COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of Leavenworth, Kansas
For the Year Ended December 31, 2017

City of Leavenworth, Kansas

Comprehensive Annual
Financial Report

Fiscal Year Ended
December 31, 2017

Prepared by:

Ruby Maline
Director of Finance

City of Leavenworth, Kansas

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Introductory Section

June 27, 2018

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, 2017. 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 unqualified opinions that the City's financial statements for the fiscal year ended December 31, 2017 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.

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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 36,240 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 1A in the notes to the financial statements.

The City provides a full range of services, including:

- General governmental and administrative services.
- 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.
- Culture and recreation: parks, recreation, community center, and performing arts.
- Housing and urban redevelopment: planning and zoning, code enforcement, and a range of housing and community development programs supported by federal grants.

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

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

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

(b) Publication of proposed budget on or before August 15 of each year.

(c) A minimum of 10 days' notice of public hearing, published in local newspaper, on or before August 15 of each year.

(d) Adoption of the final budget on or before August 25 of each year.

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

Factors Affecting Financial Condition

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

Local economy

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

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

Long-term financial planning

The City Commission recently approved a five-year capital improvements program (2018 – 2022) that contains in excess of $26.9 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	$6,750,000
Bridges	1,180,444
Embankments	240,000
Sidewalks, curbs, gutters	2,435,528
Sewer and stormwater	2,571,490
Equipment	3,346,206
Economic development	3,661,949
Buildings	1,952,186
Parks	1,067,635
Other	3,735,943

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, $18,080,321 of identified projects are funded in this manner. An additional $1,119,540 of identified projects are funded by federal and state grants for street and bridge construction.

Finally, approximately $7,741,520 of identified projects are funded with long-term capital financing or short-term capital leases. 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.

Financial Policies and Budgetary Initiatives

Financial policies

During 2017, changes to the City's Capital Asset Policy were implemented. Previously all assets with an estimated useful life exceeding one reporting period were considered capital assets and were capitalized and depreciated. In 2015, the Commission approved establishing a minimum $5,000 threshold in addition to the estimated useful life, in accordance with GFOA's recommended practice.

As a result, during 2017, the City removed in excess of $3,000,000 of assets and associated accumulated depreciation from its capitalized asset listing. Some of these assets, while below the established threshold, were considered high risk, such as weapons, computers and other such items, so they continue to be tracked, but are not capitalized.

During 2017 changes in the purchasing policy allowing cooperative purchasing were implemented. Utilizing cooperative purchasing has reduced administrative expenses, and allowed services and equipment to be available in a timely manner.

In 2017 the Commission approved and the City implemented, a Debt Management policy formalizing the types, timing, and uses for issuing debt, as well as the self-imposed debt limits that are independent of and in addition to the State imposed limit of 30 percent of assessed valuation. The implementation of this policy in conjunction with the Capital Improvement Plan changed the way the City uses debt.

In 2017, the Commission approved, and the City implemented, an Economic Development Incentive Policy which allowed for a more consistent application of economic development resources. This encouraged and increased the level of economic development activity as evidenced by the increased grants for the enhancement of local businesses.

Budgetary Initiatives

During the 2017 budget process, the City changed the way it utilized its capital project resources. With the increase in assessed values, the City was able to use operating budgets for small purchases, which allowed its capital project resources to be used for larger projects.

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, 2016. This was the 23nd 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.

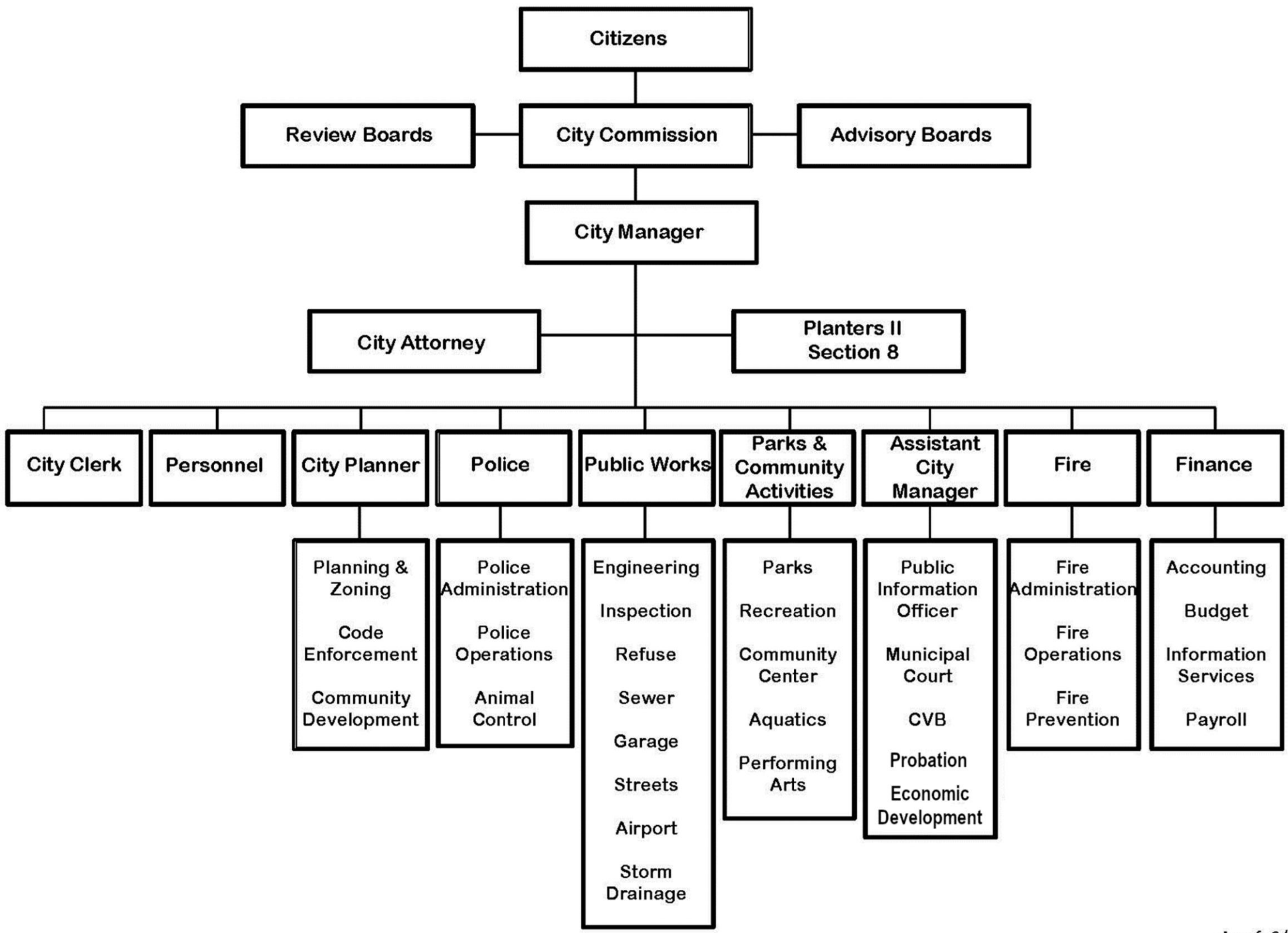
Paul Kramer
City Manager

City of Leavenworth, Kansas
List of Elected and Appointed Officials
December 31, 2017

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

Appointed Officials	Position	Length of Service
Paul Kramer	City Manager	2 years
Thomas Dawson	City Attorney	9 years
Taylour Tedder	Assistant to the City Manager	2 years
Melissa Bower	Public Information Officer	6 years
Lona Lanter	Human Resources Director	14 years
Carla Williamson	City Clerk	2 years
Ruby Maline	Finance Director	2 years
Steve Grant	Director of Parks & Community Activities	2 years
Michael McDonald	Director of Public Works	29 years
Pat Kitchens	Police Chief	10 years
Gary Birch	Fire Chief	4 years
Julie Hurley	City Planner	3 years

City of Leavenworth Organizational Chart



As of: 6/17/2016

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leavenworth

Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

Financial Section

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

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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, 2017, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2018 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.

July 27, 2018
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, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The City's bond rating in 2017 was Aa2.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $46,128,465 *(net position)*. Implementation of the accounting changes required by GASB 68 in 2015 resulted in a prior period adjustment that reduced net position $16,009,375. As a result, the City has an unrestricted net position of $(12,335,629) at December 31, 2017.

- The City's total net position increased $4,296,237, or 11.0 percent, during the fiscal year.

- As of December 31, 2017, the City's governmental funds reported combined ending fund balances of $15,433,322, an increase of $1,544,546 over the prior year.

- At the end of the current fiscal year, the fund balance of the General Fund was $6,476,852, or 37.4 percent of total General Fund expenditures.

- The City's total bonded debt increased $3,120,000 (twelve percent) during the current fiscal year. General obligation bonds totaling $6,550,000 were issued for governmental activities to provide for general infrastructure improvements and for the construction of the Business & Technology Park. However, $3,430,000 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 Leavenworth 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 17 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 14 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 30-84 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 85-93 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 94-116 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 $46,128,465 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 Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	$24,592,946	$ 22,425,500	$ 2,388,331	$ 2,435,039	$26,981,277	$24,860,539
Capital assets	65,718,438	56,170,763	14,709,554	15,037,377	80,427,992	71,208,140
Total assets	90,311,384	78,596,263	17,097,885	17,472,416	107,409,269	96,068,679
Total deferred outflows of resources	2,980,517	3,572,037	152,892	186,711	3,133,409	3,758,748
Long-term liabilities outstanding	45,002,070	41,246,850	7,953,512	8,766,410	52,955,582	50,013,260
Other liabilities	3,983,730	3,157,712	524,204	212,567	4,507,934	3,370,279
Total liabilities	48,985,800	44,404,562	8,477,716	8,978,977	57,463,516	53,383,539
Total deferred inflows of resources	6,836,937	6,563,008	113,760	126,269	6,950,697	6,689,277
Net position:						
Net investment in capital assets	43,804,306	36,850,763	8,154,554	7,732,377	51,958,860	44,583,140
Restricted	6,505,234	5,441,382	-	-	6,505,234	5,441,382
Unrestricted	(12,840,376)	(11,091,415)	504,747	821,504	(12,335,629)	(10,269,911)
Total net position	$ 37,469,164	$ 31,200,730	$ 8,659,301	$ 8,553,881	$46,128,465	$39,754,611

An additional portion of the City's net position ($6,505,234) represents resources that are subject to external restrictions on how they may be used.

