



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

*City of Leavenworth, Kansas
For the Year Ended December 31, 2015*

City of Leavenworth, Kansas

Comprehensive Annual Financial Report

Fiscal Year Ended
December 31, 2015

Prepared by:

Ruby Maline
Director of Finance

City of Leavenworth, Kansas
Comprehensive Annual Financial Report
Year Ended December 31, 2015

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Introductory Section



June 28, 2016

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, 2015. 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, 2015, are fairly presented 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 36,000 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 Central Plains Consolidated Accounts.

Long-term financial planning

The City Commission recently approved a five-year capital improvements program (2016 – 2020) that contains \$35.7 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	\$10,122,865
Bridges	2,425,945
Sidewalks, curbs, gutters	2,588,950
Sewer and stormwater	5,324,720
Equipment	3,713,125
Economic development	2,000,100
Buildings	1,509,240
Parks	103,640
Other	7,902,820

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, \$23,933,450, or 67%, of identified projects are funded in this manner. An additional \$1,513,555, or 4%, of identified projects are funded by federal and state grants for street and bridge construction.

Finally, approximately \$10,244,400, or 29%, 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

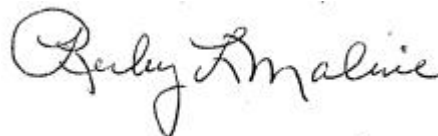
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leavenworth for its comprehensive annual financial report in the fiscal year ended December 31, 2014. This was the 21st consecutive 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



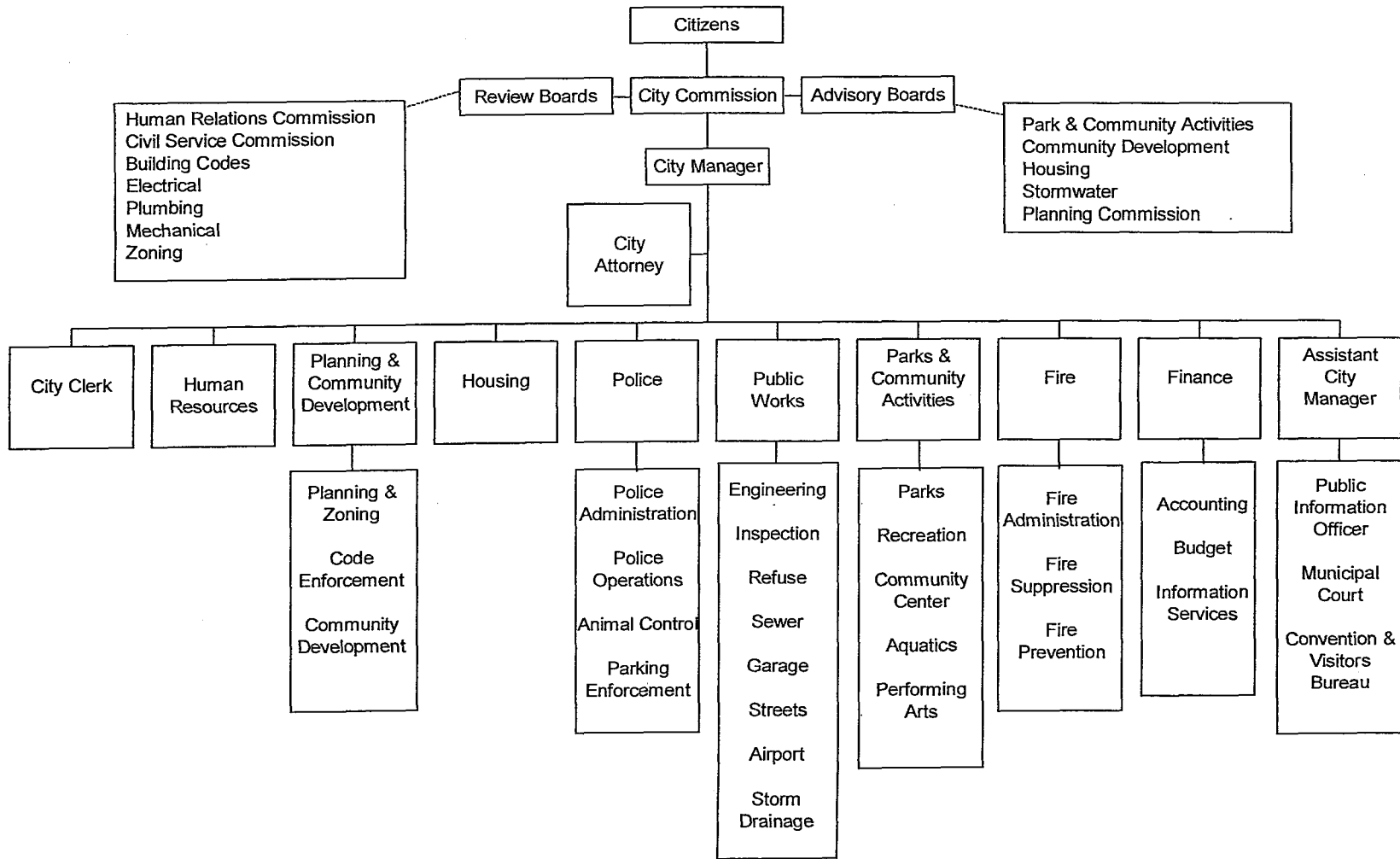
Ruby Maline
Finance Director

City of Leavenworth, Kansas
 List of Elected and Appointed Officials
 December 31, 2015

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

Appointed Officials	Position	Length of Service
Paul Kramer	City Manager	0 years
Thomas Dawson	City Attorney	7 years
Vacant	Assistant to the City Manager	0 years
Melissa Bower	Public Information Officer	4 years
Lona Lanter	Human Resources Director	12 years
Carla Williamson	City Clerk	0 years
Vacant	Finance Director	0 years
Steve Grant	Director of Parks & Community Activities	0 years
Michael McDonald	Director of Public Works	27 years
Pat Kitchens	Police Chief	8 years
Gary Birch	Fire Chief	2 years
Julie Hurley	City Planner	1 year

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, 2014

Executive Director/CEO

Financial Section



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 5 to the financial statements, on January 1, 2015, the City adopted Governmental Accounting Standards Board Statement No. 68: Accounting and Financial Reporting for Pensions and Governmental Accounting Standards Board Statement No. 71: Pension Transition for Contributions Made Subsequent to the Measurement Date. Our opinion is not modified with respect to this matter.

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 June 28, 2016 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.

June 28, 2016
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, 2015. 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 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 \$39,434,498 (*net position*). Implementation of the accounting changes required by GASB 68 resulted in a prior period adjustment that reduced net position \$16,009,375 and resulted in an *unrestricted net position* of \$(10,280,146).
- The City's total net position before the prior period adjustment increased \$525,211, or 1.3 percent, during the fiscal year.
- As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$11,461,730, an increase of \$1,687,459 over the prior year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$5,621,247, or 32.5 percent of total General Fund expenditures.
- The City's total bonded debt decreased \$1,315,000 (five percent) during the current fiscal year. General obligation bonds totaling \$2,300,000 were issued for governmental activities to provide for general infrastructure improvements. However, \$3,615,000 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 sixteen 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 thirteen 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 – 79 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 81 – 88 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 93 – 109 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 \$39,434,498 at the close of the current fiscal year.

By far, the largest portion of the City's net position 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			
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 20,337,158	\$ 19,314,200	\$ 2,914,847	\$ 2,840,874	\$23,252,005	\$22,155,074
Capital assets	57,682,840	59,767,416	14,552,359	15,706,217	72,235,199	75,473,633
Total assets	78,019,998	79,081,616	17,467,206	18,547,091	95,487,204	97,628,707
Total deferred outflows of resources	1,171,801	0	67,380	0	1,239,181	0
Long-term liabilities outstanding	34,864,593	20,406,404	8,750,749	8,536,936	43,615,342	28,943,340
Other liabilities	6,603,198	7,583,145	1,017,120	1,225,012	7,620,318	8,808,157
Total liabilities	41,467,791	27,989,549	9,767,869	9,761,948	51,235,660	37,751,497
Total deferred inflows of resources	5,977,379	4,958,548	78,848	0	6,056,227	4,958,548
Net position:						
Net invested in capital assets	38,894,256	39,488,841	6,502,359	6,926,217	45,396,615	46,415,058
Restricted	4,318,029	2,976,464	0	0	4,318,029	2,976,464
Unrestricted	(11,465,656)	3,668,214	1,185,510	1,858,926	(10,280,146)	5,527,140
Total net position	\$ 31,746,629	\$ 46,133,519	\$ 7,687,869	\$ 8,785,143	\$39,434,498	\$54,918,662

An additional portion of the City's net position (\$4,318,029) represents resources that are subject to external restrictions on how they may be used.

Implementation of the accounting changes required by GASB 68 resulted in an unrestricted net position of \$(10,280,146).

The City's overall net position before the prior period adjustment increased \$525,211 over 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 increased the City's net position \$716,153. Key elements of the increase in the current year are as follows:

- Charges for services increased \$45,990, or about one percent, during the year. Revenue from the neighborhood stabilization program increased \$103,463 due to the sale of a building. Increased activity in police, code enforcement, and park and recreation function resulted in increased revenue of \$66,336, \$31,180, and \$40,550, respectively. Also, revenue from fines and forfeitures increased \$54,742 due an increase in Municipal Court fines resulting from more traffic citations being processed by the Police Department.

The unexpected termination of a contract with the Veterans Administration for fire services resulted in a \$178,862 decline in revenue during the year. Further, revenue from fuel sales and vehicle repairs in the Garage operation declined \$143,122 from the prior year.

- Operating grants and contributions increased \$163,535, or about five percent, during the year. The City received \$206,654 more Community Development Block Grant funds and \$108,352 more federal financial assistance for Section 8 and the Veterans Affairs Supportive Housing (VASH) low income housing voucher programs than in the prior year.

In past years, transient guest taxes were paid to the State of Kansas and were subsequently distributed to the City as intergovernmental revenue. Accordingly, the revenue was classified as operating grants and contributions. However, beginning in the current year, the transient guest tax is paid directly to the City and is now classified as tax revenue. This change in classification results in a \$117,962 decline in operating grants and contributions from the prior year.

- Capital grants and contributions increased \$673,958, or 78 percent, during the year due primarily to a new \$389,332 federal FEMA grant for the community center flood mitigation project. Also, federal funds for the community center exterior sandstone restoration project increased \$263,578 and state funds for the KLINK road resurfacing program increased \$229,007 over the prior year.

However, federal financial assistance for capital improvements to the Planters II elderly high-rise facility declined \$187,698 from the prior year.

- Revenue from all taxes, including property taxes, decreased \$1,080,391, or nearly five percent, 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. Accordingly, sales tax revenue increased \$2,190,106 over the prior year (in which revenue from only July through December had been received). In anticipation of a full year of sales tax revenue, the City's property tax levy was reduced 21 mills in the current year and property tax revenue subsequently declined \$4,110,100 from the prior year.

Compensating use tax revenue increased \$470,037 while tax increment revenue (property and local sales) increased \$287,148 over the prior year. As discussed above, transient guest tax is now classified as tax revenue, resulting in a \$208,516 increase in tax revenue in the current year. Finally, revenue from franchise taxes declined \$185,607 from the prior year.

- Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Overall, expenses increased \$609,001, or about two percent, over the prior year.

General government expenses increased \$612,084, or about 16 percent, during the year due to a \$776,300 loss on the disposal of capital assets resulting from land being provided to a developer as an incentive to construct a hotel. However, pension expenses declined \$149,827 resulting from implementation of GASB 68.

Public safety expenses declined \$759,584, or about six percent, due to a \$728,212 decrease in pension expenses resulting from implementation of GASB 68.

Public works expenses declined \$180,070, or about four percent, from the prior year. Fuel costs at the garage declined \$137,882 while personnel costs in the Special Fuel Fund declined \$71,087 from the prior year due to position vacancies. Snow removal costs also declined \$30,115 from the prior year.

Housing and urban redevelopment expenses increased \$987,789, or about 34 percent, over the prior year. Depreciation expense increased \$521,952 while expenses in the Community Development Block Grant program increased \$184,637 due to an increase in the federal financial funding for the program. Economic development grants and tax incentive payments also increased \$282,485 over the prior year.

Interest and fiscal charges on long term debt declined \$30,651, or nearly five percent, from the prior year due to a decrease in interest payments on outstanding debt.

City of Leavenworth's Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Revenue:						
Program revenue:						
Charges for services	\$5,054,157	\$5,008,167	\$5,959,232	\$5,919,112	\$11,013,389	\$10,927,279
Operating grants and contributions	3,459,665	3,296,130	0	0	3,459,665	3,296,130
Capital grants and contributions	1,534,648	860,690	0	0	1,534,648	860,690
General revenue:						
Property taxes	5,149,544	9,259,644	0	0	5,149,544	9,259,644
Other taxes	16,738,609	13,708,900	0	0	16,738,609	13,708,900
Grants and contributions not restricted to specific programs	98,849	98,434	0	0	98,849	98,434
Unrestricted investment earnings	21,192	20,548	0	0	21,192	20,548
Total revenues	32,056,664	32,252,513	5,959,232	5,919,112	38,015,896	38,171,625
Expenses:						
General government	4,385,410	3,773,326	0	0	4,385,410	3,773,326
Public safety	11,467,939	12,227,523	0	0	11,467,939	12,227,523
Public works	4,146,573	4,326,643	0	0	4,146,573	4,326,643
Culture and recreation	3,282,317	3,286,242	0	0	3,282,317	3,286,242
Housing and urban redevelopment	3,872,406	2,884,617	0	0	3,872,406	2,884,617
Unallocated depreciation expense	3,635,561	3,652,203	0	0	3,635,561	3,652,203
Interest on long-term debt	620,490	651,141	0	0	620,490	651,141
Sewer	0	0	4,148,953	4,399,423	4,148,953	4,399,423
Refuse	0	0	1,931,036	1,920,283	1,931,036	1,920,283
Total expenses	31,410,696	30,801,695	6,079,989	6,319,706	37,490,685	37,121,401
Change in net position before transfers	645,968	1,450,818	(120,757)	(400,594)	525,211	1,050,224
Transfers	70,185	0	(70,185)	0	0	0
Change in net position	716,153	1,450,818	(190,942)	(400,594)	525,211	1,050,224
Net position – beginning	46,133,519	44,682,701	8,785,143	9,185,737	54,918,662	53,868,438
Prior period adjustment	(15,103,043)	0	(906,332)	0	(16,009,375)	0
Net position – ending	\$31,746,629	\$46,133,519	\$7,687,869	\$8,785,143	\$39,434,498	\$54,918,662

Business-type activities

Business-type activities decreased the City's net position \$190,942. Key elements of this decline are as follows:

- Sewer Fund revenue decreased \$16,544, or about 0.4 percent, from the prior year due primarily to a \$64,991 decline in utility revenue from the federal installations (U.S. Penitentiary, Fort Leavenworth, and the VA Center). However, utility revenue from other customers increased \$50,330 due 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.

