		30,963
	-		5,200		-		258,424		-		70,185		47,345
	19,400,791		19,675,492		20,212,059		20,467,704		23,087,526		22,078,379		22,704,946
	-		-		-		-		-		-		834
	-		(5,200)		-		(258,424)		-		(70,185)		(47,345)
	-		(5,200)		-		(258,424)		-		(70,185)		(46,511)
\$	19,400,791	\$	19,670,292	\$	20,212,059	\$	20,209,280	\$	23,087,526	\$	22,008,194	\$	22,658,435
\$	(748,815)	\$	(1,967,247)	\$	(1,404,578)	\$	(1,277,009)	\$	1,450,818	\$	716,153	\$	(545,899)
	(379,315)		(399,749)		(246,089)		(527,834)		(400,594)		(190,942)		866,012
\$	(1,128,130)	\$	(2,366,996)	\$	(1,650,667)	\$	(1,804,843)	\$	1,050,224	\$	525,211	\$	320,113

City of Leavenworth, Kansas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Fund			
Reserved	\$ 65,534	\$ 12,774	\$ 28,440
Unreserved	3,705,627	4,484,097	4,427,681
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	<u>\$3,771,161</u>	<u>\$4,496,871</u>	<u>\$4,456,121</u>
All Other Governmental Funds			
Reserved	\$ 1,598,989	\$ 4,711,605	\$ 1,257,599
Unreserved, reported in:			
Special revenue funds	2,965,968	2,037,060	2,810,245
Capital projects funds (1)	3,575,315	(763,434)	(2,594,109)
Debt service funds	254,675	176,421	433,524
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and urban redevelopment	-	-	-
Debt service	-	-	-
Committed for:			
General government	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and urban redevelopment	-	-	-
Assigned to:			
General government	-	-	-
Culture and recreation	-	-	-
Unassigned	-	-	-
Total all other governmental funds	<u>\$8,394,947</u>	<u>\$6,161,652</u>	<u>\$1,907,259</u>

In 2011, the City implemented GASB Statement No. 54, under which governmental fund balances are reported as nonspendable, restricted, committed, assigned, and unassigned compared to the previous categories of reserved and unreserved.

- (1) The deficit unreserved fund balances in the capital projects fund result from the recognition of bond anticipation notes as a fund liability since all legal steps and the ability to consummate refinancing had not been met.

2010	2011	2012	2013	2014	2015	2016
\$ 35,387	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,695,914	-	-	-	-	-	-
-	6,666	5,208	3,457	-	-	-
-	387,057	357,962	366,560	2,390,081	-	-
-	2,816	9,049	12,156	-	54,523	47,985
-	2,632,344	2,640,634	2,970,612	2,946,257	5,566,724	5,974,476
<u>\$ 3,731,301</u>	<u>\$ 3,028,883</u>	<u>\$ 3,012,853</u>	<u>\$ 3,352,785</u>	<u>\$ 5,336,338</u>	<u>\$ 5,621,247</u>	<u>\$ 6,022,461</u>

\$ 2,006,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,412,515	-	-	-	-	-	-
(3,117,025)	-	-	-	-	-	-
446,225	-	-	-	-	-	-
-	1,427,175	1,604,878	863,676	1,197,539	2,925,495	2,418,165
-	323,532	319,368	167,851	149,531	150,246	161,607
-	-	1,383	-	-	945	72,658
-	30,673	35,916	31,414	27,162	59,080	113,605
-	1,205,584	681,635	809,472	833,676	942,072	2,331,702
-	418,901	317,152	320,222	677,320	306,415	415,724
-	604,280	1,114,249	2,094,072	468,646	162,483	2,352,854
-	472,904	485,212	608,605	825,454	1,214,744	-
-	147,130	309,989	497,958	147,212	(28,259)	-
-	71,916	103,504	173,918	89,848	86,755	-
-	19,469	19,262	20,262	20,107	20,507	-
-	84,652	78,992	-	1,438	-	-
-	-	-	(30,357)	-	-	-
<u>\$ 2,747,856</u>	<u>\$ 4,806,216</u>	<u>\$ 5,071,540</u>	<u>\$ 5,557,093</u>	<u>\$ 4,437,933</u>	<u>\$ 5,840,483</u>	<u>\$ 7,866,315</u>