The City's overall net position increased $4,296,237 from the prior year. The prior year capital asset balances were adjusted due to a prior period adjustment as discussed in Note 4B of the Detailed Notes to the Financial Statements found on page 52. 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 $4,190,817. Key elements of the increase in the current year are as follows:

- Charges for services increased $1,553,556 during the year. Of this amount $78,807 was due to adding probation services which the City hadn't offered before; $150,059 was a reduction of Municipal Court revenues, an increase of $195,155 is attributed to an increase in inspections fees; $145,413 is attributed to increased fuel sales and vehicle repairs in the Garage operations, $1,338,682 was due to the receipt of reimbursements for street construction.

- Operating grants and contributions decreased $938,673 during the year. The City received $62,411 less in Public Safety grants due to the reduction of a school resource officer; $244,884 less in Community Development Block Grant funds were received. Additional decreases in grants and contributions were for cumulative smaller amounts in other areas.

- Capital grants and contributions increased $3,914,622 during the year due to the county contribution toward the Business & Technology Park, a $389,332 reduction of grants due to the completion of several street projects, and a $478,252 reduction related to several parks projects.

- Revenue from all taxes, including property taxes, increased $233,573 during the year. $53,799 of increased property taxes results from levying a 0.300 mill increase to cover the addition of probation services that the City had not offered before. The City's collection of property taxes increased from 97% to 98% in the previous year, therefore delinquent tax collections were down for all funds in the amount of $66,979. Sales tax and compensating use tax combined revenue increased $152,706 over 2016.

  Tax Increment Fund (TIF) revenue (property and local sales) increased $102,672 over the prior year. Transient guest tax remained relatively flat over the prior year. Finally, revenue from franchise taxes remained flat from the prior year.

- Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Overall, expenses increased $736,085 over the prior year.

  General government expenses increased $1,142,980 during the year. Personnel increased by $196,671 due to the addition of probation services staff, changing a part time position to a full time position in CVB, and other departments becoming fully staffed. Health insurance expenses increased $79,335. Contractual services increased slightly due to mowing and demolitions related to Code Enforcement activities. Other expenses, such as operating transfers, utilities, and commodities decreased. General government depreciation expenses are $204,848. A loss on the disposal of capital assets in the amount of approximately $940,000 occurred in 2017.

  Public safety expenses decreased by $410,416. Personnel expenses increased by a net amount of $58,915 due to increased staff, a reduction of pension expenses, and a reduction of compensation payouts due to retirements. Prisoner care expenses increased by $41,022 and information technology expenses increased by $27,363 due to the added data storage requirements related to the body camera program. Public safety depreciation expenses are $726,260.

  Public works expenses increased $3,883,333 from the prior year. Personnel expenses increased by a net amount of $44,637 due to becoming fully staffed. Equipment and vehicle repair costs increased by $96,013 and fuel costs at the garage increased $81,355. Public works depreciation expenses are $3,628,327. The depreciation expenses increased drastically due to the allocation of previously unallocated depreciation.

  Culture and recreation expenses increased $268,974 over 2016. This is due to increases in personnel costs of $32,395 and increases in food services expenses. In 2017, the recreation department began managing the concessions again, which increased food and other supply purchases by $18,737. The mowing contract came in lower than in 2016 and maintenance and repairs for buildings and equipment were also lower than 2016. Culture and recreation depreciation expenses are $1,060,079.

  Housing and urban redevelopment expenses increased $120,105 during the year. Personnel expenses decreased $15,188 due to turnover; Community Development Block Grant expenses decreased by $331,221. Information Technology expenses increased by $20,539. Housing expenses increased by $53,377. Economic development activities increased by a net amount of $119,407. Grants paid out increased by $72,703; professional services increased by $46,792, but the general obligation bonds for land purchase were retired in 2016 for a decrease of $146,160.

City of Leavenworth's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenue:						
Charges for services	$6,179,209	$4,625,653	$6,285,892	$6,073,036	$12,465,101	$10,698,689
Operating grants and Contributions	3,686,980	4,031,401	0	0	3,686,980	4,031,401
Capital grants and contributions	4,885,013	970,391	512,256	772,325	5,397,269	1,742,716
General revenue:						
Property taxes	5,359,986	5,351,495	0	0	5,359,986	5,351,495
Other taxes	17,447,828	17,222,746	0	0	17,447,828	17,222,746
Grants and contributions not restricted to specific programs	0	0	0	0	0	0
Gain on sale of capital assets	36,438	52,397	4,908	834	41,346	53,231
Miscellaneous	39,010	0	22,448	0	61,458	0
Unrestricted investment earnings	123,383	30,963	0	0	123,383	30,963
Total revenue	37,757,847	32,285,046	6,825,504	6,846,195	44,583,351	39,131,241
Expenses:						
General government	4,725,105	3,582,125	0	0	4,725,105	3,582,125
Public safety	12,409,485	12,819,901	0	0	12,409,485	12,819,901
Public works	7,359,726	3,476,393	0	0	7,359,726	3,476,393
Culture and recreation	3,595,821	3,864,795	0	0	3,595,821	3,864,795
Housing and urban redevelopment	4,836,524	4,716,419	0	0	4,836,524	4,716,419
Unallocated depreciation expense	0	3,790,328	0	0	0	3,790,328
Debt issuance costs	149,635	0	0	0	149,635	0
Interest on long-term debt	538,079	628,329	0	0	538,079	628,329
Sewer	0	0	4,709,551	4,123,179	4,709,551	4,123,179
Refuse	0	0	1,963,188	1,809,659	1,963,188	1,809,659
Total expenses	33,614,375	32,878,290	6,672,739	5,932,838	40,287,114	38,811,128
Change in net position before transfers	4,143,472	(593,244)	152,765	913,357	4,296,237	320,113
Transfers	47,345	47,345	(47,345)	(47,345)	0	0
Change in net position	4,190,817	(545,899)	105,420	866,012	4,296,237	320,113
Net position – beginning	31,200,730	31,746,629	8,553,881	7,687,869	39,754,611	39,434,498
Prior period adjustment	2,077,617	0	0	0	2,077,617	0
Net position – ending	$37,469,164	$31,200,730	$8,659,301	$8,553,881	$46,128,465	$39,754,611

Business-type activities

Business-type activities increased the City's net position $105,420. Key elements of this increase are as follows:

- Sewer Fund charges for services revenue increased $146,828, from the prior year due primarily to a 3% increase in the sewer utility rate initiated at the beginning of the year. This rate increase was enacted to accommodate normal inflationary cost increases and capital outlay.

  Sewer Fund expenses increased $586,372, due primarily to an increase of $255,687 in plant repairs and maintenance, $79,059 increase in operating supplies, $14,462 increase in chemicals, $43,320 increase in equipment repairs and maintenance and a $30,772 increase in utility billing charges. Storm sewer repairs and maintenance increased by $53,810. The balance is related to cumulative other smaller increases. Depreciation expense was $1,314,268, which is a $2,434 increase from 2016.

- Refuse Fund charges for services revenue increased $66,028, due to a 3% increase in refuse rates. Refuse Fund expenses increased $153,529, due primarily to an $60,270 increase in landfill fees. Depreciation expense and a decrease of landfill post-closure expenses were $122,244 and $10,740, respectively, which were an increase of $15,061 and a decrease of $45,181, respectively.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $15,433,322, an increase of $1,544,546 over the prior year. Approximately 42 percent of this amount ($6,451,103) 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 ($6,716,165), 2) committed for particular purposes ($2,240,305), or 3) assigned for particular purposes ($25,749).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was $6,476,852. Approximately 99 percent of this amount ($6,451,103) is designated as unassigned fund balance, which is available for spending at the City's discretion. $25,749 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 37.3 percent of total General Fund expenditures, while total fund balance represents 37.4 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased $454,391 to $6,476,852 during the current fiscal year. Revenue from all sources increased $407,179 from the prior year and total expenditures increased $361,011 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds decreased $7,009 due to a retirement of debt service related to the 2014 purchase of a new financial system.

The Debt Service Fund had a restricted fund balance of $315,640 at the end of the current year, a $100,084 decrease from the prior year. Revenue decreased $102,683 and debt service expenditures decreased $2,882,785 from the prior year. In the prior year, refunding bonds of $2,690,000 were issued, resulting in a substantial increase in principal retirement during that year. Finally, transfers from other funds decreased $299,495 because of the retirement of debt.