Sewer Fund expenses decreased \$250,470, or about six percent, due primarily to a \$103,148 decline in depreciation expense. Also, sewer plant maintenance and repair costs related to the trickling filters declined \$200,451. However, costs for an EPA settlement increased \$46,200.

- Refuse Fund revenue increased \$56,664, or about three percent, due to a \$45,000 gain in the disposal of fixed assets during the year. Refuse Fund expenses increased \$10,753, or less than one percent, due primarily to a \$40,796 increase in vehicle maintenance costs during the year.

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 \$11,461,730, an increase of \$1,687,459 over the prior year. Approximately 49 percent of this amount (\$5,566,724) 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 (\$4,384,253), 2) committed for particular purposes (\$1,435,723), or 3) assigned for particular purposes (\$75,030).

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 \$5,621,247. Approximately 99 percent of this amount (\$5,566,724) is designated as unassigned fund balance, which is available for spending at the City's discretion. \$54,523 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 32.2 percent of total General Fund expenditures, while total fund balance represents 32.5 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased \$284,909 to \$5,621,247 during the current fiscal year. Revenue from all sources decreased \$3,408,292 from the prior year and total expenses increased \$67,994 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds decreased \$1,806,035 due primarily to a \$2,070,638 decrease in the transfer of the local sales tax revenue dedicated for capital projects as discussed in the analysis of governmental activities.

The Debt Service Fund had a restricted fund balance of \$306,415 at the end of the current year, a \$370,905 decrease from the prior year. Revenue decreased \$97,394 from the prior year due primarily to a \$105,609 decline in tax revenue. Debt service expenditures decreased \$908,513 from the prior year primarily due to a decrease in principal retirement of \$925,000. In the prior year, refunding bonds of \$1,030,000 were issued, resulting in a substantial increase in principal retirement during that year. Finally, other financing sources decreased \$1,030,000 due again to the issuance of the refunding bonds in the prior year while transfers from other funds declined \$509,122.

At the end of the year, the fund balance of the Capital Projects Fund was \$1,456,230, a decrease of \$95,037 from the prior year. Several factors contributed to this decrease:

- Total revenue increased \$875,993 during the year due primarily to a \$880,600 increase in federal and state grant payments. Such payments during the year included federal grants of \$616,937 for the community center exterior sandstone renovation project and \$389,332 for the community center flood mitigation project.
- Total expenditures declined \$749,123 primarily due to a decrease in capital outlay of \$815,039 during the year.
- Proceeds from general obligation bonds and the sale of land increased \$722,826 during the year and other net transfers in decreased \$599,431 from the prior 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.

Implementation of the accounting changes required by GASB 68 resulted in a prior period adjustment that reduced total net position \$487,531 in the Sewer Fund and \$418,801 in the Refuse Fund. Further, the unrestricted net position of the Sewer Fund at the end of the year amounted to \$1,689,259, and the unrestricted net position for the Refuse Fund amounted to \$(503,749). In comparison with the prior year, unrestricted net position for the Sewer Fund declined \$136,625 while unrestricted net position for the Refuse Fund declined \$536,791. 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 2015.

During the year, revenues were \$1,362,533, or about seven percent, less than budgetary estimates due to:

- Revenues from tax sources were \$1,309,380, or about eight percent, below budgetary expectations. During the year, accounting for the proceeds from the one-half cent local sales tax dedicated for capital projects was moved to a separate special revenue fund. Accordingly, none of the \$1,950,000 budgeted sales tax revenue was actually received in the General Fund.

However, the remaining sales tax revenue budgeted in the General Fund exceeded expectations by \$309,969 while revenue from the compensating use tax exceeded expectations by \$382,835. Finally, franchise tax revenue fell below expectations by \$133,991.

- Revenues from licenses and permits were \$89,955 greater than budgetary expectations as residential permits for new homes and remodeling were more than anticipated.
- Revenues from charges for services were \$237,306 below budgetary expectations due to the unexpected termination of a contract with the Veterans Administration for fire services. Revenue of \$402,570 had been expected from the contract while only \$223,708 was actually realized, resulting in a loss of \$178,862 in expected revenue. Further, revenue from fuel sales and vehicle repairs in the Garage operation were \$109,058 below budget.
- Revenues from fines and forfeitures were \$97,998 below budgetary expectations due to decreased revenue from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.
- Miscellaneous revenues were \$179,047 over budgetary expectations due primarily to an unanticipated premium reimbursement of \$113,603 received from the City's workers compensation insurance carrier and an unanticipated \$37,650 payment to facilitate participation in a COPLINK Police Department internet connection.

During the year, expenditures were \$725,802, or about four percent, less than budgetary estimates due to:

- Public safety expenditures were \$530,624, or nearly five percent, below budgetary expectations due to savings of \$535,986 in Police Department personnel costs resulting from position vacancies throughout the year.
- Culture and recreation expenditures were \$94,867, or nearly twelve percent, below budgetary expectations due to savings of \$49,026 in Parks personnel costs resulting from position vacancies throughout the year. Also, costs for the purchase of water were \$22,716 below budget.
- Public works expenditures were \$139,449, or about five percent, below budgetary expectations due to a savings of \$235,601 in gasoline and diesel fuel purchases in the Garage operation resulting from relatively low fuel prices encountered during year. However, costs for the purchase of vehicle maintenance and repair parts exceeded expectations by \$83,184.

Transfers to other funds were \$1,737,459 below budgetary expectations during the year. As discussed above, accounting for the proceeds from the one-half cent local sales tax dedicated for capital projects was moved to a separate special revenue fund. Accordingly, only \$330,481 of the \$1,950,000 budgeted transfer of the sales tax proceeds to the Capital Projects Fund was made. Further, only \$12,000 of the \$199,480 budgeted subsidy transfer to the Special Fuel Fund was necessary given the strong performance of the Fund during the year.

During the year, revenues were less than 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, 2015, amounts to \$72,235,199 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, streets, and bridges. The total decline in the City's investment in capital assets for the current fiscal year was 4.3 percent (a 3.5 percent decline for governmental funds and a 7.3 percent decline 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 \$4,106,676 while several projects continued. Construction in progress for such projects as of the close of the fiscal year had reached \$1,141,406.
- A variety of building improvements were completed at a cost of \$573,533, including \$487,899 for improvements to the exterior of City Hall, \$35,134 for carpeting at the Community Center, and \$50,500 for the construction of a restroom facility at Dougherty Park. Several building improvement projects continued. At the close of the fiscal year, construction in progress to repair the sandstone exterior at the Community Center totaled \$835,488 while construction in progress to build a flood wall to protect the Community Center totaled \$554,911.
- Several sidewalk projects were completed at a cost of \$60,521. In addition, a stormwater project was completed at a cost of \$89,872 while several other projects continued. Construction in progress for these projects as of the close of the fiscal year had reached \$108,191.
- Equipment for \$511,777 was purchased, including \$180,417 for the replacement of various cars, \$158,156 for a dump truck for the Streets Department, and \$37,188 for a truck for the Parks Department. A bomb suit was purchased for the Police Department at a cost of \$25,862 while the Mid-America Regional Council donated equipment with a value of \$40,172 to the Fire Department.
- Finally, a project to convert the City's financial software continued; at year end, construction in progress totaled \$200,226.
- In the business-type activities, the Refuse Department purchased a refuse truck at a cost of \$162,853 while the Sewer Department purchased a generator at a cost of \$34,635 for the sewer plant. The Sewer Department also completed several sewer system upgrades at a cost of \$48,085.

City of Leavenworth's Capital Assets

(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$2,695,054	\$2,695,054	\$58,634	\$58,634	\$2,753,688	\$2,753,688
Buildings	10,485,516	11,617,497	6,617,084	7,443,210	17,102,600	19,060,707
Improvements other than buildings	7,071,842	7,654,355	7,204,466	7,589,725	14,276,308	15,244,080
Machinery and equipment	3,761,089	4,118,114	672,175	614,648	4,433,264	4,732,762
Infrastructure	29,333,335	28,807,375	0	0	29,333,335	28,807,375
Construction in progress	4,336,004	4,875,021	0	0	4,336,004	4,875,021
Total	\$57,682,840	\$59,767,416	\$14,552,359	\$15,706,217	\$72,235,199	\$75,473,633

Additional information on the City of Leavenworth's capital assets can be found in Note 4.B on pages 48 – 51 of this report.

Long-term debt

At the end of the year, the City had total bonded debt outstanding of \$25,455,000, all of which is debt backed by the full faith and credit of the City. Of this amount, \$17,405,000 relates to governmental activities while \$8,050,000 relates to business-type activities.

The City's total bonded debt declined \$1,315,000 (five percent) during the current fiscal year. General obligation bonds totaling \$2,300,000 were issued for governmental activities to provide permanent financing for general infrastructure of \$1,700,000 and \$600,000 for the purchase of land for economic development. However, \$3,615,000 of previously existing debt for governmental and business-type activities was retired during the year.

The City maintains an "A1" 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 \$68,350,691, 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 53 – 58 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. During the recession, the budget-basis balances in the General Fund declined from a level of approximately \$3,250,000 at the end of 2009 to only \$1,610,000 at the end of 2012. However, in 2013, the City generated a surplus in the General Fund of \$300,000 and, in 2014, generated a surplus of \$1,520,000. As a result, the City's budget-basis balance in the General Fund at the end of 2014 was \$3,430,000.

The \$1,520,000 surplus generated in 2014 is directly attributable to the one cent sales tax dedicated to mill levy reduction that began on July 1st of 2014. The sales tax generated approximately \$1,390,000 in 2014 and could not be used to reduce the mill levy. Instead, the proceeds were placed in a reserve for the purpose of future mill levy stabilization.

It is important to note that the budgeted 2015 beginning balance was approximately \$2,410,000. This is the amount that had been estimated, and budgeted, based upon the available information at the time of budget preparation. This beginning balance was an important source of support for the 2015 budget and was based upon the assumption that the General Fund would generate a surplus of \$500,000 during 2014. In fact, since the Fund actually generated a surplus of \$1,520,000, then the Fund began 2015 with \$1,020,000 more than was required to support the 2015 budget. Since these funds were unexpected, they were not budgeted to support expenditures during 2015 and will be available to support the 2016 budget.

Collectively, in all funds supported by property taxes ("the Tax funds"), the increase in beginning balances available to support the 2016 budget is approximately \$985,000.

This is particularly fortunate since the 2016 budget is expected to see declines in several important revenue sources. First, the VA contract for fire services was not renewed beyond July 31st of 2015. Accordingly, in 2016, the City will lose the \$402,570 that had been budgeted in 2015.

Further, given the 21 mill decline in the City's mill levy rate from 2014 to 2015, the City's motor vehicle tax revenue will also decline given that the formula for determining the tax is partially based upon the City's mill levy rate. It is expected that the decline in 2016 revenue will be \$419,615.

However, these declines will be partially offset by increases in several revenue sources. For example, compensating use tax revenue are expected to increase \$300,000 in 2016 while local sales tax revenue are expected to increase \$175,865. Also, interest earnings are expected to increase \$59,985 since rates are expected to gradually increase beginning in late 2016.

Collectively, in all Tax funds, revenue are expected to decline \$374,240.

In anticipation of the difficulties posed by the declining revenue discussed above, every effort was made to limit increases in expenses. For example, in response to the possibility that the VA contract will not be renewed, the 2016 budget eliminates three positions in the Fire department which saves approximately \$217,000.

The 2016 compensation plan for employees will remain the same as in 2015, which included an average salary increase of 2.2% for employees in the form of a performance recognition increase on the anniversary date of employment or promotion. This level of raise is consistent with that being provided by most municipalities in the region.

No Supplemental Requests were entertained during the budgetary process and none are recommended in the 2016 budget.

Collectively, in all Tax funds, expenses are expected to decline \$10,150.

Therefore, given that \$985,000 in unexpected beginning balances are available to support the 2016 budget, and given that revenue is expected to decline approximately \$375,000, and given that expenses are expected to decline approximately \$10,000, then \$620,000 of the 2016 beginning balance remains available.

Further, data provided by the County Clerk indicates that the City's assessed valuation increases approximately 1.87% from 2015 to 2016. This results in the ability of the City to increase its ad valorem tax requirement by approximately \$112,000 without increasing the mill levy.

Combining the \$620,000 beginning balance remaining available with the ability to increase the tax requirement \$112,000 without increasing the mill levy, then approximately \$732,000 in resources are available for disposition. The 2016 budget recommends that these funds be used to increase the 2016 General Fund reserve \$709,800 to a level of \$1,947,600.

In summary, the recommended 2016 budget holds the mill levy constant at 31.027 mills and increases the General Fund reserve \$709,800.