City of Leavenworth, Kansas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009
Revenues			
Taxes	\$ 18,999,001	\$ 19,811,174	\$ 19,621,593
Intergovernmental	3,632,276	6,479,625	5,284,788
Licenses and permits	435,025	456,263	389,583
Charges for services	2,723,551	2,956,536	2,873,306
Fines and forfeitures	1,071,822	1,144,436	1,092,079
Investment earnings	830,294	515,785	55,217
Other revenues	315,380	820,871	803,890
Total revenues	28,007,349	32,184,690	30,120,456
Expenditures			
General government	3,121,850	3,310,150	3,648,781
Public safety	10,019,964	10,321,518	10,481,825
Public works	3,507,529	3,685,294	3,562,664
Culture and recreation	2,052,195	2,008,807	2,203,936
Housing and urban redevelopment	2,148,664	2,975,920	2,857,240
Capital outlay	2,189,180	8,012,788	10,282,578
Debt service			
Principal	2,380,000	4,091,314	2,359,951
Interest	956,018	973,280	948,624
Total expenditures	26,375,400	35,379,071	36,345,599
Excess of revenues over (under) expenditures	1,631,949	(3,194,381)	(6,225,143)
Other Financing Sources (Uses)			
Bonds issued	1,530,000	1,530,000	1,930,000
Refunding bonds issued	-	-	-
Bond anticipation notes issued	1,480,000	-	-
Capital leases	285,247	-	-
Sale of capital assets	-	-	-
Sale of land	-	-	-
Payments to escrow agent	-	-	-
Transfers in	4,265,690	6,134,458	5,419,899
Transfers out	(4,265,690)	(5,977,662)	(5,419,899)
Total other financing sources (uses)	3,295,247	1,686,796	1,930,000
Net change in fund balances	\$ 4,927,196	\$ (1,507,585)	\$ (4,295,143)
Debt service as a percentage of noncapital expenditures	13.8%	18.5%	12.7%

	2010	2011	2012	2013	2014	2015	2016
\$	19,635,158	\$ 19,868,108	\$ 19,886,015	\$ 20,267,917	\$ 23,147,239	\$ 22,079,326	\$ 22,574,241
	4,781,818	4,383,780	3,420,383	4,124,981	4,152,879	4,929,915	4,482,983
	398,837	409,844	420,084	351,826	378,728	401,505	402,462
	2,984,685	2,996,210	3,064,573	3,108,222	3,158,767	2,996,356	2,658,253
	1,139,945	1,115,114	1,101,533	910,243	820,719	862,554	824,540
	40,303	46,502	22,570	21,387	20,548	21,193	30,963
	717,577	1,059,723	509,540	635,097	590,081	703,851	1,249,801
	29,698,323	29,879,281	28,424,698	29,419,673	32,268,961	31,994,700	32,223,243
	3,715,791	3,664,873	3,630,286	3,612,126	3,386,433	3,629,457	3,549,462
	10,900,873	11,022,513	10,799,019	10,522,795	11,045,497	11,054,380	11,367,068
	3,647,884	3,972,206	3,659,854	3,663,486	3,730,738	3,643,703	3,343,760
	2,294,126	2,192,258	2,303,854	2,252,866	2,353,510	2,357,827	2,883,746
	2,608,889	3,007,367	2,644,508	2,472,611	2,598,116	3,040,727	4,464,750
	7,225,679	5,124,530	3,727,392	6,714,098	6,581,595	5,698,832	4,755,873
	1,998,982	3,066,945	2,870,705	2,880,249	4,009,929	2,924,348	5,484,348
	1,055,106	1,149,587	846,655	594,381	657,144	620,978	621,932
	33,447,330	33,200,279	30,482,273	32,712,612	34,362,962	32,970,252	36,470,939
	(3,749,007)	(3,320,998)	(2,057,575)	(3,292,939)	(2,094,001)	(975,552)	(4,247,696)
	3,250,000	3,465,000	1,740,000	3,860,000	2,900,000	2,300,000	6,575,000
	-	6,250,000	1,825,000	-	-	-	-
	4,905,000	-	-	-	-	-	-
	614,784	196,740	-	-	-	-	-
	-	-	-	-	-	-	52,397
	-	-	516,869	-	-	292,826	-
	-	(5,240,000)	(1,775,000)	-	-	-	-
	3,600,395	6,138,173	4,983,085	6,610,615	5,719,587	6,112,012	5,717,005
	(3,600,395)	(6,132,973)	(4,983,085)	(6,352,191)	(5,719,587)	(6,041,827)	(5,669,660)
	8,769,784	4,676,940	2,306,869	4,118,424	2,900,000	2,663,011	6,674,742
\$	5,020,777	\$ 1,355,942	\$ 249,294	\$ 825,485	\$ 805,999	\$ 1,687,459	\$ 2,427,046