At the end of the year, the fund balance of the Capital Projects Fund was $2,240,305, a decrease of $112,549 from the prior year. Several factors contributed to this decrease:

- Total revenue increased $4,318,106 during the year due primarily to the transactions related to the Business and Technology park, debt issued for the City's share of the Business and Technology park ($4,910,000), an increase in intergovernmental revenues of $4,461,000 due to Leavenworth County's share of the Business and Technology park, an $881,611 decrease in transfers in part due to project funding, a $26,234 increase in interest income (mostly related to the Business and Technology park), and a decrease in the amount of general obligation bonds issued for the annual pavement management project. For debt management purposes, the level of debt issued for pavement management has been lowered from 28 percent of assessed value annually to 23 percent until 2023 when the level of debt will have decreased to an amount that can be paid by a predetermined mill levy
- Total capital outlay expenditures increased $9,371,878 due to following:

o Business and Technology park	$ 7,298,136
o 2nd Street bridge	1,610,734
o (3) Firetrucks	1,631,270
o Networking system upgrades	654,156
o Library HVAC system	463,439
o Justice Center roof replacement	120,197
o Performing Arts Center HVAC	306,728
o Numerous smaller projects and equipment replacement	

Proprietary funds

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

The unrestricted net position of the Sewer Fund at the end of the year amounted to $886,343, and that for the Refuse Fund amounted to $(381,596). In comparison with the prior year, unrestricted net position for the Sewer Fund decreased $292,029 while unrestricted net position for the Refuse Fund decreased $24,728. 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 2017.

During the year, revenues were $176,752 more than budgetary estimates due to:

- Revenue from tax sources were $68,157, less than budgetary expectations. Ad valorem taxes were lower by $6,729. Delinquent tax collections were lower by $35,914. Motor vehicle taxes exceeded expectations by $40,520.

- Sales tax revenue, including compensating use tax revenue, were less than budgetary expectations by $157,696, while franchise tax revenue exceeded expectations by $100,446.

- Intergovernmental revenues exceeded expectations by $33,207.

- Revenue from licenses and permits were $34,055 greater than budgetary expectations as business licenses exceeded expectations by $13,540 and inspections and licensing were $31,383 more than anticipated.

- Revenue from charges for services and fines and forfeitures combined were $115,443 below budgetary expectations due to various differences including decreased revenue from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.

- Miscellaneous revenue were $199,625 over budgetary expectations due primarily to an increase of $77,935 in 911 fees; unbudgeted revenues for probation services provided to other cities of $86,340; unbudgeted premium reimbursement of $40,046 received from the City's workers compensation insurance carrier. Interest income was $93,465 more than anticipated due to the increased level of investments on the Business and Technology Park.

During the year, expenditures were $3,863,831 less than budgetary estimates submitted to the State including operating reserves. Expenditures were $3,863,831 less than budgetary estimates due to:

- General government expenditures were $3,842,034 below budgetary expectations due to $3,837,600 in budgeted reserves not being spent during the fiscal year.

- Public safety expenditures were $39,940 less than anticipated due to Police Department personnel costs being below budget by $143,978. Operations expenditures were $99,707 over due to vehicle repairs and maintenance. Fire prevention personnel costs were $90,833 less than anticipated due to turnover.

- Culture and recreation expenditures were $35,045 over budgetary expectations but no specific area was significantly over budget.

- Public works expenditures were $16,902 below budgetary expectations. Personnel expenditures were $171,472 lower than anticipated due to employee turnover; contractual services expenditures were over budget by $62,892, repair and maintenance was over by $50,787, and street lighting was over by $10,636; fuel purchases were over by $26,014 and repair parts were over by $20,634.

As mentioned earlier, transfers to other funds were $80,000 below budgetary expectations during the year because the budget subsidy to the Special Fuel Fund was unnecessary given the strong performance of the fund during the year.

During the year, revenue exceeded budgetary estimates, expenditures were less than budgetary estimates, and the overall net change in fund balances was higher than budgetary expectations by $4,215,273.

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, 2017, amounts to $80,427,992 (net of accumulated depreciation). The Commission approved revisions to the City's capital asset policy which redefined the threshold for capitalizing asset purchases. The new policy establishes the GFOA recommended $5,000 minimum for capitalizing assets. As a result of implementing this policy, $2,192,283 of equipment and associated accumulated depreciation was removed from the capitalized assets listing for governmental activities and $231,143 of equipment and associated accumulated depreciation was removed from the capital asset listing for business-type activities. These assets are still tracked but not capitalized.

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

- Numerous street and bridge reconstruction projects were completed at a cost of $3,182,885 while several projects continued. Construction in progress for such projects as of the close of the fiscal year had reached $1,451,836 for streets and $1,707,161 for bridges.

- The Business and Technology Park construction began in 2017, the original construction contract was for $9,793,885. Construction completed toward this project at year end was $7,298,136.

- Several improvement projects were started during the year, of these, parks and recreation projects totaling $33,650 were completed and others are still in progress at year end. Sidewalks projects in the amount of $138,529, storm water improvements of $44,331 were begun with $475,120 left to complete at year end.

- During 2017, $2,192,409 was expended on replacing equipment, including three fire trucks; five police cars, a loader for the street department, and vehicles for codes, engineering and inspectors.

- Finally, a project to convert the City's financial software continued; at year end, construction in progress totaled $517,502.

- In the business-type activities, the Sewer Department had $524,974 in construction in progress for sewer line replacement and drainage projects. Equipment purchases included $190,967 for a refuse truck and sewer line cameras.

City of Leavenworth's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$2,695,354	$2,695,354	$58,634	$58,634	$2,753,988	$2,753,988
Buildings	9,192,143	9,554,909	4,982,436	5,799,760	14,174,579	15,354,669
Improvements other than buildings	7,946,107	8,463,200	6,473,447	6,915,578	14,419,554	15,378,778
Machinery and equipment	4,083,287	3,586,805	574,182	627,718	4,657,469	4,214,523
IT Equipment & Software	479,169	30,279	0	0	479,169	30,279
Infrastructure	34,166,176	30,403,746	2,095,881	1,635,687	36,262,057	32,039,433
Construction in progress	7,156,202	1,436,470	524,974	0	7,681,176	1,436,470
Total	$65,718,438	$56,170,763	$14,709,554	$15,037,377	$80,427,992	$71,208,140

Additional information on the City of Leavenworth's capital assets can be found in Note 4B on pages 49-52 of this report.

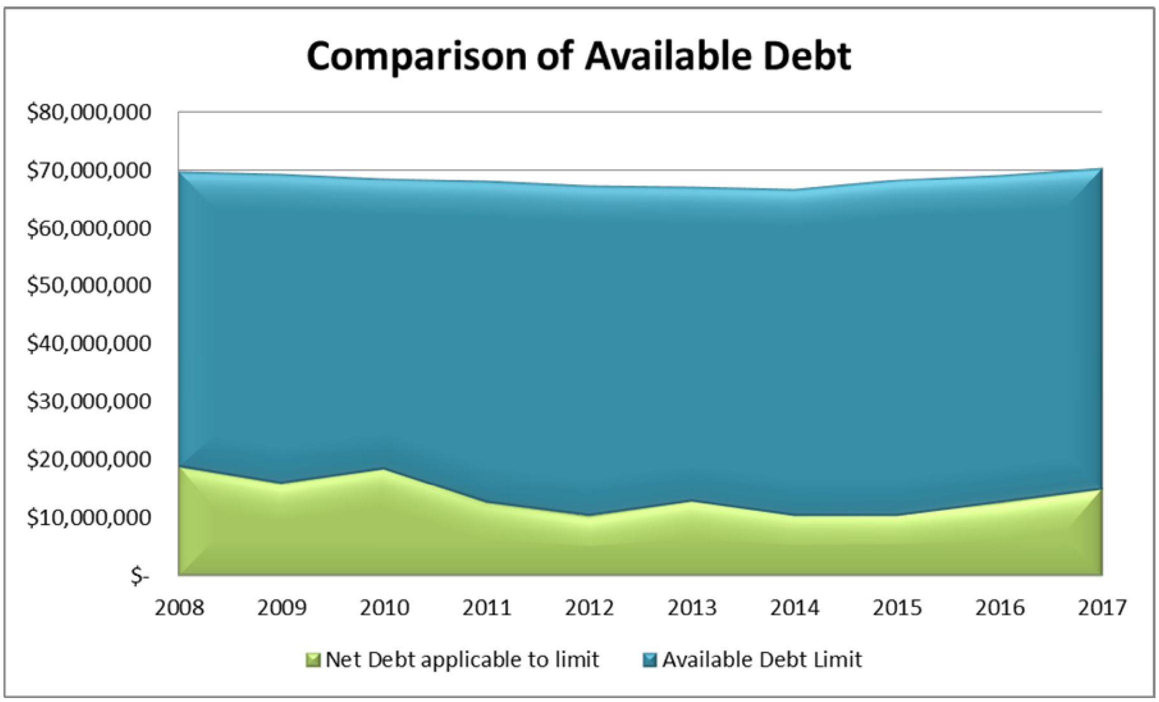
Long-term debt

At the end of the year, the City had total bonded debt outstanding of $28,960,000, all of which is debt backed by the full faith and credit of the City. Of this amount, $22,405,000 relates to governmental activities while $6,555,000 relates to business-type activities.

The City's total bonded debt increased $3,120,000 during the current fiscal year. General obligation bonds totaling $6,550,000 were issued for governmental activities to provide permanent financing for general infrastructure of $1,640,000 and $4,910,000 for the construction of the Business and Technology Park. However, $3,430,000 of previously existing debt for governmental and business-type activities was retired during the year.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 30 percent of its total equalized assessed valuation. The current debt limit for the City is $70,316,891, 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 4D on pages 53-56 of this report.

Economic Factors and Next Year's Budgets and Rates

It is important to note that the budgeted 2017 beginning unencumbered cash balance was estimated to be $4,086,631 based on the assumption the City would not budget all of the unencumbered cash balance. The actual 2017 beginning balance of unencumbered cash was $5,974,476, which is $1,887,845 more than budgeted.