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, 2015

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Library
ASSETS				
Cash and cash equivalents	\$ 11,972,615	\$ 2,437,115	\$ 14,409,730	\$ 969,931
Deposits restricted for tenant deposit refunds	30,303	-	30,303	-
Receivables (net of uncollectibles):				
Property tax	5,056,466	-	5,056,466	903,276
Special assessment tax	247,334	-	247,334	-
Sales tax	2,134,600	-	2,134,600	-
Due from other governments	592,257	-	592,257	-
Accounts receivable	303,583	477,732	781,315	-
Capital assets (net of accumulated depreciation)				
Land	2,695,054	58,634	2,753,688	-
Buildings and systems	10,485,516	6,617,084	17,102,600	-
Improvements other than buildings	7,071,842	7,204,466	14,276,308	-
Machinery and equipment	3,761,089	672,175	4,433,264	681,816
Infrastructure	29,333,335	-	29,333,335	-
Construction in progress	4,336,004	-	4,336,004	-
Total assets	78,019,998	17,467,206	95,487,204	2,555,023
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - pension	1,171,801	67,380	1,239,181	29,179
LIABILITIES				
Accounts payable	569,144	138,975	708,119	-
Accrued compensation	548,250	52,237	600,487	-
Accrued interest payable	133,819	54,814	188,633	-
Tenant deposits	30,303	-	30,303	-
Bond anticipation notes payable	2,410,000	-	2,410,000	-
Long-term liabilities:				
Due within one year	2,911,682	771,094	3,682,776	-
Due in more than one year	34,864,593	8,750,749	43,615,342	398,312
Total liabilities	41,467,791	9,767,869	51,235,660	398,312
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - pension	906,983	78,848	985,831	47,293
Deferred receivable - property taxes	5,070,396	-	5,070,396	903,276
Total deferred inflows of resources	5,977,379	78,848	6,056,227	950,569
NET POSITION				
Net investment in capital assets	38,894,256	6,502,359	45,396,615	681,816
Restricted for:				
Capital improvements	2,526,171	-	2,526,171	-
Tax increment financing	287,830	-	287,830	-
Street maintenance	945	-	945	-
Law enforcement	150,246	-	150,246	-
Recreation programs	59,080	-	59,080	-
Housing services	898,830	-	898,830	-
Community redevelopment	43,242	-	43,242	-
General obligation debt	240,191	-	240,191	-
Tourism & convention activities	111,494	-	111,494	-
Unrestricted	(11,465,656)	1,185,510	(10,280,146)	553,505
Total net position	\$ 31,746,629	\$ 7,687,869	\$ 39,434,498	\$ 1,235,321

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	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			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 4,385,410	\$ 1,948,419	\$ 56,441	\$ 123,074	\$ (2,257,476)	\$ -	\$ (2,257,476)	\$ -
Public safety	11,467,939	588,486	66,321	40,172	(10,772,960)	-	(10,772,960)	-
Public works	4,146,573	1,244,162	1,053,132	319,542	(1,529,737)	-	(1,529,737)	-
Culture and recreation	3,282,317	670,945	56,441	1,006,269	(1,548,662)	-	(1,548,662)	-
Housing and urban redevelopment	3,872,406	602,145	2,227,330	45,591	(997,340)	-	(997,340)	-
Unallocated depreciation expense	3,635,561	-	-	-	(3,635,561)	-	(3,635,561)	-
Interest on long term debt	620,490	-	-	-	(620,490)	-	(620,490)	-
Total governmental activities	31,410,696	5,054,157	3,459,665	1,534,648	(21,362,226)	-	(21,362,226)	-
Business-type activities:								
Sewer	4,148,953	4,076,766	-	-	-	(72,187)	(72,187)	-
Refuse	1,931,036	1,882,466	-	-	-	(48,570)	(48,570)	-
Total business-type activities	6,079,989	5,959,232	-	-	-	(120,757)	(120,757)	-
Total primary government	\$ 37,490,685	\$ 11,013,389	\$ 3,459,665	\$ 1,534,648	(21,362,226)	(120,757)	(21,482,983)	-
Component unit:								
Library	\$ 1,149,797	\$ 32,229	\$ 20,210	\$ -				(1,097,358)
Total component unit	\$ 1,149,797	\$ 32,229	\$ 20,210	\$ -				(1,097,358)
General revenues:								
Taxes:								
Property taxes					5,149,544	-	5,149,544	1,019,801
Tax increment property taxes					36,612	-	36,612	-
Sales taxes					10,654,420	-	10,654,420	-
Tax increment sales taxes					484,431	-	484,431	-
Compensating use taxes					1,604,125	-	1,604,125	-
Franchise taxes					2,676,007	-	2,676,007	-
Motor vehicle taxes					1,074,498	-	1,074,498	-
Transient guest tax					208,516	-	208,516	-
Intergovernmental revenue not restricted to specific programs					98,849	-	98,849	45,113
Miscellaneous					-	-	-	16,380
Unrestricted investment earnings					21,192	-	21,192	3,890
Transfers					70,185	(70,185)	-	-
Total general revenues and transfers					22,078,379	(70,185)	22,008,194	1,085,184
Change in net position					716,153	(190,942)	525,211	(12,174)
Total net position - beginning					46,133,519	8,785,143	54,918,662	1,630,795
Prior period adjustment					(15,103,043)	(906,332)	(16,009,375)	(383,300)
Total net position - ending	\$	\$	\$	\$	\$ 31,746,629	\$ 7,687,869	\$ 39,434,498	\$ 1,235,321

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Balance Sheet

Governmental Funds

December 31, 2015

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,849,275	\$ 320,346	\$ 3,500,389	\$ 3,302,605	\$ 11,972,615
Deposits restricted for tenant deposit refunds	-	-	-	30,303	30,303
Receivables (net of uncollectibles):					
Special assessments	179,739	67,595	-	-	247,334
Property tax	2,962,051	1,616,795	-	477,620	5,056,466
Sales tax	1,251,412	-	-	883,188	2,134,600
Due from other governments	-	-	527,093	65,164	592,257
Due from other funds	45,125	-	-	-	45,125
Accounts receivable	294,855	-	4,710	4,018	303,583
Total assets	<u>\$ 9,582,457</u>	<u>\$ 2,004,736</u>	<u>\$ 4,032,192</u>	<u>\$ 4,762,898</u>	<u>\$ 20,382,283</u>
LIABILITIES					
Accounts payable	\$ 340,426	\$ -	\$ 165,962	\$ 62,756	\$ 569,144
Accrued compensation	478,994	-	-	69,256	548,250
Due to other funds	-	-	-	45,125	45,125
Bond anticipation notes payable	-	-	2,410,000	-	2,410,000
Tenant deposits	-	-	-	30,303	30,303
Total liabilities	<u>819,420</u>	<u>-</u>	<u>2,575,962</u>	<u>207,440</u>	<u>3,602,822</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	2,962,051	1,684,390	-	477,620	5,124,061
Unavailable revenues - special assessments	179,739	13,931	-	-	193,670
Total deferred inflows of resources	<u>3,141,790</u>	<u>1,698,321</u>	<u>-</u>	<u>477,620</u>	<u>5,317,731</u>
FUND BALANCES					
Restricted	-	306,415	-	4,077,838	4,384,253
Committed	-	-	1,435,723	-	1,435,723
Assigned	54,523	-	20,507	-	75,030
Unassigned	5,566,724	-	-	-	5,566,724
Total fund balances	<u>5,621,247</u>	<u>306,415</u>	<u>1,456,230</u>	<u>4,077,838</u>	<u>11,461,730</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,582,457</u>	<u>\$ 2,004,736</u>	<u>\$ 4,032,192</u>	<u>\$ 4,762,898</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.	\$ 57,682,840
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	247,335
Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore are not reported in the funds.	1,171,801
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(37,910,094)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore are not reported in the funds.	(906,983)
Net position of governmental activities	<u>\$ 31,746,629</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, 2015

	General	Debt Service	Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,271,683	\$ 1,918,323	\$ -	\$ 5,889,320	\$ 22,079,326
Intergovernmental	163,397	-	1,385,844	3,380,674	4,929,915
Licenses and permits	401,505	-	-	-	401,505
Charges for services	1,888,144	-	54,577	1,053,635	2,996,356
Fines and forfeitures	852,002	-	1,601	8,951	862,554
Investment earnings	20,652	-	98	443	21,193
Miscellaneous	329,922	43,788	154,665	175,476	703,851
Total revenues	<u>17,927,305</u>	<u>1,962,111</u>	<u>1,596,785</u>	<u>10,508,499</u>	<u>31,994,700</u>
EXPENDITURES					
Current:					
General government	3,330,429	-	133,396	165,632	3,629,457
Public safety	10,825,386	-	148,451	80,543	11,054,380
Public works	2,428,387	-	137,285	1,078,031	3,643,703
Culture and recreation	718,808	-	82,183	1,556,836	2,357,827
Housing and urban redevelopment	-	-	235,261	2,805,466	3,040,727
Debt service:					
Principal retirement	-	2,885,000	39,348	-	2,924,348
Interest and fiscal charges	-	375,903	8,979	236,096	620,978
Capital outlay	6,000	-	5,638,783	54,049	5,698,832
Total expenditures	<u>17,309,010</u>	<u>3,260,903</u>	<u>6,423,686</u>	<u>5,976,653</u>	<u>32,970,252</u>
Excess (deficiency) of revenues over (under) expenditures	<u>618,295</u>	<u>(1,298,792)</u>	<u>(4,826,901)</u>	<u>4,531,846</u>	<u>(975,552)</u>
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	-	-	292,826	-	292,826
General obligation bonds issued	-	-	2,300,000	-	2,300,000
Transfers in	78,635	927,887	3,480,827	1,624,663	6,112,012
Transfers out	(412,021)	-	(1,341,789)	(4,288,017)	(6,041,827)
Total - other financing sources (uses)	<u>(333,386)</u>	<u>927,887</u>	<u>4,731,864</u>	<u>(2,663,354)</u>	<u>2,663,011</u>
Net change in fund balances	284,909	(370,905)	(95,037)	1,868,492	1,687,459
Fund balances - beginning	<u>5,336,338</u>	<u>677,320</u>	<u>1,551,267</u>	<u>2,209,346</u>	<u>9,774,271</u>
Fund balances - ending	<u>\$ 5,621,247</u>	<u>\$ 306,415</u>	<u>\$ 1,456,230</u>	<u>\$ 4,077,838</u>	<u>\$ 11,461,730</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, 2015

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

Net change in fund balances - total governmental funds	\$ 1,687,459
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 outlays.	(1,055,622)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(1,028,954)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	21,792
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.	624,348
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>467,130</u>
Change in net position of governmental activities	<u><u>\$ 716,153</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$15,581,063	\$15,581,063	\$14,271,683	\$(1,309,380)
Intergovernmental	154,900	154,900	163,397	8,497
Licenses and permits	311,550	311,550	401,505	89,955
Charges for services	2,125,450	2,125,450	1,888,144	(237,306)
Fines and forfeitures	950,000	950,000	852,002	(97,998)
Investment earnings	16,000	16,000	20,652	4,652
Miscellaneous	150,875	150,875	329,922	179,047
Total revenues	<u>19,289,838</u>	<u>19,289,838</u>	<u>17,927,305</u>	<u>(1,362,533)</u>
EXPENDITURES				
Current:				
General government	3,304,488	3,304,488	3,337,626	(33,138)
Public safety	11,394,660	11,394,660	10,864,036	530,624
Public works	2,576,512	2,576,512	2,437,063	139,449
Culture and recreation	813,675	813,675	718,808	94,867
Capital outlay	-	-	6,000	(6,000)
Total expenditures	<u>18,089,335</u>	<u>18,089,335</u>	<u>17,363,533</u>	<u>725,802</u>
Excess of revenues over expenditures	<u>1,200,503</u>	<u>1,200,503</u>	<u>563,772</u>	<u>(636,731)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	78,635	78,635	78,635	-
Transfers out	(2,149,480)	(2,149,480)	(412,021)	1,737,459
Total - other financing sources (uses)	<u>(2,070,845)</u>	<u>(2,070,845)</u>	<u>(333,386)</u>	<u>1,737,459</u>
Net change in fund balances	(870,342)	(870,342)	230,386	1,100,728
Fund balances - beginning	2,408,142	2,408,142	5,325,421	2,917,279
Prior year encumbrances relieved	-	-	10,917	10,917
Fund balances - ending	<u>\$ 1,537,800</u>	<u>\$ 1,537,800</u>	<u>\$ 5,566,724</u>	<u>\$ 4,028,924</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Proprietary Funds

December 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,213,920	\$ 223,195	\$ 2,437,115
Accounts receivable	331,976	145,756	477,732
Total current assets	<u>2,545,896</u>	<u>368,951</u>	<u>2,914,847</u>
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	12,335,607	37,440	12,373,047
Machinery and equipment	2,043,359	1,266,227	3,309,586
Less accumulated depreciation	<u>(17,448,484)</u>	<u>(801,788)</u>	<u>(18,250,272)</u>
Total capital assets (net of accumulated depreciation)	<u>13,999,271</u>	<u>553,088</u>	<u>14,552,359</u>
Total noncurrent assets	<u>13,999,271</u>	<u>553,088</u>	<u>14,552,359</u>
Total assets	<u>16,545,167</u>	<u>922,039</u>	<u>17,467,206</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	<u>36,245</u>	<u>31,135</u>	<u>67,380</u>
LIABILITIES			
Current liabilities:			
Accounts payable	101,842	37,133	138,975
Accrued compensation	28,686	23,551	52,237
Accrued compensated absences	4,925	6,169	11,094
Bonds payable	745,000	-	745,000
Accrued interest payable	54,814	-	54,814
Accrued landfill closure/postclosure care costs	-	15,000	15,000
Total current liabilities	<u>935,267</u>	<u>81,853</u>	<u>1,017,120</u>
Noncurrent liabilities:			
Accrued compensated absences	114,168	47,373	161,541
Other post-employment benefits	82,165	62,859	145,024
Net pension liability	463,868	398,473	862,341
Bonds payable	7,305,000	-	7,305,000
Accrued landfill closure/postclosure care costs	-	276,843	276,843
Total noncurrent liabilities	<u>7,965,201</u>	<u>785,548</u>	<u>8,750,749</u>
Total liabilities	<u>8,900,468</u>	<u>867,401</u>	<u>9,767,869</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	<u>42,414</u>	<u>36,434</u>	<u>78,848</u>
NET POSITION			
Net investment in capital assets	5,949,271	553,088	6,502,359
Unrestricted	1,689,259	(503,749)	1,185,510
Total net position	<u>\$ 7,638,530</u>	<u>\$ 49,339</u>	<u>\$ 7,687,869</u>

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, 2015

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
Operating revenues:			
Charges for services	\$ 4,075,551	\$ 1,837,089	\$ 5,912,640
Miscellaneous	1,215	377	1,592
Total operating revenues	<u>4,076,766</u>	<u>1,837,466</u>	<u>5,914,232</u>
Operating expenses:			
Personal services	913,071	704,464	1,617,535
Contractual services	1,600,113	941,340	2,541,453
Commodities	152,497	191,799	344,296
Depreciation	1,307,893	93,433	1,401,326
Total operating expenses	<u>3,973,574</u>	<u>1,931,036</u>	<u>5,904,610</u>
Operating income (loss)	103,192	(93,570)	9,622
Nonoperating revenues (expenses):			
Gain on disposal of assets	-	45,000	45,000
Interest and fiscal charges	(175,379)	-	(175,379)
Income before transfers	(72,187)	(48,570)	(120,757)
Transfers:			
Transfers out	(70,185)	-	(70,185)
Change in net position	(142,372)	(48,570)	(190,942)
Total net position - beginning	8,268,433	516,710	8,785,143
Prior period adjustment	(487,531)	(418,801)	(906,332)
Total net position - ending	<u>\$ 7,638,530</u>	<u>\$ 49,339</u>	<u>\$ 7,687,869</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2015