11.6% 15.0% 13.9% 13.4% 16.8% 13.0% 19.3%

City of Leavenworth, Kansas
Tax Revenues of Governmental Funds by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	Tax Increment Property Tax	Sales Tax	Compensating Use Tax
2007	\$ 9,167,590	\$ -	\$ 5,469,786	\$ 725,640
2008	9,581,568	-	5,629,107	737,883
2009	9,643,197	-	5,334,666	798,374
2010	9,337,269	-	5,519,376	716,724
2011	9,491,948	-	5,712,203	685,653
2012	9,487,704	-	5,721,451	708,861
2013	9,283,277	-	5,950,513	790,747
2014	9,259,644	-	8,464,314	1,134,088
2015	5,149,544	36,612	10,654,420	1,604,125
2016	5,221,570	126,217	10,896,918	1,508,063
Change 2007 - 2016	-43.0%	100.0%	99.2%	107.8%

	Tax Increment Sales Tax	Franchise Tax	Motor Vehicle Tax	Special Assessment Tax	Other Tax	Total
\$	184,683	\$ 2,146,956	\$ 1,017,082	\$ 284,095	\$ 3,169	\$ 18,999,001
	199,258	2,379,715	1,013,203	267,297	3,143	19,811,174
	198,326	2,395,005	1,000,334	251,691	-	19,621,593
	197,310	2,502,959	1,016,050	345,470	-	19,635,158
	185,157	2,565,587	922,183	305,377	-	19,868,108
	207,204	2,540,990	917,453	302,352	-	19,886,015
	214,891	2,736,877	1,113,514	178,098	-	20,267,917
	233,895	2,861,614	1,014,989	178,695	-	23,147,239
	484,431	2,676,007	1,074,498	191,173	208,516	22,079,326
	808,165	2,802,922	729,991	129,925	350,470	22,574,241
	337.6%	30.6%	-28.2%	-54.3%	10959.3%	18.8%

City of Leavenworth, Kansas
 Assessed Value and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year Ended December 31	Real Property			Personal Property
	Residential Property	Commercial Property	Total	
2007	\$ 122,445,583	\$ 48,878,622	\$ 171,324,205	\$ 14,604,867
2008	128,198,925	51,175,279	179,374,204	12,235,178
2009	132,784,625	53,005,829	185,790,454	10,613,929
2010	133,077,189	53,122,616	186,199,805	8,200,207
2011	133,998,063	53,490,216	187,488,279	7,347,200
2012	133,128,072	53,142,928	186,271,000	7,141,023
2013	131,388,896	52,448,672	183,837,568	6,663,472
2014	129,674,855	51,764,450	181,439,305	6,984,423
2015	130,269,055	52,001,647	182,270,702	5,412,888
2016	129,723,607	57,449,951	187,173,558	4,497,671

Source: Leavenworth County Clerk

Note: Residential and commercial real property is estimated by city management based upon proportional data provided by the County Clerk. Data for tax exempt property is unavailable.

	State Assessed Utilities	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	9,780,603	NA	\$ 195,709,675	\$ 52.178	\$ 1,364,032,161	14.35 %
	10,989,672	NA	202,599,054	52.067	1,422,246,581	14.25
	10,296,290	NA	206,700,673	51.921	1,450,794,335	14.25
	9,692,087	NA	204,092,099	51.922	1,437,966,087	14.19
	9,853,412	NA	204,688,891	51.883	1,433,229,801	14.28
	10,048,621	NA	203,460,644	51.865	1,393,132,353	14.60
	10,869,314	NA	201,370,354	51.841	1,394,124,698	14.44
	11,446,519	NA	199,870,247	52.029	1,430,085,770	13.98
	11,084,363	NA	198,767,953	31.023	1,421,438,551	13.98
	11,983,704	NA	203,654,933	31.027	1,433,255,606	14.21

City of Leavenworth, Kansas
 Property Tax Rates
 Direct and Overlapping Governments
 Last Ten Fiscal Years

Fiscal Year	City of Leavenworth			Leavenworth	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage
2007	43.290	8.888	52.178	26.509	1.672
2008	43.665	8.402	52.067	26.548	1.573
2009	44.330	7.591	51.921	30.519	1.041
2010	44.541	7.381	51.922	30.735	1.317
2011	43.993	7.890	51.883	31.809	1.276
2012	44.394	7.471	51.865	35.348	0.165
2013	44.465	7.376	51.841	36.065	0.449
2014	43.227	8.802	52.029	36.196	0.374
2015	22.854	8.169	31.023	36.544	0.000
2016	22.803	8.224	31.027	37.608	0.000