Collectively, in all funds supported by property taxes ("the Tax funds"), the increase in beginning balances available to support the 2018 budget is approximately $1,291,296.

This is particularly fortunate since the 2018 budget was the first year for several changes. The change with the most impact was anticipated to be from the tax lid law. However, the Commission decided to keep the mill levy flat and with the increase in valuations, exclusions allowed by the law and the consumer price index (CPI) adjustment of 4% allowed by the State, the City was able to maintain the current level of services and stay within the limitations of the law.

The NRA tax refunds are anticipated to be approximately $100,000. TIF related property tax refunds are anticipated to be $142,500.

It was anticipated that the City's portion of countywide sales and use tax would decrease in 2017; however, the end result was a 2.8% increase. The City's portion of countywide sales tax is anticipated to increase by 2.5% for 2018.

Franchise revenues are anticipated to increase by 3.5% in 2018.

During 2018, current economic development activities, such as the Business and Technology Park and new housing addition that are currently under construction began, which will have a direct impact on the 2019 budget. The full economic impact cannot be quantified at present.

The 2018 budget was created based on Commission established goals and priorities, with increased spending in Public Safety personnel and technology related data storage and equipment.

The 2018 compensation plan for employees will include a 3% COLA allocated at mid-year. Health insurance benefits are anticipated to increase by 8% in 2018.

In summary, the approved 2018 budget maintains the mill levy established in the 2017 budget at 31.343 mills for the primary government.

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, 2017

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Library
ASSETS				
Cash and cash equivalents	$ 16,133,699	$ 1,644,421	$ 17,778,120	$ 905,983
Cash in escrow	93,914	-	93,914	-
Deposits restricted for tenant deposit refunds	33,248	-	33,248	-
Receivables (net of uncollectibles)				
Property tax	5,239,934	-	5,239,934	924,276
Special assessment tax	213,139	-	213,139	-
Sales tax	2,367,274	-	2,367,274	-
Interest receivable	31,772	-	31,772	-
Due from other governments	18,701	-	18,701	-
Accounts receivable	461,265	743,910	1,205,175	-
Capital assets (net of accumulated depreciation)				
Land	2,695,354	58,634	2,753,988	-
Buildings and systems	9,192,143	4,982,436	14,174,579	-
Improvements other than buildings	7,946,107	6,473,447	14,419,554	-
Machinery and equipment	4,562,456	574,182	5,136,638	661,864
Infrastructure	34,166,176	2,095,881	36,262,057	-
Construction in progress	7,156,202	524,974	7,681,176	-
Total assets	90,311,384	17,097,885	107,409,269	2,492,123
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows-pension	2,980,517	152,892	3,133,409	66,673
LIABILITIES				
Accounts payable	862,236	412,598	1,274,834	-
Other liabilities	20,375	333	20,708	2
Accrued compensation	633,417	65,084	698,501	-
Accrued interest payable	277,179	46,189	323,368	-
Tenant deposits	33,248	-	33,248	-
Unearned revenues	87,275	-	87,275	-
Bond anticipation notes payable	2,070,000	-	2,070,000	-
Long-term liabilities:				
Due within one year	3,199,316	787,975	3,987,291	-
Due in more than one year	41,802,754	7,165,537	48,968,291	470,907
Total liabilities	48,985,800	8,477,716	57,463,516	470,909
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows-pension	1,597,003	113,760	1,710,763	33,497
Deferred receivable - property taxes	5,239,934	-	5,239,934	924,276
Total deferred inflows of resources	6,836,937	113,760	6,950,697	957,773
NET POSITION				
Net investment in capital assets	43,804,306	8,154,554	51,958,860	661,864
Restricted for:				
Capital improvements	2,473,379	-	2,473,379	-
Tax increment financing	479,879	-	479,879	-
Street maintenance	942,987	-	942,987	-
Law enforcement	169,573	-	169,573	-
Recreation programs	156,810	-	156,810	-
Housing services	1,188,517	-	1,188,517	-
Community redevelopment	3,115	-	3,115	-
General obligation debt	104,709	-	104,709	-
Economic development	613,120	-	613,120	-
Tourism & convention activities	373,145	-	373,145	-
Unrestricted	(12,840,376)	504,747	(12,335,629)	468,250
Total net position	$ 37,469,164	$ 8,659,301	$ 46,128,465	$ 1,130,114

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Activities

For the Year Ended December 31, 2017

		Program Revenues			Net (Expense) Revenue and Change in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Library
Primary government:								
Governmental activities								
General government	$ 4,725,105	$ 1,894,875	$ 141,679	$ 49,521	$ (2,639,030)	$ -	$ (2,639,030)	$ -
Public safety	12,409,485	392,715	17,445	-	(11,999,325)	-	(11,999,325)	-
Public works	7,359,726	2,618,014	1,067,443	500	(3,673,769)	-	(3,673,769)	-
Culture and recreation	3,595,821	710,596	70,839	-	(2,814,386)	-	(2,814,386)	-
Housing and urban redevelopment	4,836,524	563,009	2,389,574	4,834,992	2,951,051	-	2,951,051	-
Debt issuance costs	149,635	-	-	-	(149,635)	-	(149,635)	-
Interest on long-term debt	538,079	-	-	-	(538,079)	-	(538,079)	-
Total governmental activities	33,614,375	6,179,209	3,686,980	4,885,013	(18,863,173)	-	(18,863,173)	-
Business-type activities:								
Sewer	4,709,551	4,323,162	-	512,256	-	125,867	125,867	-
Refuse	1,963,188	1,962,730	-	-	-	(458)	(458)	-
Total business-type activities	6,672,739	6,285,892	-	512,256	-	125,409	125,409	-
Total primary government	$ 40,287,114	$ 12,465,101	$ 3,686,980	$ 5,397,269	(18,863,173)	125,409	(18,737,764)	-
Component unit:								
Library	1,225,020	28,679	20,751	-				(1,175,590)
Total component unit	$ 1,225,020	$ 28,679	$ 20,751	$ -				(1,175,590)
General revenues:								
Taxes:								
Property taxes					5,359,986	-	5,359,986	1,056,547
Tax increment property taxes					142,450	-	142,450	-
Sales taxes					12,557,687	-	12,557,687	-
Tax increment sales taxes					894,604	-	894,604	-
Franchise taxes					2,796,945	-	2,796,945	-
Motor vehicle taxes					714,825	-	714,825	-
Transient guest tax					341,317	-	341,317	-
Intergovernmental revenue not restricted to specific programs					-	-	-	46,707
Gain on sale of general capital assets					36,438	4,908	41,346	-
Miscellaneous					39,010	22,448	61,458	14,458
Unrestricted investment earnings					123,383	-	123,383	4,682
Transfers					47,345	(47,345)	-	-
Total general revenues					23,053,990	(19,989)	23,034,001	1,122,394
Change in net position					4,190,817	105,420	4,296,237	(53,196)
Total net position - beginning					31,200,730	8,553,881	39,754,611	1,183,310
Prior period adjustment					2,077,617	-	2,077,617	-
Total net position - beginning, restated					33,278,347	8,553,881	41,832,228	1,183,310
Total net position - ending					$ 37,469,164	$ 8,659,301	$ 46,128,465	$ 1,130,114

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Balance Sheet

Governmental Funds

December 31, 2017

	General	Debt Service	Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 5,460,698	$ 315,640	$ 4,773,813	$ 5,583,548	$ 16,133,699
Cash in escrow	-	-	-	93,914	93,914
Deposits restricted for tenant deposit refunds	-	-	-	33,248	33,248
Receivables (net of uncollectibles)					
Special assessments	146,890	66,249	-	-	213,139
Property tax	3,337,615	1,535,817	-	366,502	5,239,934
Sales tax	1,391,476	-	-	975,798	2,367,274
Accrued interest receivable	26,766	-	4,717	289	31,772
Due from other governments	-	-	-	18,701	18,701
Due from other funds	15,306	-	-	-	15,306
Accounts receivable	399,954	-	61,311	-	461,265
Total assets	$ 10,778,705	$ 1,917,706	$ 4,839,841	$ 7,072,000	$ 24,608,252
LIABILITIES					
Liabilities:					
Accounts payable	$ 241,924	$ -	$ 529,536	$ 90,776	$ 862,236
Accrued compensation	555,049	-	-	78,368	633,417
Due to other funds	-	-	-	15,306	15,306
Bond anticipation notes payable	-	-	2,070,000	-	2,070,000
Other liabilities	20,375	-	-	-	20,375
Tenant deposits	-	-	-	33,248	33,248
Unearned revenues	-	-	-	87,275	87,275
Total liabilities	817,348	-	2,599,536	304,973	3,721,857
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	3,337,615	1,535,817	-	366,502	5,239,934
Unavailable revenues - special assessments	146,890	66,249	-	-	213,139
Total deferred inflows of resources	3,484,505	1,602,066	-	366,502	5,453,073
FUND BALANCES					
Restricted	-	315,640	-	6,400,525	6,716,165
Committed	-	-	2,240,305	-	2,240,305
Assigned	25,749	-	-	-	25,749
Unassigned	6,451,103	-	-	-	6,451,103
Total fund balances	6,476,852	315,640	2,240,305	6,400,525	15,433,322
Total liabilities, deferred inflows of resources, and fund balances	$ 10,778,705	$ 1,917,706	$ 4,839,841	$ 7,072,000	

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.	65,718,438
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	213,139
Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore are not reported in the funds.	2,980,517
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(45,279,249)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore are not reported in the funds.	(1,597,003)
Net position of governmental activities	$ 37,469,164