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,102,269	\$ 1,833,416	\$ 5,935,685
Payments to suppliers	(1,974,822)	(1,140,808)	(3,115,630)
Payments to employees	(826,622)	(709,575)	(1,536,197)
Net cash provided (used) by operating activities	<u>1,300,825</u>	<u>(16,967)</u>	<u>1,283,858</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(70,185)	-	(70,185)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from the sale of assets	-	45,000	45,000
Purchases of capital assets	(84,615)	(162,853)	(247,468)
Principal paid on capital debt	(730,000)	-	(730,000)
Interest paid on capital debt	(185,779)	-	(185,779)
Net cash used by capital and related financing activities	<u>(1,000,394)</u>	<u>(117,853)</u>	<u>(1,118,247)</u>
Net increase (decrease) in cash and cash equivalents	230,246	(134,820)	95,426
Cash and cash equivalents, January 1	<u>1,983,674</u>	<u>358,015</u>	<u>2,341,689</u>
Cash and cash equivalents, December 31	<u>\$ 2,213,920</u>	<u>\$ 223,195</u>	<u>\$ 2,437,115</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income	\$ 103,192	\$ (93,570)	\$ 9,622
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	1,307,893	93,433	1,401,326
(Increase) decrease in receivables	25,503	(4,050)	21,453
(Increase) decrease in deferred outflows	(10,292)	(8,841)	(19,133)
Increase (decrease) in deferred inflows	(50,850)	(43,682)	(94,532)
Increase (decrease) in accounts payable	(222,212)	1,283	(220,929)
Increase (decrease) in accrued compensation	4,594	1,635	6,229
Increase (decrease) in compensated absences	94,161	1,306	95,467
Increase (decrease) in postemployment benefits	5,188	6,977	12,165
Increase (decrease) in net pension liability	43,648	37,494	81,142
Increase (decrease) in accrued landfill closure/postclosure care costs	-	(8,952)	(8,952)
Net cash provided (used) by operating activities	<u>\$ 1,300,825</u>	<u>\$ (16,967)</u>	<u>\$ 1,283,858</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Fiduciary Funds

December 31, 2015

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 585,227	\$ -
Property tax receivable	139,470	903,276
Total assets	<u>724,697</u>	<u>903,276</u>
LIABILITIES		
Accounts payable	47	-
Deferred revenue	139,470	-
Amounts due other parties	-	903,276
Total liabilities	<u>139,517</u>	<u>903,276</u>
NET POSITION		
Restricted for pension	<u>\$ 585,180</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, 2015

	<u>Pension Trust</u>
ADDITIONS	
Employer contributions	\$ 158,690
Interest	846
Total additions	<u>159,536</u>
 DEDUCTIONS	
Benefits	<u>151,091</u>
Total deductions	<u>151,091</u>
Changes in net position	8,445
Net position - beginning	<u>576,735</u>
Net position - ending	<u><u>\$ 585,180</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, 2015

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 has assumed responsibility for principal and interest payments on the debt.

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 nonfiduciary 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.

The statement of activities demonstrates the degree to which expenses of a given function or activity are 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*.

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)

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.

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.

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)

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.

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.

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)

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 *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 nonoperating revenues and expenses.

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

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, repurchase agreements, and the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The fair value of the City's position in the MIP is the same as the pool value of the shares. 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.

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

1. Summary of significant accounting policies (continued)

D. Deposits and investments (continued)

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, 2015, investment earnings allocated to the various funds were approximately \$22,038.

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, 2015, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of \$182,977, 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, 2015 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, 2015, the special assessment taxes levied are a lien on the property and the amount due in 2015 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$10,139, 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, 2015, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$26,961, 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.

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.

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

1. Summary of significant accounting policies (continued)

G. Capital assets (continued)

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 two 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 two sources: property taxes and special assessments. The governmental activities report deferred receivables from property taxes. 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 reported 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, 2015, 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. 72, *Fair Value Measurement and Application*, was issued in February 2015. The objective of this statement is to address financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for periods beginning after June 15, 2015.

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 that 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 15, 2017.

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. 77, *Tax Abatement Disclosures*, increases the disclosure requirements for tax abatements affecting the government entity and its ability to raise resources in the future. This standard applies to a reporting government's own tax abatement agreements or agreements entered into by other governments and that reduce the reporting government's tax revenues. The government that enters into the agreement must begin disclosing (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provision for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) the gross dollar amount of taxes abated during the period and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. For governments impacted by other governments' tax abatements, the following must be disclosed: (1) the names of the governments that entered into the agreements, (2) the specific taxes being abated, and (3) the gross dollar amount of taxes abated during the period. The provisions of this statement are effective for periods beginning after December 15, 2015.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The provisions of this statement are effective for periods beginning after December 15, 2015.

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)

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 \$37,910,094 difference are as follows:

Bonds payable	\$ 17,405,000
Capital leases payable	39,348
Accrued interest payable	133,819
Accrued compensated absences	2,163,632
Other postemployment benefits	3,496,370
Net pension liability	<u>14,671,925</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ 37,910,094</u></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 \$1,055,622 difference are as follows:

Capital outlay	\$ 5,698,832
Depreciation expense	<u>(6,754,454)</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>\$ (1,055,622)</u>

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 \$624,348 difference are as follows:

Debt issued or incurred:	
Issuance of general obligations bonds	\$ (2,300,000)
Principal repayments:	
General obligation debt	2,885,000
Capital leases	<u>39,348</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 624,348</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 “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 \$467,130 difference are as follows:

Accrued interest	\$ 488
Compensated absences	(64,685)
Other postemployment benefits	(346,712)
Pension contributions	878,039
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	
	\$ 467,130

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.

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

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

(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 overexpenditures 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.

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, 2015 is as follows:

	General Fund
Expenditures and other financing sources and uses and encumbrances (Basis of budgeting)	\$ 17,696,919
Add 2014 encumbrances	10,917
Less 2015 encumbrances	(54,523)
Less 2014 encumbrances relieved	(10,917)
Expenditures and other financing sources and uses (GAAP Basis)	\$ 17,642,396

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, 2015, the City's carrying amount of deposits was \$2,725,257 and the bank balance was \$2,831,758. Of the bank balance, \$257,913 was covered by Federal depository insurance and \$2,573,845 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, 2015, the Library's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2015, the City had the following investments:

	Maturities	Fair Value
Repurchase agreements	1 – 89 days	\$ 12,300,000
State investment pool	1 – 89 days	3
Total investments		\$ 12,300,003

The investment in the state investment pool is in an external investment pool. 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. The City's investments in the state investment pool were rated AA Af/S1+ by Standard & Poor's.

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.

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, 2015 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 2,695,054	\$ 886,972	\$ (886,972)	\$ 2,695,054
Construction in progress	4,875,021	2,797,288	(3,336,305)	4,336,004
Total capital assets, not being depreciated	<u>7,570,075</u>	<u>3,684,260</u>	<u>(4,223,277)</u>	<u>7,031,058</u>
Capital assets, being depreciated				
Buildings	31,741,165	573,533	(37,342)	32,277,356
Improvements other than buildings	15,483,286	142,263	(155,056)	15,470,493
Machinery and equipment	12,228,545	511,777	(145,948)	12,594,374
Infrastructure	82,689,691	4,167,197	-	86,856,888
Total capital assets, being depreciated	<u>142,142,687</u>	<u>5,394,770</u>	<u>(338,346)</u>	<u>147,199,111</u>
Less accumulated depreciation for:				
Buildings	20,123,668	1,674,696	(6,524)	21,791,840
Improvements other than buildings	7,828,931	569,720	-	8,398,651
Machinery and equipment	8,110,431	868,801	(145,947)	8,833,285
Infrastructure	53,882,316	3,641,237	-	57,523,553
Total accumulated depreciation	<u>89,945,346</u>	<u>6,754,454</u>	<u>(152,471)</u>	<u>96,547,329</u>
Total capital assets, being depreciated, net	<u>52,197,341</u>	<u>(1,359,684)</u>	<u>(185,875)</u>	<u>50,651,782</u>
Governmental activities capital assets, net	<u>\$ 59,767,416</u>	<u>\$ 2,324,576</u>	<u>\$ (4,409,152)</u>	<u>\$ 57,682,840</u>

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	12,324,962	48,085	-	12,373,047
Machinery and equipment	3,226,603	199,383	(116,400)	3,309,586
Total capital assets, being depreciated	32,612,929	247,468	(116,400)	32,743,997
Less accumulated depreciation for:				
Buildings	9,618,154	826,126	-	10,444,280
Improvements other than buildings	4,735,237	433,344	-	5,168,581
Machinery and equipment	2,611,955	141,856	(116,400)	2,637,411
Total accumulated depreciation	16,965,346	1,401,326	(116,400)	18,250,272
Total capital assets, being depreciated, net	15,647,583	(1,153,858)	-	14,493,725
Business-type activities capital assets, net	\$ 15,706,217	\$ (1,153,858)	\$ -	\$ 14,552,359

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	\$ 109,523
Public safety	808,847
Public works	475,086
Culture and recreation	895,040
Housing and urban redevelopment	830,397
Unallocated depreciation expense (depreciation of infrastructure assets)	3,635,561
Total depreciation expense – governmental activities	\$ 6,754,454

Business-type activities:

Sewer	\$ 1,307,893
Refuse	93,433
Total depreciation expense – business-type activities	\$ 1,401,326

Construction commitments

The City has active construction projects as of December 31, 2015. 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	\$ 873,818	\$ 295,853
Building improvements	907,839	1,198,320
Park improvements	-	4,999
Stormwater improvements	75,557	176,163
Sewer improvements	3,480	131,013
Total	\$ 1,860,694	\$ 1,806,348

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 Balance
Capital assets, being depreciated				
Machinery and equipment	\$ 2,110,480	\$ 112,455	\$ (92,972)	\$ 2,129,963
Total capital assets, being depreciated	2,110,480	112,455	(92,972)	2,129,963
Less accumulated depreciation for:				
Machinery and equipment	1,404,100	136,946	(92,899)	1,448,147
Library capital assets, net	\$ 706,380	\$ (24,491)	\$ (73)	\$ 681,816

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2015, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 45,125

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, 2015, are as follows:

Interfund transfers:

Fund	Transfers In	Transfers Out
Major funds		
General Fund	\$ 78,635	\$ 412,021
Debt Service Fund	927,887	-
Capital Projects Fund	3,480,827	1,341,789
Sewer	-	70,185
Nonmajor governmental funds	1,624,663	4,288,017
Total transfers	<u>\$ 6,112,012</u>	<u>\$ 6,112,012</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.

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

4. Detailed notes on all funds (continued)

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 \$2,300,000 were issued for governmental activities to provide permanent financing for general infrastructure improvements.

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2015
Governmental activities				
Traffic & Internal Improvements	2006A	3.95% - 4.00%	09/01/16	\$ 160,000
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	1,335,000
Internal Improvements - Taxable	2010B	4.20% - 4.40%	09/01/16	140,000
Traffic & Internal Improvements	2011A	1.75% - 3.45%	09/01/26	3,045,000
GO Refunding	2011B	1.00% - 2.60%	09/01/22	2,455,000
GO Refunding & Internal	2012B	1.10% - 2.30%	09/01/22	1,865,000
GO Refunding & Internal	2013A	0.65% - 2.40%	09/01/25	3,565,000
GO Refunding & Internal	2014A	2.00% - 2.50%	09/01/24	2,095,000
Computer Hardware & Software	2014B	2.25% - 3.00%	09/01/24	445,000
Internal Improvements	2015A	1.50% - 2.75%	09/01/25	1,700,000
Internal Improvements - Taxable	2015B	1.85% - 3.15%	09/01/25	600,000
				<u>17,405,000</u>
Business-type activities				
GO Refunding	2011B	1.00% - 2.60%	09/01/18	435,000
Sewer System Improvements	2012A	2.00% - 2.75%	09/01/32	3,680,000
GO Refunding & Sewer	2012B	1.10% - 2.30%	09/01/25	1,560,000
GO Refunding & Sewer	2014A	2.00% - 2.50%	09/01/23	2,375,000
				<u>8,050,000</u>
Total				<u>\$ 25,455,000</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			
2016	\$ 2,720,000	\$ 360,341	\$ 3,080,341
2017	2,390,000	307,023	2,697,023
2018	2,250,000	268,442	2,518,442
2019	2,095,000	228,025	2,323,025
2020	1,915,000	185,245	2,100,245
2021 – 2025	5,820,000	418,690	6,238,690
2026 – 2030	215,000	7,418	222,418
	17,405,000	1,775,184	19,180,184
Business-type activities			
2016	745,000	164,442	909,442
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 – 2025	2,810,000	371,318	3,181,318
2026 – 2030	1,180,000	156,176	1,336,176
2031 – 2035	520,000	21,269	541,269
	8,050,000	1,241,981	9,291,981
Total	\$ 25,455,000	\$ 3,017,165	\$ 28,472,165

At December 31, 2015, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is \$68,350,691 which, after reduction of outstanding debt of \$11,004,905, provides a debt margin of \$57,345,786. General obligation bonds of \$16,860,095 for trafficway, 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. As of December 31, 2015 there is one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$1,750,221.

E. Capital leases

The City has entered into a lease agreement as lessee for financing of a telephone system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum payments as of the inception date.

Assets acquired as capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 194,424
Less: Accumulated depreciation	(77,769)
Total	\$ 116,655

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

4. Detailed notes on all funds (continued)

E. Capital leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

	Governmental Activities
Year Ending December 31:	
2016	\$ 39,348
Total minimum lease payments	39,348
Less: amount representing interest	-
Present value of minimum lease payments	\$ 39,348

Amortization on assets acquired through capital leases is included in depreciation expense.

F. 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 \$1,750,000 were issued for governmental activities to provide temporary financing for general capital improvements.