Source: Leavenworth County Clerk

Overlapping Rates

County	School District				Total Direct & Overlapping Rates
Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
28.181	44.692	6.089	50.781	1.500	132.640
28.121	44.794	5.976	50.770	1.500	132.458
31.560	44.805	5.876	50.681	1.500	135.662
32.052	40.840	22.350	63.190	1.500	148.664
33.085	39.880	23.296	63.176	1.500	149.644
35.513	41.447	21.719	63.166	1.500	152.044
36.514	45.480	20.668	66.148	1.500	156.003
36.570	49.603	19.750	69.353	1.500	159.452
36.544	43.569	19.778	63.347	1.500	132.414
37.608	43.841	19.484	63.325	1.500	133.460

City of Leavenworth, Kansas
Principal Property Taxpayers
December 31, 2016

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corrections Corporation of America	\$ 7,496,476	1	3.8 %	\$ 6,193,925	1	3.2 %
Westar Energy	6,721,757	2	3.4	4,394,390	2	2.2
Wal-Mart	3,254,511	3	1.6	1,173,450	9	0.6
Kansas Gas Service	1,931,260	4	1.0	1,316,926	8	0.7
Prime Healthcare Services	1,525,701	5	0.8	-	-	-
Fairfield Hotel	1,508,850	6	0.8	-	-	-
Home Depot	1,206,658	8	0.6	1,476,650	7	0.8
Development, Inc	1,206,461	7	0.6	2,226,166	5	1.1
Greenamyre Rentals	1,176,897	9	0.6	1,513,024	6	0.8
Hallmark Cards	1,159,233	10	0.6	3,873,319	3	2.0
Southwestern Bell Telephone	-	-	-	2,898,588	4	1.5
Select Products	-	-	-	1,112,740	10	0.6
	<u>\$ 27,187,804</u>		<u>13.8 %</u>	<u>\$ 26,179,178</u>		<u>13.5 %</u>

Source: Leavenworth County Clerk

City of Leavenworth, Kansas
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 10,235,584	\$ 9,955,759	97.3 %	\$ 193,527	\$ 10,149,286	99.2 %
2008	10,439,218	10,244,413	98.1	194,805	10,439,218	100.0
2009	10,710,730	10,423,269	97.3	271,787	10,695,056	99.9
2010	10,575,737	10,216,927	96.6	327,134	10,544,061	99.7
2011	10,619,874	10,297,377	97.0	247,715	10,545,092	99.3
2012	10,552,486	10,265,866	97.3	192,913	10,458,779	99.1
2013	10,439,241	10,176,683	97.5	129,665	10,306,348	98.7
2014	10,399,049	10,133,604	97.4	109,528	10,243,132	98.5
2015	6,166,379	6,038,709	97.9	9,418	6,048,127	98.1
2016	6,282,188	6,128,032	97.5	-	6,128,032	97.5

Source: Leavenworth County Treasurer

City of Leavenworth, Kansas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds			
2007	\$ 18,900,000	\$ 285,247	\$ 7,855,000	\$ 27,040,247	2.3 %	\$ 773
2008	21,345,000	193,933	7,720,000	29,258,933	2.4	841
2009	20,615,000	98,982	7,300,000	28,013,982	2.3	807
2010	22,825,000	614,784	6,820,000	30,259,784	2.5	858
2011	21,485,000	664,579	6,390,000	28,539,579	2.2	800
2012	19,960,000	473,874	10,115,000	30,548,874	2.3	856
2013	21,270,000	278,625	9,460,000	31,008,625	2.3	866
2014	17,990,000	78,696	8,780,000	26,848,696	1.9	748
2015	17,405,000	39,348	8,050,000	25,494,348	1.8	708
2016	18,535,000	-	7,305,000	25,840,000	1.8	718

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of Demographic and Economic Statistics on page 145 for personal income and population data.