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, 2017

	General	Debt Service	Capital Projects	Other Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$ 14,178,221	$ 1,940,021	$ -	$ 6,689,572	$ 22,807,814
Intergovernmental	189,193	-	4,861,563	3,513,432	8,564,188
Licenses and permits	392,950	-	-	-	392,950
Charges for services	1,852,837	-	60,442	1,188,203	3,101,482
Fines and forfeitures	631,307	-	-	8,543	639,850
Investment earnings	93,465	-	26,260	3,658	123,383
Miscellaneous	378,925	13,840	478,973	1,173,851	2,045,589
Total revenues	17,716,898	1,953,861	5,427,238	12,577,259	37,675,256
EXPENDITURES					
Current:					
General government	3,338,215	-	86,122	245,935	3,670,272
Public safety	10,944,785	-	202,214	13,772	11,160,771
Public works	2,200,274	-	587,539	1,129,761	3,917,574
Culture and recreation	817,648	-	113,243	1,583,614	2,514,505
Housing and urban redevelopment	-	-	50,132	4,500,559	4,550,691
Debt service:					
Principal retirement	-	2,610,000	163,553	70,000	2,843,553
Interest and fiscal charges	-	368,103	18,600	14,413	401,116
Issuance costs	-	-	149,635	-	149,635
Capital outlay	-	-	14,031,602	41,469	14,073,071
Total expenditures	17,300,922	2,978,103	15,402,640	7,599,523	43,281,188
Excess (deficiency) of revenues over (under) expenditures	415,976	(1,024,242)	(9,975,402)	4,977,736	(5,605,932)
OTHER FINANCING SOURCES (USES)					
Sale of general capital assets	-	-	-	36,438	36,438
Insurance recoveries	-	-	-	39,010	39,010
Capital lease	-	-	477,685	-	477,685
General obligation bonds issued	-	-	6,550,000	-	6,550,000
Transfers in	94,690	924,158	2,875,938	300,000	4,194,786
Transfers out	(56,275)	-	(40,770)	(4,050,396)	(4,147,441)
Total other financing sources (uses)	38,415	924,158	9,862,853	(3,674,948)	7,150,478
Net change in fund balances	454,391	(100,084)	(112,549)	1,302,788	1,544,546
Fund balances - beginning	6,022,461	415,724	2,352,854	5,097,737	13,888,776
Fund balances - ending	$ 6,476,852	$ 315,640	$ 2,240,305	$ 6,400,525	$ 15,433,322

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, 2017

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	$	1,544,546
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		8,407,011
The net effect of various miscellaneous transactions involving capital assets (e.g. sales and donations) is to decrease net position.		(936,953)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,143
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.		(4,184,132)
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.		(646,798)
Change in net position of governmental activities	$	4,190,817

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	$ 14,246,378	$ 14,246,378	$ 14,178,221	$ (68,157)
Intergovernmental	155,986	155,986	189,193	33,207
Licenses and permits	358,895	358,895	392,950	34,055
Charges for services	2,599,587	2,599,587	1,852,837	(746,750)
Fines and forfeitures	-	-	631,307	631,307
Investment earnings	-	-	93,465	93,465
Miscellaneous	179,300	179,300	378,925	199,625
Total revenues	17,540,146	17,540,146	17,716,898	176,752
EXPENDITURES				
Current:				
General government	7,180,249	7,180,249	3,338,215	3,842,034
Public safety	10,984,725	10,984,725	10,944,785	39,940
Public works	2,224,875	2,224,875	2,207,973	16,902
Culture and recreation	800,653	800,653	835,698	(35,045)
Total expenditures	21,190,502	21,190,502	17,326,671	3,863,831
Excess (deficiency) of revenues over (under) expenditures	(3,650,356)	(3,650,356)	390,227	4,040,583
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	94,690	94,690
Transfers out	(136,275)	(136,275)	(56,275)	80,000
Total other financing sources (uses)	(136,275)	(136,275)	38,415	174,690
Net change in fund balances	(3,786,631)	(3,786,631)	428,642	4,215,273
Fund balances - beginning	4,086,631	4,086,631	5,974,476	1,887,845
Prior year encumbrances relieved	-	-	47,985	47,985
Fund balances - ending	$ 300,000	$ 300,000	$ 6,451,103	$ 6,151,103

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Proprietary Funds

Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Sewer	**Refuse**	**Total**
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,469,091	$ 175,330	$ 1,644,421
Accounts receivable	525,736	218,174	743,910
Total current assets	1,994,827	393,504	2,388,331
Noncurrent assets:			
Capital assets:			
Land	14,000	44,634	58,634
Buildings and systems	17,054,789	6,575	17,061,364
Improvements other than buildings	12,487,939	37,440	12,525,379
Machinery and equipment	1,985,770	1,226,354	3,212,124
Infrastructure	2,152,341	-	2,152,341
Construction in progress	524,974	-	524,974
Less accumulated depreciation	(19,944,825)	(880,437)	(20,825,262)
Total capital assets (net of accumulated depreciation)	14,274,988	434,566	14,709,554
Total noncurrent assets	14,274,988	434,566	14,709,554
Total assets	16,269,815	828,070	17,097,885
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	88,718	64,174	152,892
LIABILITIES			
Current liabilities:			
Accounts payable	380,490	32,108	412,598
Other liabilities	208	125	333
Accrued compensation	36,861	28,223	65,084
Accrued interest payable	46,189	-	46,189
Accrued compensated absences	11,924	6,051	17,975
Bonds payable	755,000	-	755,000
Accrued landfill closure/postclosure care costs	-	15,000	15,000
Total current liabilities	1,230,672	81,507	1,312,179
Noncurrent liabilities:			
Accrued compensated absences	81,801	41,523	123,324
Other post-employment benefits	120,069	70,274	190,343
Net pension liability	455,848	391,753	847,601
Bonds payable	5,800,000	-	5,800,000
Accrued landfill closure/postclosure care costs	-	204,269	204,269
Total noncurrent liabilities	6,457,718	707,819	7,165,537
Total liabilities	7,688,390	789,326	8,477,716
DEFERRED INFLOWS OF RESOURES			
Deferred inflows - pensions	63,812	49,948	113,760
NET POSITION			
Net investment in capital assets	7,719,988	434,566	8,154,554
Unrestricted	886,343	(381,596)	504,747
Total net position	$ 8,606,331	$ 52,970	$ 8,659,301

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Sewer	Refuse	Total
Operating revenues:			
Charges for services	$ 4,323,162	$ 1,962,730	$ 6,285,892
Miscellaneous	15,620	6,828	22,448
Total operating revenues	4,338,782	1,969,558	6,308,340
Operating expenses:			
Personal services	957,787	705,463	1,663,250
Contractual services	1,918,940	935,412	2,854,352
Commodities	331,767	200,069	531,836
Depreciation	1,314,268	122,244	1,436,512
Total operating expenses	4,522,762	1,963,188	6,485,950
Operating income (loss)	(183,980)	6,370	(177,610)
Nonoperating revenues (expenses):			
Interest expense	(147,359)	-	(147,359)
Gain (loss) from disposal of assets	(39,430)	4,908	(34,522)
Total nonoperating revenues (expenses)	(186,789)	4,908	(181,881)
Income before capital contributions and transfers	(370,769)	11,278	(359,491)
Capital contributions and transfers:			
Contributed capital	512,256	-	512,256
Transfers out	-	(47,345)	(47,345)
Changes in net position	141,487	(36,067)	105,420
Total net position - beginning	8,464,844	89,037	8,553,881
Total net position - ending	$ 8,606,331	$ 52,970	$ 8,659,301

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Sewer	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 4,228,434	$ 1,901,329	$ 6,129,763
Payments to suppliers	(1,932,467)	(1,151,934)	(3,084,401)
Payments to employees	(983,511)	(707,081)	(1,690,592)
Net cash provided by operating activities	1,312,456	42,314	1,354,770
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	-	(47,345)	(47,345)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(524,958)	(105,997)	(630,955)
Principal paid on capital debt	(750,000)	-	(750,000)
Interest paid on capital debt	(151,755)	-	(151,755)
Net cash used by capital and related financing activities	(1,426,713)	(105,997)	(1,532,710)
Net decrease in cash and cash equivalents	(114,257)	(111,028)	(225,285)
Cash and cash equivalents, January 1	1,583,348	286,358	1,869,706
Cash and cash equivalents, December 31	$ 1,469,091	$ 175,330	$ 1,644,421
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (183,980)	$ 6,370	$ (177,610)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation	1,314,268	122,244	1,436,512
(Increase) decrease in receivables	(110,348)	(68,229)	(178,577)
(Increase) decrease in deferred outflows	19,843	13,976	33,819
Increase (decrease) in accounts payable	318,240	(5,714)	312,526
Increase (decrease) in accrued compensation	1,441	2,071	3,512
Increase (decrease) in other deductions	(3)	(3)	(6)
Increase (decrease) in compensated absences	(15,143)	(430)	(15,573)
Increase (decrease) in postemployment benefits	3,312	7,539	10,851
Increase (decrease) in net pension liability	(27,834)	(19,602)	(47,436)
Increase (decrease) in accrued landfill closure/postclosure care costs	-	(10,739)	(10,739)
Increase (decrease) in deferred inflows	(7,340)	(5,169)	(12,509)
Net cash provided by operating activities	$ 1,312,456	$ 42,314	$ 1,354,770
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Contributions of capital assets	$ 512,256	$ -	$ 512,256

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Fiduciary Funds

December 31, 2017

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	$ 640,672	$ 3,940
Accrued interest receivable	1,137	-
Property tax receivable	141,630	924,276
Total assets	783,439	928,216
LIABILITIES		
Accounts payable	50	3,940
Deferred revenue	141,630	-
Amounts due other parties	-	924,276
Total liabilities	141,680	928,216
NET POSITION		
Restricted for pension	$ 641,759	$ -

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, 2017

	Pension Trust
ADDITIONS	
Employer contributions	$ 161,037
Interest	3,417
Total additions	164,454
DEDUCTIONS	
Benefits	(136,916)
Change in net position	27,538
Net position - beginning	614,221
Net position - ending	$ 641,759

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

1. Summary of significant accounting policies

A. Reporting entity

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

Discretely presented component unit

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

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

B. Government-wide and fund financial statements

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

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*.