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, 2015:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2015
Governmental activities				
Internal Improvements	2014A	1.00%	07/01/17	\$ 660,000
Internal Improvements	2015A	1.20%	01/01/17	1,750,000
Total				\$ 2,410,000

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

4. Detailed notes on all funds (continued)

F. Bond anticipation notes (continued)

Short-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	\$ 3,200,000	\$ 1,750,000	\$ 2,540,000	\$ 2,410,000

G. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 17,990,000	\$ 2,300,000	\$ 2,885,000	\$ 17,405,000	\$ 2,720,000
Capital leases	78,696	-	39,348	39,348	39,348
Net pension liability	13,733,239	938,686	-	14,671,925	-
Compensated absences	2,098,947	1,399,737	1,335,052	2,163,632	152,334
Other postemployment benefits	3,149,658	346,712	-	3,496,370	-
Total	\$ 37,050,540	\$ 4,985,135	\$ 4,259,400	\$ 37,776,275	\$ 2,911,682
Business-type activities					
General obligation bonds	\$ 8,780,000	\$ -	\$ 730,000	\$ 8,050,000	\$ 745,000
Compensated absences	77,168	183,548	88,081	172,635	11,094
Net pension liability	781,199	81,142	-	862,341	-
Other postemployment benefits	132,859	12,165	-	145,024	-
Accrued landfill closure postclosure care costs	300,796	-	8,953	291,843	15,000
Total	\$ 10,072,022	\$ 276,855	\$ 827,034	\$ 9,521,843	\$ 771,094
Discretely presented component unit					
Net pension liability	\$ 383,300	\$ 15,012	\$ -	\$ 398,312	\$ -

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

4. Detailed notes on all funds (continued)

G. Changes in long-term liabilities (continued)

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

H. 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, 2015, fund balances for governmental funds are made up of the following:

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.

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

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

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.

Fund balances for all the major and nonmajor governmental funds as of December 31, 2015 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital improvements	\$ -	\$ -	\$ -	\$ 2,526,171	\$ 2,526,171
Tax increment financing	-	-	-	287,830	287,830
Street maintenance	-	-	-	945	945
Law enforcement	-	-	-	150,246	150,246
Tourism & conventions	-	-	-	111,494	111,494
Recreation programs	-	-	-	59,080	59,080
Housing services	-	-	-	898,830	898,830
Community redevelopment	-	-	-	43,242	43,242
General obligation debt	-	306,415	-	-	306,415
Subtotal	-	306,415	-	4,077,838	4,384,253
Committed to:					
Capital improvements	-	-	1,224,934	-	1,224,934
Park land acquisition	-	-	12,048	-	12,048
Economic development	-	-	198,741	-	198,741
Subtotal	-	-	1,435,723	-	1,435,723
Assigned to:					
Youth services	-	-	674	-	674
Training activities	-	-	17,440	-	17,440
Economic development	-	-	2,393	-	2,393
Purchases on order	54,523	-	-	-	54,523
Subtotal	54,523	-	20,507	-	75,030
Unassigned	5,566,724	-	-	-	5,566,724
Total fund balance	\$ 5,621,247	\$ 306,415	\$ 1,456,230	\$ 4,077,838	\$ 11,461,730

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

4. Detailed notes on all funds (continued)

H. 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, 2015, 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.

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

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)

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 benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

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

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

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)

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 the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. 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 1.0% of total payroll for the KPERS fiscal year ended June 30, 2015.

The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rate were 9.48% for KPERS and 21.36% for KP&F for the year ended December 31, 2015. Contributions to the Pension Plan from the City were \$ 546,531 for KPERS and \$ 1,226,311 for KP&F for the year ended December 31, 2015. Contributions from the Library for KPERS were \$ 52,587 for the year ended December 31, 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

At December 31, 2015, the City reported a liability of \$ 4,834,995 for KPERS and \$ 9,295,489 for KP&F and the Library reported a liability of \$ 398,312 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, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. Although KPERS administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer 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, 2015. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015, the City's proportion for KPERS was .368228%, which was an increase of .012362% from its proportion measured as of June 30, 2014. At June 30, 2015, the City's proportion for KP&F was 1.280163%, which was an increase of .009008% from its proportion measured as of June 30, 2014. At June 30, 2015, the Library's proportion for KPERS was .030335%, which was a decrease of .001312% from its proportion measured as of June 30, 2014.

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, 2015, the City recognized pension expense of \$ 339,892 for KPERS and \$ 908,723 for KP&F, and the Library recognized pension expense of \$ 22,865 for KPERS. At December 31, 2015, the City and the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84,826	\$ 292,465
Net difference between projected and actual earnings on pension plan investments	-	483,407
Changes in assumptions	-	160,527
Changes in proportionate share	295,250	49,432
City contributions subsequent to measurement date	842,520	-
Total	\$ 1,222,596	\$ 985,831

	Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 11,275
Net difference between projected and actual earnings on pension plan investments	-	15,505
Changes in assumptions	-	5,567
Changes in proportionate share	-	14,946
Library contributions subsequent to measurement date	29,179	-
Total	\$ 29,179	\$ 47,293

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 \$ 842,520 and \$ 29,179 for the City and the Library, respectively, reported as deferred outflows of resources related to pensions resulting from the City’s and Library’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>City</u>	<u>Library</u>
2016	\$ (310,644)	\$ (15,455)
2017	(310,644)	(15,455)
2018	(310,644)	(15,455)
2019	347,943	1,910
2020	(21,766)	(2,838)
	<u>\$ (605,755)</u>	<u>\$ (47,293)</u>

Actuarial assumptions. The total pension liability for KPERS in the December 31, 2014 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, 2014 valuation were based on the results of an actuarial experience study conducted for the 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 asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan’s target asset allocations as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	13%	0.80%
Yield driven	8%	4.20%
Real return	11%	1.70%
Real estate	11%	5.40%
Alternatives	8%	9.40%
Short-term investments	2%	(0.50%)
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 8.00%. 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	\$ 6,863,534	\$ 4,834,995	\$ 3,115,195
City's KP&F proportionate share of the collective net pension liability	13,498,675	9,295,489	5,745,234
Library's KPERS proportionate share of the collective net pension liability	565,425	398,312	256,633

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

Prior period adjustment. The implementation of GASB 68 resulted in a \$ 12,716,814 increase to the net pension liability, a \$ 1,107,687 increase to deferred outflows, a \$ 2,784,727 increase to deferred inflows and a \$ 14,393,854 decrease to net position for the City as of January 1, 2015.

The implementation of GASB 68 resulted in a \$ 383,300 increase to the net pension liability and a \$ 383,300 decrease to net position for the Library as of January 1, 2015.

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 affiliated with the Kansas Police & 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, 2015, 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 contributions 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, 2015 was \$ 158,690.

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.

Method 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 and repurchase agreements. 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 the year ended December 31, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015.

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

5. Other information (continued)

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions:

Inflation	3.00%
Salary increases	0.00%
Investment rate of return	3.00%, 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.

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, 2015 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
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)

Change in the net pension liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2014	\$ 2,512,274	\$ 714,650	\$ 1,797,624
Changes for the year:			
Service cost	-	-	-
Interest	73,102	-	73,102
Differences between expected and actual experience	(305,853)	-	(305,853)
Contributions-employer	-	160,245	(160,245)
Net investment income	-	846	(846)
Benefit payments, including refunds	(151,091)	(151,091)	-
Net changes	(383,842)	10,000	(393,842)
Balance at December 31, 2015	\$ 2,128,432	\$ 724,650	1,403,782

Plan fiduciary net position as a percentage of the total pension liability is 34.05%.

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 (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
Net pension liability	\$ 1,626,757	\$ 1,403,782	\$ 1,213,345

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, 2015, the City recognized pension expense of \$ 5,187. At December 31, 2015, the City reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 16,585

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,	
2016	\$ 4,146
2017	4,146
2018	4,146
2019	4,147
	\$ 16,585

Prior period adjustment

The implementation of GASB 68 resulted in a \$ 1,797,624 increase to the net pension liability, a \$ 182,103 decrease in the net pension obligation (pre-GASB 68) and a \$ 1,615,521 decrease to net position as of January 1, 2015.

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 2015, the City made contributions of \$167,091 to the plan. Plan members receiving benefits contributed \$205,839.

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

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.

Annual required contribution (ARC)	\$	532,259
Interest on net OPEB obligation		106,682
Adjustment to ARC		(112,973)
Annual OPEB cost		525,968
Contributions made		(167,091)
Increase in net OPEB obligation		358,877
Net OPEB obligation at beginning of year		3,282,517
Net OPEB obligation at end of year	\$	3,641,394

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013, 2014 and 2015 are as follows:

Fiscal Year Ending December 31	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$ 547,407	6.3%	\$ 2,937,274
2014	498,536	30.7	3,282,517
2015	525,968	31.8	3,641,394

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

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,435,582. 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 \$5,435,582. The covered payroll (annual payroll of active employees covered by the plan) was \$12,210,149, and the ratio of the UAAL to the covered payroll was 44.5%.

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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial methods and assumptions used includes a 3.25 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 28 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 \$291,843 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2015 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 2015. 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, 2015.

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, 2015, the City's recorded encumbrances in governmental funds were as follows:

General Fund	\$ 54,523
Capital Projects Fund	1,845,090
Other nonmajor governmental funds	
Recreation Fund	5,540
Convention & Visitors Bureau Fund	4,650
Community Development	325
Total	<u>\$ 1,910,128</u>

G. Subsequent events

Subsequent to year end, the City issued \$5,700,000 in General Obligation Refunding and Improvement Bonds, Series 2016A. With these proceeds the City will redeem a portion of the City's Series A2015 Temporary Notes and refund a portion of the City's General Obligation Bonds, Series 2011A. The balance will be used to provide permanent financing for certain Firefighting Trucks, Apparatus and Equipment.

The City is also issuing \$1,625,000 in temporary notes Series A2016. These proceeds will be used to finance the 2016 Asphalt Overlay project.

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 Two Fiscal Years¹

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

¹ GASB 68 requires presentation of 10 years. As of December 31, 2015, only two years of information is available.

City of Leavenworth, Kansas

Schedule of City's Contributions
 Kansas Public Employees Retirement System
 Last Nine Fiscal Years¹

	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 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	(1,785,936)	(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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 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	15.41%	14.87%	13.04%	12.46%	11.36%	10.18%	10.18%	10.07%	9.38%

¹ GASB 68 requires presentation of 10 years. As of December 31, 2015, only nine years of information is available.

City of Leavenworth, Kansas

Schedule of the Library's Proportionate Share of the Collective Net Pension Liability
Kansas Public Employees Retirement System
Last Fiscal Year¹

	<u>2015</u>
Library's proportion of the collective net pension liability	0.030335%
Library's proportionate share of the collective net pension liability	\$ 398,312
Library's covered-employee payroll	\$ 522,469
Library's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	76.24%
Plan fiduciary net position as a percentage of the total pension liability	64.95%

¹ GASB 68 requires presentation of 10 years. As of December 31, 2015, only one year of information is available.

City of Leavenworth, Kansas
 Schedule of Library's Contributions
 Kansas Public Employees Retirement System
 Last Fiscal Year¹

	2015
Contractually required contribution	\$ 52,587
Contributions in relation to the contractually required contribution	(52,587)
Contribution deficiency (excess)	\$ -
Library's covered-employee payroll	\$ 554,714
Contributions as a percentage of covered-employee payroll	9.480%

¹ GASB 68 requires presentation of 10 years. As of December 31, 2015, only one year of information is available.

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

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

¹ GASB 67 requires presentation of ten years. As of December 31, 2015, only two years of information is available.

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

	<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>	<u>2006</u>
Actuarially determined contribution	\$ 117,310	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 140,458	\$ 140,458	\$ 143,349	\$ 143,349
Actual contributions	160,245	159,716	188,189	180,610	155,067	179,560	153,683	173,065	170,238	176,428
Contribution deficiency (excess)	\$ (42,935)	\$ (6,061)	\$ (34,534)	\$ (26,955)	\$ (1,412)	\$ (25,905)	\$ (13,225)	\$ (32,607)	\$ (26,889)	\$ (33,079)
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, 2015.

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 Two Fiscal Years¹

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

¹ GASB 67 requires presentation of 10 years. As of December 31, 2015, only two years of information is available.

City of Leavenworth, Kansas
 Schedule of Funding Progress
 Other Postemployment Benefits
 December 31, 2015

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
12/31/10	-	\$ 5,042,523	\$ 5,042,523	0.00 %	\$ 12,505,945	40.3 %
12/31/12	-	5,354,507	5,354,507	0.00	12,127,580	44.2
12/31/14	-	5,435,582	5,435,582	0.00	12,210,149	44.5

**Combining and Individual Fund
Statements and Schedules**

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2015

Special Revenue Funds

Fund Descriptions

Recreation Fund

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

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.

Tax Increment Fund – Home Depot

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

(continued)

City of Leavenworth, Kansas

Nonmajor Governmental Funds
(Continued)

Fund Descriptions (continued)

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.