City of Leavenworth, Kansas
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds		Less: Amounts Available in Debt Service Fund	Total Primary Government	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	Governmental Activities	Business-type Activities				
2007	\$ 18,900,000	\$ 7,855,000	\$ 254,675	\$ 26,500,325	1.9 %	\$ 757
2008	21,345,000	7,720,000	176,421	28,888,579	2.0	830
2009	20,615,000	7,300,000	433,524	27,481,476	1.9	791
2010	22,825,000	6,820,000	446,225	29,198,775	2.0	828
2011	21,485,000	6,390,000	418,901	27,456,099	1.9	770
2012	19,960,000	10,115,000	319,652	29,755,348	2.1	834
2013	21,270,000	9,460,000	320,222	30,409,778	2.2	849
2014	17,990,000	8,780,000	677,320	26,092,680	1.8	727
2015	17,405,000	8,050,000	320,346	25,134,654	1.8	698
2016	18,535,000	7,305,000	415,724	25,424,276	1.8	706

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

- (1) See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.
- (2) See the schedule of Demographic and Economic Statistics on page 145 for population data.

City of Leavenworth, Kansas
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2016

Governmental Unit	Total Debt Outstanding	Net Debt Outstanding (1)	Eestimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes				
School District #453	\$ 56,464,694	\$ 24,844,465	92.0 %	\$ 22,856,908
Leavenworth County	12,434,703	8,331,251	34.0	<u>2,832,625</u>
Subtotal, overlapping debt				25,689,533
City direct debt				<u>18,535,000</u>
Total direct and overlapping debt				<u><u>\$ 44,224,533</u></u>

Source: Debt outstanding data and assessed value data used to estimate applicable percentages provided by the Leavenworth County Clerk.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and business of the city. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and business should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

- (1) A portion of Unified School District 453's overlapping debt will be paid by the State of Kansas pursuant to current percentages for Bond and Interest Fund State Aid Payments. The current percentage for reimbursement for the Unified School District 453 is 44% for bonds issued after July 1, 2002.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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City of Leavenworth, Kansas
 Legal Debt Margin Information
 Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt Limit	\$ 68,435,717	\$ 69,672,253	\$ 69,380,778
Total net debt applicable to limit	<u>15,442,547</u>	<u>18,997,507</u>	<u>16,017,666</u>
Legal debt margin	<u>\$ 52,993,170</u>	<u>\$ 50,674,746</u>	<u>\$ 53,363,112</u>
 Total net debt applicable to the limit as a percentage of debt limit	 22.6%	 27.3%	 23.1%

Note: According to state statute, the city's outstanding general obligation debt should not exceed 30% of total adjusted equalized assessed valuation, which is the total of property assessed valuation and motor vehicle valuation.

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
\$ 68,465,048	\$ 67,999,247	\$ 67,244,547	\$ 66,950,665	\$ 66,619,977	\$ 68,350,691	\$ 69,128,610
18,551,322	12,849,782	10,475,866	12,973,064	10,741,429	11,004,905	10,659,848
\$ 49,913,726	\$ 55,149,465	\$ 56,768,681	\$ 53,977,601	\$ 55,878,548	\$ 57,345,786	\$ 58,468,762

27.1% 18.9% 15.6% 19.4% 16.1% 16.1% 15.4%

Legal Debt Margin Calculation for Fiscal Year 2016

Adjusted equalized assessed valuation	\$230,428,699
Debt limit (30% of total equalized assessed value)	69,128,610
Debt applicable to limit	<u>10,659,848</u>
Legal debt margin	<u>\$ 58,468,762</u>

City of Leavenworth, Kansas
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income	Per Capita Income (2)	School Enrollment (3)			Unemployment Rate (4)
				Public	Private	Total	
2007	34,993	\$1,181,993,554	\$ 33,778	4,201	439	4,640	7.1 %
2008	34,787	1,233,164,363	35,449	4,069	477	4,546	8.4
2009	34,729	1,221,766,220	35,180	4,075	481	4,556	10.7
2010	35,251	1,232,057,701	34,951	3,707	484	4,191	7.9
2011	35,675	1,284,870,800	36,016	3,755	476	4,231	7.4
2012	35,675	1,317,228,025	36,923	3,866	429	4,295	6.7
2013	35,816	1,342,526,944	37,484	3,886	375	4,261	5.8
2014	35,891	1,394,078,222	38,842	3,919	338	4,257	4.6
2015	36,000	1,405,692,000	39,047	3,843	327	4,170	4.8
2016	36,154	1,427,251,458	39,477	3,894	323	4,217	5.7

(1) Kansas Secretary of State

(2) Kansas Statistical Abstract for 2006 - 2013; U.S. Bureau of Economic Analysis for 2014; 2015 estimated by management