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.

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.

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

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

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, U.S. Government obligations, and repurchase agreements. Certificates of deposit are carried at cost because they are not affected by market rate changes. The repurchase agreements are stated at cost because they are not negotiable or transferable and are not affected by market fluctuations. The City also has investments consisting of U.S. Government obligations and money market mutual funds which are recorded at fair value.

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, 2017, investment earnings allocated to the various funds were approximately $123,383.

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, 2017, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of $189,177, 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, 2017 are not significant.

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, 2017, the special assessment taxes levied are a lien on the property and the amount due in 2017 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of $9,937, 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, 2017, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of $22,033, 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, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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.

1. Summary of significant accounting policies (continued)

G. Capital assets (continued)

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

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

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

H. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has 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.

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.

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.

1. Summary of significant accounting policies (continued)

J. Long-term obligations (continued)

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

K. Pensions

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

L. Use of estimates

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

1. Summary of significant accounting policies (continued)

M. Pending Governmental Accounting Standards Board statements

At December 31, 2017, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

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

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

1. Summary of significant accounting policies (continued)

M. Pending Governmental Accounting Standards Board statements (continued)

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

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

GASB Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for periods beginning after December 15, 2019.

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 $45,279,249 difference are as follows:

Bonds payable	$	(22,405,000)
Capital lease payable		(314,132)
Accrued interest payable		(277,179)
Accrued compensated absences		(2,359,720)
Other postemployment benefits		(4,312,841)
Net pension liability		(15,610,377)
Net adjustment to decrease *fund balance-total governmental funds* to arrive at *net position-governmental activities*	$	(45,279,249)

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 $ 8,407,011 difference are as follows:

Capital outlay	$ 14,306,456
Depreciation expense	(5,899,445)
Net adjustment to increase *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities*	$ 8,407,011

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 $4,184,132 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	$ (6,550,000)
Issuance of capital lease	(477,685)
Principal repayments:	
General obligation debt	2,680,000
Capital lease	163,553
Net adjustment to decrease *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities*	$ (4,184,132)

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 $646,798 difference are as follows:

Accrued interest	$	(136,963)
Compensated absences		(116,062)
Other postemployment benefits		(428,103)
Pension contributions		34,330
Net adjustment to decrease *net change in fund balances-total governmental funds* to arrive at *change in net position of governmental activities*	$	(646,798)

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).

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

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

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

(b) Publication of proposed budget on or before August 15 of each year.

(c) A minimum of 10 days' notice of public hearing, published in local newspaper, on or before August 15 of each year.

(d) Adoption of the final budget on or before August 25 of each year.

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

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.

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

A reconciliation of the General Fund budgetary basis statement to the governmental fund statement as of December 31, 2017 is as follows:

	General Fund
Expenditures and other financing sources and uses and encumbrances (basis of budgeting)	$ 17,288,256
Add 2016 encumbrances	47,985
Less 2017 encumbrances	(25,749)
Less 2016 encumbrances relieved	(47,985)
Expenditures and other financing sources and uses (GAAP basis)	$ 17,262,507

4. Detailed notes on all funds

A. Deposits and investments

<u>Deposits</u>

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, 2017, the City's carrying amount of deposits was $12,956,537, and the bank balance was $13,055,336. Of the bank balance, $757,929 was covered by Federal depository insurance and $12,297,407 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, 2017, the Library's deposits were not exposed to custodial credit risk.

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Investments

At December 31, 2017, the City had the following investments:

	Maturities	Fair Value
Repurchase agreements	1 – 89 days	$2,000,000
Money market mutual funds	< 1 year	93,914
US Treasury bills	< 1 year	3,499,444
Total investments		$5,593,358

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

Credit risk

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

Custodial credit risk

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

Interest rate risk

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

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Fair value measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. For the year ended December 31, 2017, money market mutual funds held by the City were valued using quoted prices in active markets (Level 1 inputs) and US Treasury bills were valued using significant other observable inputs (Level 2 inputs).

4. Detailed notes on all funds (continued)

B. Capital assets

Capital assets activity for the year ended December 31, 2017 was as follows:

Primary government

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated					
Land	$ 2,695,354	$ -	$ -	$ -	$ 2,695,354
Construction in progress	1,436,470	-	9,152,669	(3,432,937)	7,156,202
Total capital assets, not being depreciated	4,131,824	-	9,152,669	(3,432,937)	9,851,556
Capital assets, being depreciated					
Buildings	32,423,404	-	789,691	-	33,213,095
Improvements	17,478,595	-	178,063	(17,308)	17,639,350
Equipment	13,000,487	-	2,192,409	(3,020,323)	12,172,573
IT equipment & software	37,728	-	524,892	(7,390)	555,230
Infrastructure	91,758,076	2,110,062	4,901,669	-	98,769,807
Total capital assets, being depreciated	154,698,290	2,110,062	8,586,724	(3,045,021)	162,350,055
Less accumulated depreciation for:					
Buildings	22,868,495	-	1,152,457	-	24,020,952
Improvements	9,015,395	-	677,848	-	9,693,243
Equipment	9,413,682	-	783,672	(2,108,068)	8,089,286
IT equipment & software	7,449	-	68,612	-	76,061
Infrastructure	61,354,330	32,445	3,216,856	-	64,603,631
Total accumulated depreciation	102,659,351	32,445	5,899,445	(2,108,068)	106,483,173
Total capital assets, being depreciated, net	52,038,939	2,077,617	2,687,279	(936,953)	55,866,882
Governmental activities capital assets, net	$ 56,170,763	$ 2,077,617	$ 11,839,948	$ (4,369,890)	$ 65,718,438

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
Construction in progress	-	524,974	-	524,974
Total capital assets, not being depreciated	58,634	524,974	-	583,608
Capital assets, being depreciated				
Buildings	17,061,364	-	-	17,061,364
Improvements	12,525,379	-	-	12,525,379
Equipment	3,395,413	190,968	(374,257)	3,212,124
Infrastructure	1,665,071	487,270	-	2,152,341
Total capital assets, being depreciated	34,647,227	678,238	(374,257)	34,951,208
Less accumulated depreciation for:				
Buildings	11,261,604	817,324	-	12,078,928
Improvements	5,609,801	442,131	-	6,051,932
Equipment	2,767,695	149,981	(279,734)	2,637,942
Infrastructure	29,384	27,076	-	56,460
Total accumulated depreciation	19,668,484	1,436,512	(279,774)	20,825,262
Total capital assets, being depreciated, net	14,978,743	(758,274)	(94,523)	14,125,946
Business-type activities capital assets, net	$ 15,037,377	$ (233,300)	$ (94,523)	$ 14,709,554

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	$	204,848
Public safety		726,260
Public works		3,628,327
Housing and urban redevelopment		279,931
Culture and recreation		1,060,079
Total depreciation expense – governmental activities	$	5,899,445

Business-type activities:		
Sewer	$	1,314,268
Refuse		122,244
Total depreciation expense – business-type activities	$	1,436,512

Construction commitments

The City has active construction projects as of December 31, 2017. The projects include widening and improvements of streets and bridges, improvements of buildings, improvements of parks, Business and Technology Park, 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	$	1,451,836	$	4,376,620
Bridge improvements		1,707,161		42,285
Business & Technology Park		7,298,136		2,460,865
Stormwater improvements		93,682		475,120
Total	$	10,550,815	$	7,354,890

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				
Equipment	$ 207,168	$ 7,117	$ 26,650	$ 187,635
Books	1,545,982	128,078	76,666	1,597,394
Furniture and fixtures	391,360	-	430	390,930
Total capital assets, being depreciated	2,144,510	135,195	103,746	2,175,959
Less accumulated depreciation for:				
Equipment	166,825	15,313	26,650	155,488
Books	1,029,234	108,583	76,666	1,061,151
Furniture and fixtures	288,017	9,785	346	297,456
Total accumulated depreciation	1,484,076	133,681	103,662	1,514,095
Total capital assets being depreciated, net	$ 660,434	$ 1,514	$ 84	$ 661,864

Prior period adjustment. A prior period adjustment was made to record $2,110,062 of additions to infrastructure and $ 32,445 of additions to accumulated depreciation, restating governmental activities infrastructure assets at January 1, 2017 from $91,758,076 to $93,868,138 and increasing infrastructure accumulated depreciation from $61,354,330 to $61,386,775. The change to governmental funds net position is a net increase of $2,077,617.

The adjustment relates to recording previously unidentified contributed capital for street and bridge improvements on 2nd Avenue at Limit Street.

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2017, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	$ 15,306

4. Detailed notes on all funds (continued)

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

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.

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

Interfund transfers:

Fund	Transfers In	Transfers Out
Major funds		
General Fund	$ 94,690	$ 56,275
Debt Service Fund	924,158	-
Capital Projects Fund	2,875,938	40,770
Refuse	-	47,345
Nonmajor governmental funds	300,000	4,050,396
Total transfers	$ 4,194,786	$ 4,194,786

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

D. Long-term debt

General obligation bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During the year, general obligation bonds totaling $6,550,000 were issued for governmental activities to provide permanent financing for a business and technology park and general infrastructure improvements.