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City of Leavenworth, Kansas

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2015

	Recreation	Special Fuel
ASSETS		
Cash and cash equivalents	\$ 73,310	\$ 29,786
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	477,620	-
Sales tax receivable	-	-
Due from other governments	-	-
Accounts receivable	-	-
Total assets	<u>\$ 550,930</u>	<u>\$ 29,786</u>
LIABILITIES		
Accounts payable	\$ 18,589	\$ 3,841
Accrued compensation	25,124	25,000
Due to other funds	-	-
Tenant deposits	-	-
Total liabilities	<u>43,713</u>	<u>28,841</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	477,620	-
FUND BALANCES		
Restricted	<u>29,597</u>	<u>945</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 550,930</u>	<u>\$ 29,786</u>

Special Revenue

CIP Sales Tax	Countywide Sales Tax	Tax Increment Zeck	Tax Increment Hotels	Tax Increment Home Depot
\$ 853,865	\$ 911,904	\$ 43,833	\$ 36,612	\$ 84,599
-	-	-	-	-
-	-	-	-	-
340,113	420,289	84,405	-	38,381
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,193,978</u>	<u>\$ 1,332,193</u>	<u>\$ 128,238</u>	<u>\$ 36,612</u>	<u>\$ 122,980</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,193,978	1,332,193	128,238	36,612	122,980
<u>\$ 1,193,978</u>	<u>\$ 1,332,193</u>	<u>\$ 128,238</u>	<u>\$ 36,612</u>	<u>\$ 122,980</u>

(continued)

City of Leavenworth, Kansas

Combining Balance Sheet
(Continued)

Nonmajor Governmental Funds

December 31, 2015

	Convention & Visitors Bureau	Police Seizure
ASSETS		
Cash and cash equivalents	\$ 117,401	\$ 147,521
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	-	-
Sales tax receivable	-	-
Due from other governments	-	-
Accounts receivable	403	-
Total assets	<u>\$ 117,804</u>	<u>\$ 147,521</u>
LIABILITIES		
Accounts payable	\$ 2,319	\$ -
Accrued compensation	3,991	-
Due to other funds	-	-
Tenant deposits	-	-
Total liabilities	<u>6,310</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	-	-
FUND BALANCES		
Restricted	<u>111,494</u>	<u>147,521</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 117,804</u>	<u>\$ 147,521</u>

Special Revenue

Police Grants	Housing	Community Development	Special Park Gift	Total Nonmajor Governmental Funds
\$ -	\$ 927,859	\$ 46,355	\$ 29,560	\$ 3,302,605
-	30,303	-	-	30,303
-	-	-	-	477,620
-	-	-	-	883,188
10,856	-	54,308	-	65,164
3,615	-	-	-	4,018
<u>\$ 14,471</u>	<u>\$ 958,162</u>	<u>\$ 100,663</u>	<u>\$ 29,560</u>	<u>\$ 4,762,898</u>
\$ -	\$ 19,274	\$ 18,656	\$ 77	\$ 62,756
2,836	9,755	2,550	-	69,256
8,910	-	36,215	-	45,125
-	30,303	-	-	30,303
<u>11,746</u>	<u>59,332</u>	<u>57,421</u>	<u>77</u>	<u>207,440</u>
-	-	-	-	477,620
2,725	898,830	43,242	29,483	4,077,838
<u>\$ 14,471</u>	<u>\$ 958,162</u>	<u>\$ 100,663</u>	<u>\$ 29,560</u>	<u>\$ 4,762,898</u>

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2015

	Recreation	Special Fuel
REVENUES		
Taxes	\$ 543,156	\$ -
Intergovernmental	56,441	1,053,132
Charges for services	568,047	-
Fines and forfeitures	-	-
Investment earnings	-	-
Miscellaneous	18,033	13,844
Total revenues	<u>1,185,677</u>	<u>1,066,976</u>
EXPENDITURES		
Current:		
General government	-	-
Public safety	-	-
Public works	-	1,078,031
Culture and recreation	1,550,144	-
Housing and urban redevelopment	-	-
Debt service		
Interest and fiscal charges	-	-
Capital outlay	-	-
Total expenditures	<u>1,550,144</u>	<u>1,078,031</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(364,467)</u>	<u>(11,055)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	392,626	12,000
Transfers out	-	-
Total - other financing sources (uses)	<u>392,626</u>	<u>12,000</u>
Net change in fund balances	28,159	945
Fund balances - beginning	1,438	-
Fund balances - ending	<u>\$ 29,597</u>	<u>\$ 945</u>

Special Revenue

CIP Sales Tax	Countywide Sales Tax	Tax Increment Zeck	Tax Increment Hotels	Tax Increment Home Depot
\$ 2,063,806	\$ 2,552,799	\$ 241,746	\$ 36,612	\$ 242,685
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	167
2,475	-	-	-	-
<u>2,066,281</u>	<u>2,552,799</u>	<u>241,746</u>	<u>36,612</u>	<u>242,852</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	113,508	-	-
-	-	-	-	236,096
-	-	-	-	-
-	-	<u>113,508</u>	-	<u>236,096</u>
<u>2,066,281</u>	<u>2,552,799</u>	<u>128,238</u>	<u>36,612</u>	<u>6,756</u>
1,202,562	8,780	-	-	-
(2,074,865)	(2,207,912)	-	-	-
<u>(872,303)</u>	<u>(2,199,132)</u>	-	-	-
1,193,978	353,667	128,238	36,612	6,756
-	978,526	-	-	116,224
<u>\$ 1,193,978</u>	<u>\$ 1,332,193</u>	<u>\$ 128,238</u>	<u>\$ 36,612</u>	<u>\$ 122,980</u>

City of Leavenworth, Kansas

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

Nonmajor Governmental Funds

For the Year Ended December 31, 2015

	Convention & Visitors Bureau	Police Seizure
REVENUES		
Taxes	\$ 208,516	\$ -
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	8,951
Investment earnings	-	167
Miscellaneous	4,910	56
Total revenues	<u>213,426</u>	<u>9,174</u>
EXPENDITURES		
Current:		
General government	165,632	-
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
Housing and urban redevelopment	-	-
Debt service		
Interest and fiscal charges	-	-
Capital outlay	-	8,458
Total expenditures	<u>165,632</u>	<u>8,458</u>
Excess (deficiency) of revenues over (under) expenditures	<u>47,794</u>	<u>716</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total - other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	47,794	716
Fund balances - beginning	<u>63,700</u>	<u>146,805</u>
Fund balances - ending	<u>\$ 111,494</u>	<u>\$ 147,521</u>

Special Revenue

Police Grants		Housing	Community Development		Special Park Gift	Total Nonmajor Governmental Funds
\$	-	\$	-	\$	-	\$ 5,889,320
	58,214		1,791,381		421,506	3,380,674
	13,633		458,673		11,432	1,053,635
	-		-		1,850	8,951
	-		109		-	443
	-		11,992		12,403	175,476
	71,847		2,262,155		14,253	10,508,499
	-		-		-	165,632
	80,543		-		-	80,543
	-		-		-	1,078,031
	-		-		6,692	1,556,836
	-		2,197,001		-	2,805,466
	-		-		-	236,096
	-		-		45,591	54,049
	80,543		2,197,001		540,548	5,976,653
	(8,696)		65,154		4,153	4,531,846
	8,695		-		-	1,624,663
	-		-		(5,240)	(4,288,017)
	8,695		-		(5,240)	(2,663,354)
	(1)		65,154		4,153	1,868,492
	2,726		833,676		39,089	2,209,346
\$	2,725	\$	898,830	\$	43,242	\$ 29,483
						\$ 4,077,838

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,902,520	\$ 1,902,520	\$ 1,918,323	\$ 15,803
Miscellaneous	-	13,045	43,788	30,743
Total revenues	<u>1,902,520</u>	<u>1,915,565</u>	<u>1,962,111</u>	<u>46,546</u>
EXPENDITURES				
Debt service:				
Principal retirement	2,840,000	2,885,000	2,885,000	-
Interest and fiscal charges	313,165	376,000	375,903	97
Total expenditures	<u>3,153,165</u>	<u>3,261,000</u>	<u>3,260,903</u>	<u>97</u>
Excess (deficiency) of revenues over (under) expenditures	(1,250,645)	(1,345,435)	(1,298,792)	46,643
OTHER FINANCING SOURCES				
Transfers in	<u>978,675</u>	<u>1,073,465</u>	<u>927,887</u>	<u>(145,578)</u>
Net change in fund balances	(271,970)	(271,970)	(370,905)	(98,935)
Fund balances - beginning	<u>271,970</u>	<u>271,970</u>	<u>677,320</u>	<u>405,350</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 306,415</u>	<u>\$ 306,415</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 539,424	\$ 539,424	\$ 543,156	\$ 3,732
Intergovernmental	56,000	56,000	56,441	441
Charges for services	582,800	582,800	568,047	(14,753)
Miscellaneous	2,500	2,500	18,033	15,533
Total revenues	<u>1,180,724</u>	<u>1,180,724</u>	<u>1,185,677</u>	<u>4,953</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>1,497,100</u>	<u>1,575,000</u>	<u>1,555,684</u>	<u>19,316</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(316,376)</u>	<u>(394,276)</u>	<u>(370,007)</u>	<u>24,269</u>
OTHER FINANCING SOURCES				
Transfers in	<u>300,000</u>	<u>377,900</u>	<u>392,626</u>	<u>14,726</u>
Net change in fund balances	(16,376)	(16,376)	22,619	38,995
Fund balances - beginning	16,376	16,376	(5,272)	(21,648)
Prior year encumbrances relieved	<u>-</u>	<u>-</u>	<u>6,710</u>	<u>6,710</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,057</u>	<u>\$ 24,057</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,010,000	\$ 1,010,000	\$ 1,053,132	\$ 43,132
Miscellaneous	1,000	1,000	13,844	12,844
Total revenues	<u>1,011,000</u>	<u>1,011,000</u>	<u>1,066,976</u>	<u>55,976</u>
EXPENDITURES				
Current:				
Public works	<u>1,213,345</u>	<u>1,213,345</u>	<u>1,078,031</u>	<u>135,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(202,345)</u>	<u>(202,345)</u>	<u>(11,055)</u>	<u>191,290</u>
OTHER FINANCING SOURCES				
Transfers in	<u>199,480</u>	<u>199,480</u>	<u>12,000</u>	<u>(187,480)</u>
Net change in fund balances	(2,865)	(2,865)	945	3,810
Fund balances - beginning	2,865	2,865	(17,214)	(20,079)
Prior year encumbrances relieved	<u>-</u>	<u>-</u>	<u>17,214</u>	<u>17,214</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 945</u>	<u>\$ 945</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Sales tax	\$ -	\$ 2,075,000	\$ 2,063,806	\$ (11,194)
Miscellaneous	-	-	2,475	2,475
Total revenues	-	2,075,000	2,066,281	(8,719)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,202,562	1,202,562
Transfers out	-	(2,075,000)	(2,074,865)	135
Total - other financing sources (uses)	-	(2,075,000)	(872,303)	1,202,697
Net change in fund balances	-	-	1,193,978	1,193,978
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 1,193,978	\$ 1,193,978

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,719,000	\$ 2,719,000	\$ 2,552,799	\$ (166,201)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	8,780	8,780
Transfers out	(2,809,665)	(2,809,665)	(2,207,912)	601,753
	<u>(2,809,665)</u>	<u>(2,809,665)</u>	<u>(2,199,132)</u>	<u>610,533</u>
Net change in fund balances	(90,665)	(90,665)	353,667	444,332
Fund balances - beginning	<u>540,665</u>	<u>540,665</u>	<u>978,526</u>	<u>437,861</u>
Fund balances - ending	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ 1,332,193</u>	<u>\$ 882,193</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tax increment taxes	\$ -	\$ 235,000	\$ 241,746	\$ 6,746
EXPENDITURES				
Current:				
General government	-	235,000	113,508	121,492
Excess (deficiency) of revenues over (under) expenditures	-	-	128,238	128,238
Net change in fund balances	-	-	128,238	128,238
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 128,238	\$ 128,238

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tax increment taxes	\$ 50,547	\$ 50,457	\$ 36,612	\$ (13,845)
Fund balances - beginning	-	-	-	-
Fund balances - ending	<u>\$ 50,547</u>	<u>\$ 50,457</u>	<u>\$ 36,612</u>	<u>\$ (13,845)</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tax increment taxes	\$ 207,000	\$ 207,000	\$ 242,685	\$ 35,685
Investment earnings	100	100	167	67
Total revenues	<u>207,100</u>	<u>207,100</u>	<u>242,852</u>	<u>35,752</u>
EXPENDITURES				
Current:				
General government	<u>238,100</u>	<u>238,100</u>	<u>236,096</u>	<u>2,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(31,000)</u>	<u>(31,000)</u>	<u>6,756</u>	<u>37,756</u>
Net change in fund balances	(31,000)	(31,000)	6,756	37,756
Fund balances - beginning	<u>81,030</u>	<u>81,030</u>	<u>116,224</u>	<u>35,194</u>
Fund balances - ending	<u>\$ 50,030</u>	<u>\$ 50,030</u>	<u>\$ 122,980</u>	<u>\$ 72,950</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Transient guest tax	\$ 180,000	\$ 180,000	\$ 208,516	\$ 28,516
Miscellaneous	-	-	4,910	4,910
Total revenues	<u>180,000</u>	<u>180,000</u>	<u>213,426</u>	<u>33,426</u>
EXPENDITURES				
Current:				
General government	<u>178,755</u>	<u>178,755</u>	<u>170,282</u>	<u>8,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,245</u>	<u>1,245</u>	<u>43,144</u>	<u>41,899</u>
Net change in fund balances	1,245	1,245	43,144	41,899
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>63,700</u>	<u>63,700</u>
Fund balances - ending	<u>\$ 1,245</u>	<u>\$ 1,245</u>	<u>\$ 106,844</u>	<u>\$ 105,599</u>

City of Leavenworth, Kansas

Agency Funds

December 31, 2015

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, 2015

	Balance January 1, 2015	Additions	Deductions	Balance December 31, 2015
Library				
Assets:				
Property tax receivable	\$ 890,945	\$ 903,276	\$ 890,945	\$ 903,276
Liabilities				
Amounts due other parties	\$ 890,945	\$ 903,276	\$ 890,945	\$ 903,276
 Total - All Agency Funds				
Assets:				
Property tax receivable	\$ 890,945	\$ 903,276	\$ 890,945	\$ 903,276
Liabilities				
Amounts due other parties	\$ 890,945	\$ 903,276	\$ 890,945	\$ 903,276

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>	113-124
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	125-130
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>	131-136
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>	137-138
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>	139-144

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 Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities			
Net investment in capital assets	\$35,022,203	\$37,580,320	\$39,962,474
Restricted	-	-	-
Unrestricted	6,435,580	8,938,162	9,221,149
Total governmental activities net position	<u>\$41,457,783</u>	<u>\$46,518,482</u>	<u>\$49,183,623</u>
Business-type activities			
Net investment in capital assets	\$ 7,487,307	\$ 8,348,830	\$ 8,563,422
Unrestricted	1,398,413	2,130,300	2,049,738
Total business-type activities net position	<u>\$ 8,885,720</u>	<u>\$10,479,130</u>	<u>\$10,613,160</u>
Primary government			
Net investment in capital assets	\$42,509,510	\$45,929,150	\$48,525,896
Restricted	-	-	-
Unrestricted	7,833,993	11,068,462	11,270,887
Total primary government net position	<u>\$50,343,503</u>	<u>\$56,997,612</u>	<u>\$59,796,783</u>