(3) Kansas Department of Education

(4) U.S. Bureau of Labor Statistics

City of Leavenworth, Kansas
Principal Employers
December 31, 2016

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fort Leavenworth	4,185	1	26.4 %	5,423	1	29.8 %
U.S.D. 453	996	2	6.3	829	2	4.6
Veterans Administration	700	3	4.4	600	4	3.3
Northrop Grumman	700	4	4.4	589	5	
Central Plains Consolidated Accounts	400	5	2.5			
Cubic Defense Applications Group	390	6	2.5	380	7	2.1
Leavenworth Federal Penitentiary	380	7	2.4	550	6	3.0
Leavenworth County	352	8	2.2	370	8	2.0
Walmart Supercenter	350	9	2.0			
Hallmark Cards, Inc.	260	10	1.6	647	3	3.6
St. John's Hospital				292		2.4
Capital Electric				326	10	1.8
Cushing Memorial Hospital				350	9	1.9
	<u>8,713</u>		<u>54.7 %</u>	<u>10,356</u>		<u>54.5 %</u>

Source: Kansas Statistical Abstract
Leavenworth County Development Corporation

City of Leavenworth, Kansas
 Full-time Equivalent City Government Employees by Function
 Last Ten Fiscal Years

Function	2007	2008	2009
General government	28	29	29
Public safety			
Police	91	91	93
Fire	57	57	57
Public works	32	33	33
Culture and recreation	33	33	35
Housing and urban redevelopment	7	7	7
Sewer	20	20	19
Refuse	13	13	14
Total	281	283	287

Source: City of Leavenworth Human Resources Department

Full-Time Equivalent Employees as of December 31

2010	2011	2012	2013	2014	2015	2016
30	28	26	29	29	27	33
93	93	89	86	84	85	72
57	57	57	57	55	54	54
31	30	29	30	30	27	25
35	34	34	35	37	31	32
7	7	7	7	7	7	7
19	19	19	18	14	19	17
14	14	14	13	13	14	12
286	282	275	275	269	264	252

City of Leavenworth, Kansas
 Operating Indicators by Function
 Last Ten Fiscal Years

Function/Program	2007	2008	2009
Public safety			
Police			
Physical arrests	2,945	2,868	2,545
Traffic violations	7,963	8,555	7,377
Fire			
Calls answered	1,957	2,037	1,969
Inspections conducted	901	959	771
Housing and urban redevelopment			
Certificates/vouchers for low-income rental assistance	339	444	444
Sewer			
Daily average treatment (thousands of gallons)	3,757	4,912	4,289
Refuse			
Refuse disposed (tons)	12,001	12,110	12,561

Sources: Various city departments

Note: No operating indicators are available for the general government, public works or culture/recreation functions.

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
2,374	2,475	2,544	2,608	2,029	1,918	1,762
8,698	10,403	9,148	3,974	5,230	4,927	4,576
1,914	2,378	2,353	2,303	2,199	2,508	2,543
814	795	854	1,004	796	951	830
444	444	444	444	444	444	469
5,156	6,423	3,325	3,609	3,983	4,753	4,778
11,508	11,026	10,967	11,325	11,259	11,696	11,710

City of Leavenworth, Kansas
 Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function/Program	2007	2008	2009
Public safety			
Police			
Stations	1	1	1
Fire			
Stations	3	3	3
Public works			
Miles of street:			
Improved	151.7	151.7	151.7
Unimproved	0.4	0.4	0.4
Controlled intersections	41	41	41
Culture and recreation			
Community centers	1	1	1
Parks	21	21	21
Park acreage	424	424	424
Swimming pools	2	2	2
Tennis courts	8	8	8
Ball fields	9	9	9
Housing and urban redevelopment			
Elderly high-rise occupancy (units)	105	105	105
Sewer			
Sanitary sewer (miles)	130	130	130
Treatment plants	1	1	1
Treatment capacity (thousands of gallons)	6,880	6,880	6,880

Sources: Various city departments

Note: No capital asset indicators are available for the general government or refuse functions.