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Balance 12/31/17
Governmental activities				
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	$ 825,000
GO Refunding	2011B	1.00% - 2.60%	09/01/22	1,495,000
GO Refunding & Internal Improvements	2012B	1.10% - 2.30%	09/01/22	1,085,000
GO Refunding & Internal Improvements	2013A	0.65% - 2.40%	09/01/25	2,830,000
GO Refunding & Internal Improvements	2014A	2.00% - 2.50%	09/01/24	1,425,000
Computer Hardware/Software	2014B	2.25% - 3.00%	09/01/24	355,000
Internal Improvements	2015A	1.50% - 2.75%	09/01/25	1,390,000
Internal Improvements - Taxable	2015B	1.85% - 3.15%	09/01/25	490,000
Fire Trucks & Refunding	2016A	1.50% - 2.30%	09/01/31	5,155,000
TIF Hotel-Taxable	2016A	1.30% - 2.25%	09/01/26	805,000
Business & Technology Park	2017A	2.70% - 4.00%	09/01/36	4,910,000
Internal Improvements	2017B	2.00% - 2.75%	09/01/27	1,640,000
				22,405,000
Business-type activities				
Sewer GO Refunding	2011B	1.00% - 2.60%	09/01/18	140,000
Sewer System Improvements	2012A	2.00% - 2.75%	09/01/32	3,315,000
GO Refunding & Sewer	2012B	1.10% - 2.30%	09/01/25	1,270,000
GO Refunding & Sewer	2014A	2.00% - 2.50%	09/01/23	1,830,000
				6,555,000
				$ 28,960,000

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:

Governmental activities	Principal	Interest	Total
2018	$ 2,745,000	$ 636,156	$ 3,381,156
2019	2,750,000	482,365	3,232,365
2020	2,585,000	423,536	3,008,536
2021	2,360,000	371,543	2,731,543
2022	2,200,000	319,290	2,519,290
2023-2027	6,435,000	951,364	7,386,364
2028-2032	1,860,000	434,100	2,294,100
2033-2037	1,470,000	134,013	1,604,013
	22,405,000	3,752,367	26,157,367
Business-type activities			
2018	755,000	138,568	893,568
2019	640,000	125,123	765,123
2020	650,000	113,330	763,330
2021	665,000	101,028	766,028
2022	685,000	88,115	773,115
2023-2027	1,915,000	260,615	2,175,615
2028-2032	1,245,000	99,005	1,344,005
	6,555,000	925,784	7,480,784
Total	$ 28,960,000	$ 4,678,151	$ 33,638,151

At December 31, 2017, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is $70,316,891 which, after reduction of applicable outstanding debt of $15,034,277, provides a debt margin of $55,282,614. General obligation bonds of $15,995,723 for traffic way, sewer and refuse improvements and refundings issued under K.S.A. 10-427 are exempt from this calculation.

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

Conduit debt obligations

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

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

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Through December 31, 2017, there is one series of Industrial Revenue Bonds (IRB) outstanding, with an aggregate principal amount payable of approximately $1,467,609.

4. Detailed notes on all funds (continued)

E. Capital leases

The City has entered into a lease agreement as lessee for financing of computer network equipment. 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	$ 508,177
Less: accumulated depreciation	(60,497)
Total	$ 447,680

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

	Governmental Activities
Year ending December 31:	
2018	$ 164,840
2019	164,840
Total minimum lease payments	329,680
Less: amount representing interest	(15,548)
Present value of minimum lease payments	$ 314,132

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 $2,070,000 were issued for governmental activities to provide temporary financing for general capital improvements.

4. Detailed notes on all funds (continued)

F. Bond anticipation notes (continued)

Bond anticipation notes issued for governmental activities for which all legal steps and the ability to consummate refinancing have not been met are reported as a fund liability in the fund receiving proceeds. The following bond anticipation notes are reported as fund liabilities at December 31, 2017:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2017
Governmental activities				
Internal improvements	2017A	1.63%	03/01/19	$ 1,370,000
Internal improvements	2017B	1.50%	09/01/20	700,000
Total				$ 2,070,000

Short-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	$1,660,000	$2,070,000	$1,660,000	$2,070,000

4. Detailed notes on all funds (continued)

G. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	$ 18,535,000	$ 6,550,000	$ 2,680,000	$ 22,405,000	$ 2,745,000
Capital leases	-	477,685	163,553	314,132	154,530
Net pension liability	16,583,454	-	973,077	15,610,377	-
Compensated absences	2,243,658	1,501,231	1,385,169	2,359,720	299,786
Other postemployment benefits	3,884,738	428,103	-	4,312,841	-
Total	$ 41,246,850	$ 8,957,019	$ 5,201,799	$ 45,002,070	$ 3,199,316
Business-type activities					
General obligation bonds	$ 7,305,000	$ -	$ 750,000	$ 6,555,000	$ 755,000
Compensated absences	156,873	-	15,574	141,299	17,975
Other postemployment benefits	179,492	10,851	-	190,343	-
Net pension liability	895,037	-	47,436	847,601	-
Accrued landfill closure					
post-closure care costs	230,008	-	10,739	219,269	15,000
Total	$ 8,766,410	$ 10,851	$ 823,749	$ 7,953,512	$ 787,975
Discretely presented component unit					
Net pension liability	$ 510,628	$ -	$ 39,721	$ 470,907	$ -

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

4. Detailed notes on all funds (continued)

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, 2017, 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. The general fund is the only fund that reports a positive unassigned fund balance. Other governmental funds may report a negative unassigned fund balance if expenditures for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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.

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

Fund balances for all the major and nonmajor governmental funds as of December 31, 2017 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital improvements	$ -	$ -	$ -	$ 2,473,379	$ 2,473,379
Tax increment financing	-	-	-	479,879	479,879
Street maintenance	-	-	-	942,987	942,987
Law enforcement	-	-	-	169,573	169,573
Tourism & conventions	-	-	-	373,145	373,145
Recreation programs	-	-	-	156,810	156,810
Housing services	-	-	-	1,188,517	1,188,517
Community redevelopment	-	-	-	3,115	3,115
Economic development	-	-	-	613,120	613,120
General obligation debt	-	315,640	-	-	315,640
Subtotal	-	315,640	-	6,400,525	6,716,165
Committed to:					
Capital improvements	-	-	2,240,305	-	2,240,305
Subtotal	-	-	2,240,305	-	2,240,305
Assigned to:					
Purchases on order	25,749	-	-	-	25,749
Subtotal	25,749	-	-	-	25,479
Unassigned	6,451,103	-	-	-	6,451,103
Total fund balance	$ 6,476,852	$ 315,640	$ 2,240,305	$ 6,400,525	$ 15,433,322

The City Commission adopted a revision of the General Fund Reserve Policy to include the CIP Sales Tax Fund, the County Wide Sales Tax Fund, and as retained earnings for the Sewer Fund and Refuse Fund; 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 16.67% of annual 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.

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

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 fund expenditures as authorized by K.S.A. 79-2927.

Finally, it is the policy of the City to consider the 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. The policy provides for use of unassigned reserves restricted to include debt reduction; one-time expenditures that do not increase recurring operating costs, but cannot be funded through current revenues, and will reduce future operating costs; and establishing or increasing reserves for risk management programs, equipment replacement, capital projects, emergencies, or disaster recovery.

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, 2017, the membership of KERIT included fourteen cities and two counties.

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.

5. Other information (continued)

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.

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).

5. Other information (continued)

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

General Information About the Pension Plan (continued)

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

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

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

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

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

5. Other information (continued)

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

General Information About the Pension Plan (continued)

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 1.2% of total payroll for the KPERS fiscal year ended June 30, 2017.

The actuarially determined employer contribution rate (not including the 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate were 8.46% for KPERS and 19.03% for KP&F for the year ended December 31, 2017. Contributions to the Pension Plan from the City were $505,079 for KPERS and $1,102,682 for KP&F for the year ended December 31, 2017. Contributions from the Library for KPERS were $ 50,853 for the year ended December 31, 2017.

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, 2017, the City reported a liability of $ 4,762,421 for KPERS and $ 10,409,047 for KP&F and the Library reported a liability of $470,907 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, 2017, and the total pension liability to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. Although KPERS administers one cost-sharing multiple-employer defined benefit plan, separate (sub) actuarial valuations are prepared to determine the actuarial contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and non-employer. 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 non-employer contributions of the Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2017. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the City's proportion for KPERS was .328793%, which was an increase of .005112% from its proportion measured as of June 30, 2016. At June 30, 2017, the City's proportion for KP&F was 1.109955%, which was a decrease of .090148% from its proportion measured as of June 30, 2016. At June 30, 2017, the Library's proportion for KPERS was .0325%, which was a decrease of .0005% from its proportion measured as of June 30, 2016.