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
\$43,256,157	\$42,320,043	\$40,913,632	\$40,411,904	\$40,049,777	\$39,488,841	\$38,894,256
-	-	3,527,423	3,078,003	2,322,020	2,976,464	4,318,029
6,765,799	6,953,098	2,864,839	2,411,409	2,252,510	3,668,214	(11,465,656)
<u>\$50,021,956</u>	<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>
\$ 8,127,188	\$ 7,974,877	\$ 8,272,844	\$ 7,631,457	\$ 7,518,337	\$ 6,926,217	\$ 6,502,359
2,611,536	2,384,532	1,686,816	2,082,114	1,667,400	1,858,926	1,185,510
<u>\$10,738,724</u>	<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>
\$51,383,345	\$50,294,920	\$49,186,476	\$48,043,361	\$47,568,114	\$46,415,058	\$45,396,615
-	-	3,527,423	3,078,003	2,322,020	2,976,464	4,318,029
9,377,335	9,337,630	4,551,655	4,493,523	3,919,910	5,527,140	(10,280,146)
<u>\$60,760,680</u>	<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>

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

	2006	2007	2008
Expenses			
Governmental activities:			
General government	\$ 2,943,306	\$ 3,175,737	\$ 3,321,308
Public safety	10,913,892	10,601,555	11,469,502
Public works	3,900,142	3,913,371	4,162,190
Culture and recreation	2,512,337	2,577,644	2,616,612
Housing and urban redevelopment	2,356,794	2,403,603	3,245,216
Unallocated depreciation expense	2,740,749	3,109,795	3,159,401
Interest on long-term debt	1,029,015	954,888	1,033,025
Total governmental activities expenses	<u>26,396,235</u>	<u>26,736,593</u>	<u>29,007,254</u>
Business-type activities:			
Sewer	3,080,666	2,969,198	3,506,033
Refuse	1,441,822	1,529,887	1,594,748
Total business-type activities expenses	<u>4,522,488</u>	<u>4,499,085</u>	<u>5,100,781</u>
Total primary government expenses	<u>\$ 30,918,723</u>	<u>\$ 31,235,678</u>	<u>\$ 34,108,035</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 1,766,943	\$ 1,600,425	\$ 1,974,587
Public safety	535,029	626,349	638,907
Public works	1,417,151	1,306,315	1,477,331
Culture and recreation	713,869	664,638	760,694
Housing and urban redevelopment	386,405	428,240	390,632
Operating grants and contributions	3,422,505	3,536,854	3,835,416
Capital grants and contributions (1)	308,930	4,059,674	2,954,685
Total governmental activities program revenues	<u>8,550,832</u>	<u>12,222,495</u>	<u>12,032,252</u>
Business-type activities:			
Charges for services:			
Sewer	3,255,250	3,338,972	3,347,631
Refuse	1,519,204	1,597,067	1,666,071
Operating grants and contributions	168,498	106,054	13,375
Capital grants and contributions	884,555	1,050,402	432,393
Total business-type activities program revenues	<u>5,827,507</u>	<u>6,092,495</u>	<u>5,459,470</u>
Total primary government program revenues	<u>\$ 14,378,339</u>	<u>\$ 18,314,990</u>	<u>\$ 17,491,722</u>
Net (expense)/revenue			
Governmental activities	\$ (17,845,403)	\$ (14,514,098)	\$ (16,975,002)
Business-type activities	<u>1,305,019</u>	<u>1,593,410</u>	<u>358,689</u>
Total primary government net expense	<u>\$ (16,540,384)</u>	<u>\$ (12,920,688)</u>	<u>\$ (16,616,313)</u>

Fiscal Year							
2009	2010	2011	2012	2013	2014	2015	
\$ 3,752,966	\$ 4,030,168	\$ 4,352,118	\$ 3,731,226	\$ 4,890,345	\$ 3,773,326	\$ 4,385,410	
11,631,240	11,843,745	12,008,431	11,882,932	11,642,136	12,227,523	11,467,939	
4,036,853	4,108,248	4,443,172	4,073,389	4,105,004	4,326,643	4,146,573	
2,985,096	3,242,768	3,238,794	3,226,421	3,173,151	3,286,242	3,282,317	
3,121,926	2,898,887	3,307,860	3,096,295	2,980,409	2,884,617	3,872,406	
3,418,630	3,383,422	3,593,817	3,506,457	3,613,024	3,652,203	3,635,561	
978,152	936,659	1,077,433	800,498	590,364	651,141	620,490	
29,924,863	30,443,897	32,021,625	30,317,218	30,994,433	30,801,695	31,410,696	
3,470,050	3,776,559	3,766,429	4,090,751	4,318,011	4,399,423	4,148,953	
1,636,297	1,671,076	1,710,490	1,484,989	1,805,972	1,920,283	1,931,036	
5,106,347	5,447,635	5,476,919	5,575,740	6,123,983	6,319,706	6,079,989	
\$ 35,031,210	\$ 35,891,532	\$ 37,498,544	\$ 35,892,958	\$ 37,118,416	\$ 37,121,401	\$ 37,490,685	
\$ 1,893,375	\$ 1,919,296	\$ 1,889,468	\$ 1,929,579	\$ 2,113,229	\$ 1,848,902	\$ 1,948,419	
634,969	634,801	726,273	702,342	687,666	676,940	588,486	
1,266,949	1,273,124	1,529,150	1,311,654	1,311,813	1,383,007	1,244,162	
791,542	910,377	735,381	644,688	575,244	638,330	670,945	
396,551	578,098	776,573	546,902	604,527	460,988	602,145	
4,134,068	3,301,500	3,621,432	3,116,968	3,517,217	3,296,130	3,459,665	
1,673,619	1,677,095	1,100,609	448,448	440,024	860,690	1,534,648	
10,791,073	10,294,291	10,378,886	8,700,581	9,249,720	9,164,987	10,048,470	
3,447,930	3,271,676	3,211,525	3,507,038	4,027,182	4,093,310	4,076,766	
1,783,981	1,796,644	1,835,014	1,822,613	1,827,391	1,825,802	1,882,466	
-	-	35,831	-	-	-	-	
-	-	-	-	-	-	-	
5,231,911	5,068,320	5,082,370	5,329,651	5,854,573	5,919,112	5,959,232	
\$ 16,022,984	\$ 15,362,611	\$ 15,461,256	\$ 14,030,232	\$ 15,104,293	\$ 15,084,099	\$ 16,007,702	
\$ (19,133,790)	\$ (20,149,606)	\$ (21,642,739)	\$ (21,616,637)	\$ (21,744,713)	\$ (21,636,708)	\$ (21,362,226)	
125,564	(379,315)	(394,549)	(246,089)	(269,410)	(400,594)	(120,757)	
\$ (19,008,226)	\$ (20,528,921)	\$ (22,037,288)	\$ (21,862,726)	\$ (22,014,123)	\$ (22,037,302)	\$ (21,482,983)	

(Continued)

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes	\$ 8,621,790	\$ 9,167,590	\$ 9,581,568
Franchise taxes	2,155,674	2,146,956	2,379,715
Sales taxes	5,586,237	5,469,786	5,629,107
Motor vehicle taxes	1,029,514	1,017,082	1,013,203
Other taxes	936,532	910,323	937,141
Intergovernmental revenue not restricted to specific programs	83,461	79,947	85,902
Gain on sale of land	-	-	-
Payments in lieu of property taxes	13,450	3,169	3,143
Investment earnings	654,574	779,944	491,027
Transfers	-	-	156,796
Total governmental activities	<u>19,081,232</u>	<u>19,574,797</u>	<u>20,277,602</u>
Business-type activities:			
Transfers	-	-	(156,796)
Total business-type activities	<u>-</u>	<u>-</u>	<u>(156,796)</u>
Total primary government	<u>\$ 19,081,232</u>	<u>\$ 19,574,797</u>	<u>\$ 20,120,806</u>
Change in Net Position			
Governmental activities	\$ 1,235,829	\$ 5,060,699	\$ 3,302,600
Business-type activities	1,305,019	1,593,410	201,893
Total primary government	<u>\$ 2,540,848</u>	<u>\$ 6,654,109</u>	<u>\$ 3,504,493</u>

(1) The increase in 2007 capital grants and contributions from the prior period was caused by the receipt of substantial grants from the State of Kansas and Leavenworth County for road improvements.

		Fiscal Year											
		2009	2010	2011	2012	2013	2014	2015					
\$	9,643,197	\$	9,337,269	\$	9,491,948	\$	9,487,704	\$	9,283,277	\$	9,259,644	\$	5,149,544
	2,395,005		2,502,959		2,565,587		2,540,990		2,736,877		2,861,614		2,676,007
	5,334,666		5,519,376		5,712,203		5,721,451		5,950,513		8,464,314		10,654,420
	1,000,334		1,016,050		922,183		917,453		1,113,514		1,014,989		1,074,498
	996,700		914,034		870,810		916,065		1,005,638		1,367,983		2,333,684
	87,643		88,794		87,420		88,957		98,073		98,434		98,849
	-		-		-		516,869		-		-		-
	-		-		-		-		-		-		-
	52,722		22,309		20,141		22,570		21,388		20,548		21,192
	-		-		5,200		-		258,424		-		70,185
	19,510,267		19,400,791		19,675,492		20,212,059		20,467,704		23,087,526		22,078,379
	-		-		(5,200)		-		(258,424)		-		(70,185)
	-		-		(5,200)		-		(258,424)		-		(70,185)
\$	19,510,267	\$	19,400,791	\$	19,670,292	\$	20,212,059	\$	20,209,280	\$	23,087,526	\$	22,008,194
\$	376,477	\$	(748,815)	\$	(1,967,247)	\$	(1,404,578)	\$	(1,277,009)	\$	1,450,818	\$	716,153
	125,564		(379,315)		(399,749)		(246,089)		(527,834)		(400,594)		(190,942)
\$	502,041	\$	(1,128,130)	\$	(2,366,996)	\$	(1,650,667)	\$	(1,804,843)	\$	1,050,224	\$	525,211

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund			
Reserved	\$ 27,319	\$ 65,534	\$ 12,774
Unreserved	3,397,067	3,705,627	4,484,097
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	<u>\$3,424,386</u>	<u>\$3,771,161</u>	<u>\$4,496,871</u>
All Other Governmental Funds			
Reserved	\$ 918,331	\$1,598,989	\$4,711,605
Unreserved, reported in:			
Special revenue funds	2,336,612	2,965,968	2,037,060
Capital projects funds (1)	133,179	3,575,315	(763,434)
Debt service funds	426,404	254,675	176,421
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>\$3,814,526</u>	<u>\$8,394,947</u>	<u>\$6,161,652</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.

2009	2010	2011	2012	2013	2014	2015
\$ 28,440	\$ 35,387	\$ -	\$ -	\$ -	\$ -	\$ -
4,427,681	3,695,914	-	-	-	-	-
-	-	6,666	5,208	3,457	-	-
-	-	387,057	357,962	366,560	2,390,081	-
-	-	2,816	9,049	12,156	10,917	54,523
-	-	2,632,344	2,640,634	2,970,612	2,935,340	5,566,724
\$4,456,121	\$3,731,301	\$3,028,883	\$3,012,853	\$3,352,785	\$5,336,338	\$5,621,247
\$1,257,599	\$2,006,141	\$ -	\$ -	\$ -	\$ -	\$ -
2,810,245	3,412,515	-	-	-	-	-
(2,594,109)	(3,117,025)	-	-	-	-	-
433,524	446,225	-	-	-	-	-
-	-	1,427,175	1,604,878	863,676	1,197,539	2,925,495
-	-	323,532	319,368	167,851	149,531	150,246
-	-	-	1,383	-	-	945
-	-	30,673	35,916	31,414	27,162	59,080
-	-	1,205,584	681,635	809,472	833,676	942,072
-	-	418,901	317,152	320,222	677,320	306,415
-	-	604,280	1,114,249	2,094,072	468,646	162,483
-	-	472,904	485,212	608,605	825,454	1,186,485
-	-	147,130	309,989	497,958	147,212	-
-	-	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)	-	-
\$1,907,259	\$2,747,856	\$4,806,216	\$5,071,540	\$5,557,093	\$4,437,933	\$5,840,483

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

	2006	2007	2008
Revenues			
Taxes	\$ 18,615,349	\$ 18,999,001	\$ 19,811,174
Intergovernmental	3,545,613	3,632,276	6,479,625
Licenses and permits	531,983	435,025	456,263
Charges for services	2,786,286	2,723,551	2,956,536
Fines and forfeitures	1,209,261	1,071,822	1,144,436
Investment earnings	724,375	830,294	515,785
Other revenues	214,767	315,380	820,871
Total revenues	<u>27,627,634</u>	<u>28,007,349</u>	<u>32,184,690</u>
Expenditures			
General government	2,883,680	3,121,850	3,310,150
Public safety	10,395,531	10,019,964	10,321,518
Public works	3,505,401	3,507,529	3,685,294
Culture and recreation	1,989,408	2,052,195	2,008,807
Housing and urban redevelopment	2,089,383	2,148,664	2,975,920
Capital outlay	2,702,015	2,189,180	8,012,788
Debt service			
Principal	4,406,747	2,380,000	4,091,314
Interest	1,077,340	956,018	973,280
Total expenditures	<u>29,049,505</u>	<u>26,375,400</u>	<u>35,379,071</u>
Excess of revenues over (under) expenditures	(1,421,871)	1,631,949	(3,194,381)
Other Financing Sources (Uses)			
Bonds issued	1,340,000	1,530,000	1,530,000
Refunding bonds issued	-	-	-
Bond anticipation notes issued	-	1,480,000	-
Capital leases	-	285,247	-
Sale of land	-	-	-
Payments to escrow agent	-	-	-
Transfers in	3,784,498	4,265,690	6,134,458
Transfers out	(3,784,498)	(4,265,690)	(5,977,662)
Total other financing sources (uses)	<u>1,340,000</u>	<u>3,295,247</u>	<u>1,686,796</u>
Net change in fund balances	<u>\$ (81,871)</u>	<u>\$ 4,927,196</u>	<u>\$ (1,507,585)</u>
Debt service as a percentage of noncapital expenditures	20.8%	13.8%	18.5%