Fiscal Year						
2010	2011	2012	2013	2014	2015	2016
1	1	1	1	1	1	1
3	3	3	3	3	3	3
156.6	156.6	156.6	156.6	156.6	156.6	156.6
0.4	0.4	0.4	0.4	0.4	0.4	0.4
43	43	43	43	42	42	41
1	1	1	1	1	1	1
21	21	22	22	22	22	22
424	424	441	441	442	442	442
2	2	2	2	2	2	2
8	8	8	8	8	8	8
9	9	10	12	12	12	12
105	105	105	105	105	105	105
130	130	130	130	130	130	130
1	1	1	1	1	1	1
6,880	6,880	6,880	6,880	6,880	6,880	6,880

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Single Audit of
Federal Financial Assistance

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City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

(With Unaudited Cumulative Totals from Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number
U.S. Department of Housing and Urban Development	
Lower-Income Housing Assistance Program	
Section 8 - Housing Choice Vouchers	14.871
Community Development Block Grant	
Community Development Block Grant:	
2014 Community Development Block Grant-Entitlement	14.218
2015 Community Development Block Grant-Entitlement	14.218
2016 Community Development Block Grant-Entitlement	14.218
Passed through the Kansas Department of Commerce:	
Neighborhood Stabilization Program	14.228
Homeless Grant	
Passed through the Kansas Housing Resources Corporation:	
2015 Emergency Solutions Grant	14.231
2016 Emergency Solutions Grant	14.231
Low-Income Housing Assistance Program	
Public Housing	14.850
Capital Fund Program	14.872
Capital Fund Program	14.872
Capital Fund Program	14.872
Total U.S. Department of Housing and Urban Development	

* Award amended

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures				
	Cumulative Awards Through December 31, 2016 (Unaudited)	Cumulative Through December 31, 2015 (Unaudited)	Total for the Year ended December 31, 2016	Cumulative Through December 31, 2016	Amounts Passed on to Subrecipients
	\$ 1,804,630	\$ -	\$ 1,823,710	\$ 1,823,710	\$ -
	256,032	255,816	-	255,816	-
	764,039 *	210,484	454,145	664,629	15,876
	310,704	-	161,831	161,831	30,557
09-NSP-011	1,966,311	1,695,280	1,889	1,697,169	-
	3,297,086	2,161,580	617,865	2,779,445	46,433
ESG-FFY2015	42,108	18,210	23,747	41,957	22,639
ESG-FFY2016	37,486	-	14,616	14,616	14,616
	79,594	18,210	38,363	56,573	37,255
	194,368	-	194,368	194,368	-
KS16P06850114	89,834	6,415	71,750	78,165	-
KS16P06850115	88,655	-	-	-	-
KS16P06850116	89,959	-	-	-	-
	462,816	6,415	266,118	272,533	-
	\$ 5,644,126	\$ 2,186,205	\$ 2,746,056	\$ 4,932,261	\$ 83,688

(continued)

City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

(Continued)

(With Unaudited Cumulative Totals from Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number
U.S. Department of Justice	
Bulletproof Vest Partnership Program - 2015	16.607
Bulletproof Vest Partnership Program - 2016	16.607
Public Safety Partnership and Community Policing Grants	16.710
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
U.S. Department of Transportation	
Passed through the Kansas Department of Transportation:	
Highway Planning and Construction (A,B)	20.205
State and Community Highway Safety (A) (STEP)	20.600
State and Community Highway Safety (A) (STEP)	20.600
State and Community Highway Safety (A) (STEP)	20.600
Department of Homeland Security	
Passed through the Kansas Adjutant General's Department	
Hazard Mitigation Grant Program (HMGP)	97.039
Total expenditures of federal awards	

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures				
	Cumulative Awards Through December 31, 2016 (Unaudited)	Cumulative Through December 31, 2015 (Unaudited)	Total for the Year ended December 31, 2016	Cumulative Through December 31, 2016	Amounts Passed on to Subrecipients
	\$ 4,243	\$ 3,607	\$ -	\$ 3,607	\$ -
	1,813	-	-	-	-
2013UMWX0209	166,911	69,227	29,230	98,457	-
2013DJBX0813	27,840	27,741	99	27,840	99
2014DJBX0350	28,398	18,393	10,000	28,393	10,000
2015DJBX0538	24,582	-	24,582	24,582	10,000
2016DJBX0306	27,177	-	11,622	11,622	-
	<u>280,964</u>	<u>118,968</u>	<u>75,533</u>	<u>194,501</u>	<u>20,099</u>
TE036001	1,096,895	970,295	126,600	1,096,895	-
SP-1300-16	4,000	-	1,280	1,280	-
	4,500	-	4,500	4,500	-
SP-1300-17	4,000	-	-	-	-
	<u>1,109,395</u>	<u>970,295</u>	<u>132,380</u>	<u>1,102,675</u>	<u>-</u>
	454,699	389,332	65,367	454,699	-
	<u>\$ 7,489,184</u>	<u>\$ 3,664,800</u>	<u>\$ 3,019,336</u>	<u>\$ 6,684,136</u>	<u>\$ 103,787</u>

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards

December 31, 2016

1. Organization and basis of presentation

Organization

The City of Leavenworth, Kansas (the City) is the recipient of several federal grants. Grants are accounted for within Governmental Fund and Enterprise Fund types.