	2009	2010	2011	2012	2013	2014	2015
\$	19,621,593	\$ 19,635,158	\$ 19,868,108	\$ 19,886,015	\$ 20,267,917	\$ 23,147,239	\$ 22,079,326
	5,284,788	4,781,818	4,383,780	3,420,383	4,124,981	4,152,879	4,929,915
	389,583	398,837	409,844	420,084	351,826	378,728	401,505
	2,873,306	2,984,685	2,996,210	3,064,573	3,108,222	3,158,767	2,996,356
	1,092,079	1,139,945	1,115,114	1,101,533	910,243	820,719	862,554
	55,217	40,303	46,502	22,570	21,387	20,548	21,193
	803,890	717,577	1,059,723	509,540	635,097	590,081	703,851
	30,120,456	29,698,323	29,879,281	28,424,698	29,419,673	32,268,961	31,994,700
	3,648,781	3,715,791	3,664,873	3,630,286	3,612,126	3,386,433	3,629,457
	10,481,825	10,900,873	11,022,513	10,799,019	10,522,795	11,045,497	11,054,380
	3,562,664	3,647,884	3,972,206	3,659,854	3,663,486	3,730,738	3,643,703
	2,203,936	2,294,126	2,192,258	2,303,854	2,252,866	2,353,510	2,357,827
	2,857,240	2,608,889	3,007,367	2,644,508	2,472,611	2,598,116	3,040,727
	10,282,578	7,225,679	5,124,530	3,727,392	6,714,098	6,581,595	5,698,832
	2,359,951	1,998,982	3,066,945	2,870,705	2,880,249	4,009,929	2,924,348
	948,624	1,055,106	1,149,587	846,655	594,381	657,144	620,978
	36,345,599	33,447,330	33,200,279	30,482,273	32,712,612	34,362,962	32,970,252
	(6,225,143)	(3,749,007)	(3,320,998)	(2,057,575)	(3,292,939)	(2,094,001)	(975,552)
	1,930,000	3,250,000	3,465,000	1,740,000	3,860,000	2,900,000	2,300,000
	-	-	6,250,000	1,825,000	-	-	-
	-	4,905,000	-	-	-	-	-
	-	614,784	196,740	-	-	-	-
	-	-	-	516,869	-	-	292,826
	-	-	(5,240,000)	(1,775,000)	-	-	-
	5,419,899	3,600,395	6,138,173	4,983,085	6,610,615	5,719,587	6,112,012
	(5,419,899)	(3,600,395)	(6,132,973)	(4,983,085)	(6,352,191)	(5,719,587)	(6,041,827)
	1,930,000	8,769,784	4,676,940	2,306,869	4,118,424	2,900,000	2,663,011
\$	(4,295,143)	\$ 5,020,777	\$ 1,355,942	\$ 249,294	\$ 825,485	\$ 805,999	\$ 1,687,459
	12.7%	11.6%	15.0%	13.9%	13.4%	16.8%	13.0%

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
2006	\$ 8,621,790	\$ -	\$ 5,586,237	\$ 744,886
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
Change 2006 - 2015	-40.3%	100.0%	90.7%	115.4%

Tax Increment									
Sales Tax	Franchise Tax	Motor Vehicle Tax	Special Assessment Tax	Other Tax	Total				
\$ 191,646	\$ 2,155,674	\$ 1,029,514	\$ 272,152	\$ 13,450	\$ 18,615,349				
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				
152.8%	24.1%	4.4%	-29.8%	1450.3%	18.6%				

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	
2006	\$ 114,378,605	\$ 45,658,394	\$ 160,036,999	\$ 14,048,912
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

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
\$	10,383,269	NA	\$ 184,469,180	\$ 52.245	\$ 1,231,393,004	15.0 %
	9,780,603	NA	195,709,675	52.178	1,364,032,161	14.3
	10,989,672	NA	202,599,054	52.067	1,422,246,581	14.2
	10,296,290	NA	206,700,673	51.921	1,450,794,335	14.2
	9,692,087	NA	204,092,099	51.922	1,437,966,087	14.2
	9,853,412	NA	204,688,891	51.883	1,433,229,801	14.3
	10,048,621	NA	203,460,644	51.865	1,393,132,353	14.6
	10,869,314	NA	201,370,354	51.841	1,394,124,698	14.4
	11,446,519	NA	199,870,247	52.029	1,430,085,770	14.0
	11,084,363	NA	198,767,953	31.023	1,421,438,551	14.0

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
2006	43.196	9.049	52.245	33.989	1.962
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

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	
35.951	44.958	5.836	50.794	1.500	140.490
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

City of Leavenworth, Kansas
Principal Property Taxpayers
December 31, 2015

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corrections Corporation of America	\$ 7,715,988	1	3.9 %	\$ 6,701,350	1	3.6 %
Westar Energy	6,449,991	2	3.2	4,289,907	3	2.3
Hallmark Cards	3,469,936	3	1.7	4,454,093	2	2.4
Wal-Mart	3,254,511	4	1.6	1,173,450	10	0.6
Prime Healthcare Services	2,506,075	5	1.3	-	-	-
Development, Inc	2,505,923	6	1.3	2,301,324	5	1.2
Kansas Gas Service	1,931,631	7	1.0	1,535,231	6	0.8
Fairfield Hotel	1,288,650	8	0.6	-	-	-
Home Depot	1,206,658	9	0.6	1,476,650	8	0.8
Greenamyre Rentals	1,158,401	10	0.6	1,485,047	7	0.8
Southwestern Bell Telephone	-	-	-	2,922,403	4	1.6
Select Products	-	-	-	1,176,840	9	0.6
	<u>\$ 31,487,764</u>		<u>15.8 %</u>	<u>\$ 27,516,295</u>		<u>16.1 %</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
2006	\$ 9,589,814	\$ 9,344,658	97.4 %	\$ 192,916	\$ 9,537,574	99.5 %
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

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			
2006	\$ 19,270,000	\$ -	\$ 8,120,000	\$ 27,390,000	2.4 %	\$ 778
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

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 135 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				
2006	\$ 19,270,000	\$ 8,120,000	\$ 426,404	\$ 26,963,596	2.2 %	766
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

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 135 for population data.

City of Leavenworth, Kansas
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2015

Governmental Unit	Total Debt Outstanding	Net Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes				
School District #453	\$ 60,507,798	\$ 33,884,367	92.0 %	\$ 31,173,618
Leavenworth County	15,443,505	10,399,562	34.0	<u>3,535,851</u>
Subtotal, overlapping debt				34,709,469
City direct debt				<u>17,444,348</u>
Total direct and overlapping debt				<u><u>\$ 52,153,817</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>2006</u>	<u>2007</u>	<u>2008</u>
Debt Limit	\$ 64,387,542	\$ 68,435,717	\$ 69,672,253
Total net debt applicable to limit	<u>14,969,146</u>	<u>15,442,547</u>	<u>18,997,507</u>
Legal debt margin	<u>\$ 49,418,396</u>	<u>\$ 52,993,170</u>	<u>\$ 50,674,746</u>
 Total net debt applicable to the limit as a percentage of debt limit	 23.2%	 22.6%	 27.3%

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 the total of property assessed valuation and motor vehicle valuation.

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
\$ 69,380,778	\$ 68,465,048	\$ 67,999,247	\$ 67,244,547	\$ 66,950,665	\$ 66,619,977	\$ 68,350,691
16,017,666	18,551,322	12,849,782	10,475,866	12,973,064	10,741,429	11,004,905
<u>\$ 53,363,112</u>	<u>\$ 49,913,726</u>	<u>\$ 55,149,465</u>	<u>\$ 56,768,681</u>	<u>\$ 53,977,601</u>	<u>\$ 55,878,548</u>	<u>\$ 57,345,786</u>

23.1% 27.1% 18.9% 15.6% 19.4% 16.1% 16.1%

Legal Debt Margin Calculation for Fiscal Year 2015

Adjusted equalized assessed valuation	\$227,835,638
Debt limit (30% of total equalized assessed value)	68,350,691
Debt applicable to limit	<u>11,004,905</u>
Legal debt margin	<u>\$ 57,345,786</u>

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>			<u>Unemployment Rate (4)</u>
				<u>Public</u>	<u>Private</u>	<u>Total</u>	
2006	35,213	\$1,142,697,063	\$32,451	4,166	521	4,687	6.2 %
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

(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, 2015

<u>Taxpayer</u>	<u>2015</u>			<u>2006</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			
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	5	3.0
Leavenworth County	352	8	2.2	370	8	2.0
Walmart Supercenter	350	9	2.2			
Hallmark Cards, Inc.	260	10	1.6	647	3	3.6
Logicon				430	6	2.4
Capital Electric				326	10	1.8
Cushing Memorial Hospital				350	9	1.9
	<u>8,713</u>		<u>55.0 %</u>	<u>9,905</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	2006	2007	2008
General government	28	28	29
Public safety			
Police	88	91	91
Fire	57	57	57
Public works	32	32	33
Culture and recreation	33	33	33
Housing and urban redevelopment	7	7	7
Sewer	20	20	20
Refuse	13	13	13
Total	278	281	283

Source: City of Leavenworth Human Resources Department

Full-Time Equivalent Employees as of December 31

2009	2010	2011	2012	2013	2014	2015
29	30	28	26	29	29	27
93	93	93	89	86	84	85
57	57	57	57	57	55	54
33	31	30	29	30	30	27
35	35	34	34	35	37	31
7	7	7	7	7	7	7
19	19	19	19	18	14	19
14	14	14	14	13	13	14
287	286	282	275	275	269	264

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

Function/Program	2006	2007	2008
Public safety			
Police			
Physical arrests	3,191	2,945	2,868
Traffic violations	10,313	7,963	8,555
Fire			
Calls answered	1,676	1,957	2,037
Inspections conducted	917	901	959
Housing and urban redevelopment			
Certificates/vouchers for low-income rental assistance	339	339	444
Sewer			
Daily average treatment (thousands of gallons)	3,039	3,757	4,912
Refuse			
Refuse disposed (tons)	12,379	12,001	12,110

Sources: Various city departments

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

Fiscal Year						
2009	2010	2011	2012	2013	2014	2015
2,545	2,374	2,475	2,544	2,608	2,029	1,918
7,377	8,698	10,403	9,148	3,974	5,230	4,927
1,969	1,914	2,378	2,353	2,303	2,199	2,508
771	814	795	854	1,004	796	951
444	444	444	444	444	444	444
4,289	5,156	6,423	3,325	3,609	3,983	4,753
12,561	11,508	11,026	10,967	11,325	11,259	11,696

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

Function/Program	2006	2007	2008
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						
2009	2010	2011	2012	2013	2014	2015
1	1	1	1	1	1	1
3	3	3	3	3	3	3
151.7	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
41	43	43	43	43	42	42
1	1	1	1	1	1	1
21	21	21	22	22	22	22
424	424	424	441	441	442	442
2	2	2	2	2	2	2
8	8	8	8	8	8	8
9	9	9	10	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, 2015

(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:	
2008 Community Development Block Grant-Entitlement	14.218
2009 Community Development Block Grant-Entitlement	14.218
2010 Community Development Block Grant-Entitlement	14.218
2013 Community Development Block Grant-Entitlement	14.218
2014 Community Development Block Grant-Entitlement	14.218
2015 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:	
2014 Emergency Solutions Grant	14.231
2015 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, 2015 (Unaudited)	Cumulative Through December 31, 2014 (Unaudited)	Total for the Year ended December 31, 2015	Cumulative Through December 31, 2015	Amounts Passed on to Subrecipients
	\$ 1,568,678	\$ -	\$ 1,668,903	\$ 1,668,903	\$ -
	578,469 *	578,469	-	578,469	-
	332,949 *	332,949	-	332,949	-
	366,530 *	366,530	-	366,530	-
	274,439 *	274,439	-	274,439	-
	256,032 *	93,454	162,362	255,816	19,523
	738,674 *	-	210,484	210,484	30,119
09-NSP-011	1,966,311	1,643,509	51,771	1,695,280	-
	4,513,404	3,289,350	424,617	3,713,967	49,642
ESG-FFY2014	61,871	18,346	41,824	60,170	40,196
ESG-FFY2015	42,108	-	18,210	18,210	18,210
	103,979	18,346	60,034	78,380	58,406
	210,028	-	210,028	210,028	-
KS16P06850113	79,947	73,687	6,260	79,947	-
KS16P06850114	89,834	-	6,415	6,415	-
KS16P06850115	88,655	-	-	-	-
	468,464	73,687	222,703	296,390	-
	\$ 6,654,525	\$ 3,381,383	\$ 2,376,257	\$ 5,757,640	\$ 108,048

(continued)

City of Leavenworth, Kansas
 Schedule of Expenditures of Federal Awards
 Year Ended December 31, 2015
 (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
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
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
Department of Homeland Security	
Passed through the Kansas Adjutant General's Department	
Hazard Mitigation Grant Program (HMGP)	97.039
Sub-recipient of the Mid-America Regional Council:	
Homeland Security Grant Program	97.067
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, 2015 (Unaudited)	Cumulative Through December 31, 2014 (Unaudited)	Total for the Year ended December 31, 2015	Cumulative Through December 31, 2015	Amounts Passed on to Subrecipients
2013UMWX0209	\$ 4,243	\$ -	\$ 3,607	\$ 3,607	\$ -
2014DJBX0350	166,911	32,078	37,149	69,227	-
2015DJBX0538	28,398	-	18,393	18,393	-
	24,582	-	-	-	-
	<u>224,134</u>	<u>32,078</u>	<u>59,149</u>	<u>91,227</u>	<u>-</u>
TE036001	999,107	353,359	616,936	970,295	-
SP-1300-15	5,000	-	1,215	1,215	-
	4,500	-	4,500	4,500	-
	<u>1,008,607</u>	<u>353,359</u>	<u>622,651</u>	<u>976,010</u>	<u>-</u>
	389,332	-	389,332	389,332	-
(HSGP)FY2013	41,976	-	41,976	41,976	-
	<u>431,308</u>	<u>-</u>	<u>431,308</u>	<u>431,308</u>	<u>-</u>
	<u>\$ 8,318,574</u>	<u>\$ 3,766,820</u>	<u>\$ 3,489,365</u>	<u>\$ 7,256,185</u>	<u>\$ 108,048</u>

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards

December 31, 2015

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.

Department of Homeland Security Grants

The purpose of this program is to enhance the ability of state, local and tribal governments to prepare, prevent, respond to and recover from terrorist attacks and other disasters, and ultimately to sustain national preparedness capabilities.

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.



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

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, 2015, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 28, 2016. 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.

June 28, 2016
Topeka, Kansas



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

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, 2015. 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, 2015.

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.

June 28, 2016
Topeka, Kansas

City of Leavenworth, Kansas
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2015

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
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	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

City of Leavenworth, Kansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2015

None

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