Basis of presentation

Federal award expenditures are presented on a modified accrual basis, whereby expenditures are recognized in the accounting period in which the liability is incurred, if measurable. For reimbursement-type grants, only the reimbursable expenditures are shown as federal expenditures. The basis of presentation is the same as that for the basic financial statements; however, expenditures are classified in a different manner. The City has not elected to use the 10-percent de minimus indirect cost rate as allowed under Uniform Grant Guidance.

2. Purposes of Federal programs

A brief description of the purpose of each federal program follows:

Low-Income Housing Assistance Program - Section 8 – Housing Choice Vouchers

The purpose of this program is to assist local governments in providing aid to low income families to obtain decent, safe and sanitary housing through a system of rental subsidies; promote economically-mixed, existing, newly constructed, moderately rehabilitated and substantially rehabilitated housing; and upgrade substandard rental properties.

Community Development Block Grant

The purpose of this program is to assist local governments in the development of viable urban communities, decent housing, a suitable living environment and expanded economic opportunities to be achieved through eligible activities which benefit low and moderate income persons, aid in the prevention or elimination of slums or blight, or meet other community development needs deemed to pose a serious and immediate threat to the health or welfare of the community.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Neighborhood Stabilization Program

The purpose of this program is to provide assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. Resales of such properties are to benefit low and moderate income persons.

Homeless Grant – Emergency Solutions Grant

The purpose of this program is to assist local governments in the delivery of services to homeless persons and families. Services include rehabilitation and operations of facilities, health care, employment and homeless prevention.

Public Housing

The purpose of this program is to provide decent, safe and sanitary housing and related facilities for eligible low income families and the elderly through an authorized Public Housing Agency.

Capital Fund Program

The purpose of this program is to improve the physical condition and upgrade the management and operation of existing public housing projects.

Bulletproof Vest Partnership Program

The purpose of this program is to save lives of law enforcement officers by helping states, units of local government, and tribal governments equip their officers with armor vests.

Public Safety Partnership and Community Policing Grants

The purpose of this grant is to provide funding for the continued development of technologies and training that will advance community policing as an effective strategy to assist state, local and tribal law enforcement agencies in investigating, responding to and preventing crime.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Edward Byrne Memorial Justice Assistance Grant Program

The purpose of this program is to make funding available to provide additional personnel, equipment, supplies, contractual support, training, technical assistance, and information systems for criminal justice.

Highway Planning and Construction

The purpose of this Transportation Enhancement grant is to provide funding for the replacement and restoration of all structural stonework on the exterior of the historic Union Pacific Railroad Depot building located in Leavenworth, Kansas.

State and Community Highway Safety

The purpose of this program is to provide a coordinated national highway safety program to reduce traffic accidents, deaths, injuries and property damage.

Hazard Mitigation Grant Program

The purpose of this grant is to provide funding to eligible applicants to help reduce the risk of future damage, loss of life and property in any area affected by a major disaster. The funds were used to construct a flood wall at the historic Union Pacific Railroad Depot building located in Leavenworth, Kansas which is currently used as a Community Center.

3. Local government contributions

Local cost sharing is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the schedule of expenditures of federal awards.



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

The Honorable Mayor and City Commission
City of Leavenworth, Kansas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 31, 2017. Our report includes a reference to other auditors who audited the financial statements of the Leavenworth Public Library, as described in our report on the City's financial statements. The financial statements of the Leavenworth Public Library discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Berberich Trahan + Co., P.A.

August 31, 2017
Topeka, Kansas



Independent Auditor’s Report on Compliance for Each Major Federal Program
And Report on Internal Control Over Compliance

The Honorable Mayor and City Commission
City of Leavenworth, Kansas:

Report on Compliance for Each Major Federal Program

We have audited the City of Leavenworth, Kansas’ (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2016. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

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

Berwick Trahan + Co., P.A.

August 31, 2017
Topeka, Kansas

City of Leavenworth, Kansas
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2016

Section I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Noncompliance material to financial statements:	None

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
Findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a):	None

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 – Housing Choice Vouchers

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as a low-risk auditee:	Yes
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(continued)

City of Leavenworth, Kansas

Schedule of Findings and Questioned Costs
(Continued)

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