5. Other information (continued)

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

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

For the year ended December 31, 2017, The City recognized pension expense of $372,042 for KPERS and $1,222,746 for KP&F, and the Library recognized pension expense of $47,002 for KPERS. At December 31, 2017, the City and the Library reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 526,220	$ 242,540
Net difference between projected and actual earnings on pension plan investments	534,998	-
Changes in assumptions	983,324	81,341
Changes in proportionate share	220,129	1,386,882
City contributions subsequent to measurement date	832,229	-
Total	$ 3,096,900	$ 1,710,763

	Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,278	$ 16,283
Net difference between projected and actual earnings on pension plan investments	14,772	-
Changes in assumptions	25,360	3,443
Changes in proportionate share	24,263	13,771
Total	$ 66,673	$ 33,497

5. Other information (continued)

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

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

The $832,229 for the City reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	City	Library
2018	$ (25,210)	$ 1,046
2019	550,967	19,640
2020	225,800	14,435
2021	(240,951)	(2,849)
2022	43,302	904
	$ 553,908	$ 33,176

Actuarial Assumptions. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary increases	3.5 to 12.00 percent, including price inflation
Investment rate of return	7.75 percent compounded annually, net of investment expense, including price inflation

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

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 changes adopted by the Pension Plan for all groups based on the experience study:

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

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

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

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 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. The Local employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, and subsequent legislation, the employer contribution rates certified by the KPERS Board of Trustees may not increase by more than the statutory cap. The statutory cap for the KPERS fiscal year ended June 30, 2017 was 1.2%.

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 KPERS. Future employer contribution rates were also modeled for KP&F, assuming all actuarial assumptions are met in future years. Employees contribute the full actuarial determined rate for KP&F. 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.

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 table presents the City's and the Library's proportionate share of the collective net pension liability calculated using the discount rate of 7.75%, as well as what the proportionate share of the collective net pension liability would be if it were calculated at 1 percentage point lower (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's KPERS proportionate share of the collective net pension liability	$ 6,858,927	$ 4,762,421	$ 2,995,148
City's KP&F proportionate share of the collective net pension liability	14,766,738	10,409,047	6,761,044
Library's KPERS proportionate share of the collective net pension liability	678,210	470,907	296,160

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

5. Other information (continued)

C. Pension plans - Police and Fire Pension Plan

Plan description

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

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

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

Plan membership. The plan is closed to new entrants. At December 31, 2017, 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	0
	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.

5. Other information (continued)

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

Plan description (continued)

Contributions. The contribution requirements of plan members and the reporting entity are established by City ordinance and may be amended by the City Commission. The City is required to contribute at an actuarially determined amount based on the latest actuarial report. As this is a closed plan and all members are retirees or beneficiaries, the members are no longer making any contribution to the Plan. The City provides for pension expenses by levying ad valorem property taxes each year. The actual employer contribution to the Plan during the year ended December 31, 2017 was $162,622.

Investments

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

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

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

Rate of return. For year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.00%. 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, 2017, and the total pension liability used to calculate the net pension liability was determined to by an actuarial valuation as of December 31, 2017.

5. Other information (continued)

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

Net pension liability (continued)

Actuarial Assumptions.
The total pension liability was determined by an actuarial valuation as of December 31, 2017 using the following actuarial assumptions:

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

Mortality rates were based on the RP-2014 Mortality Table with Blue Collar adjustment projected from 2006 with Social Security Generational Improvement Scale based on the 2017 Trustees Report.

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, 2017 are summarized in the following table:

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

Long-term expected rate of return is 3%.
Money-weighted rate of return is 0.00%.

5. Other information (continued)

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

Changes in the net pension liability

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 will be made and that the City's contributions 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.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2016	$ 2,079,197	$ 754,266	$ 1,324,931
Changes for the year:			
Service cost	-	-	-
Interest	60,322	-	60,322
Differences between expected and actual experience	(29,788)	-	(29,788)
Changes of assumptions	97,084	-	97,084
Employer contributions	-	162,622	(162,622)
Net investment income	-	3,417	(3,417)
Benefit payments, including refunds of member contributions	(136,916)	(136,916)	-
Net changes	(9,298)	29,123	(38,421)
Balance at December 31, 2017	$ 2,069,899	$ 783,389	$ 1,286,510

Plan fiduciary net position as a percentage of the total pension liability is 37.85%.

5. Other information (continued)

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

Changes in the net pension liability (continued)

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

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net pension liability	$ 1,479,031	$ 1,286,510	$ 1,110,699

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

For the year ended December 31, 2017, the City recognized pension expense of $ 116,850. At December 31, 2017, the City reported deferred outflows of resources from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 36,509

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 (continued)

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,	
2018	$ 12,246
2019	12,247
2020	8,099
2021	3,917
2022	-
Thereafter	-

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 dependents as for active employees and their dependents. The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. The plan does not issue a stand-alone financial report.

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

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 2017, the City made contributions of $206,299 to the plan. Plan members receiving benefits contributed $188,516.

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	$ 653,042
Interest on net OPEB obligation	132,088
Adjustment to ARC	(139,877)
Annual OPEB cost	645,253
Contributions made	(206,299)
Increase in net OPEB obligation	438,954
Net OPEB obligation at beginning of year	4,064,230
Net OPEB obligation at end of year	$ 4,503,184

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2016 and 2017 are as follows:

Fiscal Year Ending December 31,	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 525,968	31.8 %	$ 3,641,394
2016	612,101	31.8	4,064,230
2017	645,252	32.0	4,503,183

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

Funded status and funding progress

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

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

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 $219,269 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2017 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 2017. 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, 2017.

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, 2017, the City's recorded encumbrances in governmental funds were as follows:

General Fund	$ 25,749
Capital Projects Fund	1,306,712
Other nonmajor governmental funds	
Recreation Fund	12,195
Special Fuel Fund	25,229
Community Development	16,600
Housing-CFP	184,245
Total	$ 1,570,730

G. Tax abatements

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

For the fiscal year ended December 31, 2017, the City abated taxes totaling $616,313, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

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

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

5. Other information (continued)

G. Tax abatements (continued)

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

As of December 31, 2017, the Commission approved extending the NRA for another 10 years. There are approximately 60 properties participating in the tax abatements, which totaled $96,090.

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

As of December 31, 2017, the City has the following **Sales Tax TIF** agreements:

- Home Depot (2001-2021) refund of 100% of the original 1% City sales tax. The amount repaid to Home Depot in 2017 was $265,495.

- Zeck Ford (2015- 2035) refund of 80% of the original 1% City sales tax that is generated on sales exceeding $53,992,480 annually. The amount of sales tax repaid to Zeck for 2017 was $112,278.

5. Other information (continued)

G. Tax abatements (continued)

As of December 31, 2017, the City has the following **Property Tax TIF** agreements:

- Zeck Ford (2015-2035): 100% refund of the property tax generated in excess of the assessed value excluding the allocation to the state and the school district general fund that is exempted by statute. $1,102,513 is considered the base value, and 2015 is considered the base year. At December 31, 2017, there was no increase in assessed valuation related to TIF eligible improvements.
- North Gateway Hotels (2014-2034): 100% of the property tax generated on the increased value of the properties in the North Gateway Hotel TIF is placed into a TIF fund, excluding the allocation to the state and the school district general fund that is exempted by statute. The monies paid into the TIF fund will be used to repay the $875,000 of GO bonds issued on behalf of the developer towards the construction of an extended stay hotel at that same location. As of December 31, 2017, the district generated $142,450.
- Downtown Hotel (2014-2034): 100% of the property tax generated on the increased value of the properties in the Downtown Hotel TIF is placed into a TIF fund, excluding the allocation to the state and the school district general fund that is exempted by statute. The base year for assessed valuation is 2011 and the base value is $2,352,884. As of December 31, 2017 there was no increase in value related to TIF improvements.

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

H. Subsequent events

Subsequent to year end, the City issued and sold $ 1,410,000 in General Obligation Bonds, Series 2018-A, to provide permanent financing of certain general improvements consisting of asphalt overlay of streets, which were initially financed from proceeds of the City's Series A2017 Temporary Notes.

The City also issued and sold $ 3,460,000 in Temporary Notes, Series A2018, to finance certain general improvements in the City consisting of the asphalt overlay of streets, road improvements to the New Lawrence Road, and stone replacement for the Riverfront Community Center.

In addition to the Series 2018-A General Obligation Bonds and Series A2018 Temporary Notes, the City entered into a three-year capital lease agreement in the amount of $401,849. This lease is to finance the purchase of a Wastewater Treatment sewer cleaning truck.

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 Four Fiscal Years*

	2017	**2016**	**2015**	**2014**
City's proportion of the collective net pension liability:				
KPERS	0.328793%	0.323681%	0.368228%	0.355866%
KP&F	1.109955%	1.200103%	1.280163%	1.271155%
City's proportionate share of the collective net pension liability	$ 15,171,471	$ 16,153,560	$ 14,130,484	$ 12,716,814
City's covered-employee payroll	$ 11,552,857	$ 11,250,704	$ 11,932,917	$ 11,476,070
City's proportionate share of the collective net pension net pension liability as a percentage of its covered-employee payroll	131.32%	143.58%	118.42%	110.81%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%	66.60%

* GASB 68 requries presentation of 10 years. As of December 31, 2017, only four years of information is available.

City of Leavenworth, Kansas

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	$ 1,607,761	$ 1,709,712	$ 1,785,936	$ 1,741,195	$ 1,491,559	$ 1,424,239	$ 1,358,240	$ 1,220,228	$ 1,217,312	$ 1,069,774
Contributions in relation to the contractually required contribution	$ (1,607,761)	$ (1,709,712)	$ (1,785,936)	$ (1,741,195)	$ (1,491,559)	$ (1,424,239)	$ (1,358,240)	$ (1,220,228)	$ (1,217,312)	$ (1,069,774)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City's covered-employee payroll*	11,672,733	11,235,594	11,590,840	11,710,799	11,436,682	11,429,992	11,958,524	11,990,714	11,957,511	10,621,615
Contributions as a percentage of covered-employee payroll	13.77%	15.22%	15.41%	14.87%	13.04%	12.46%	11.36%	10.18%	10.18%	10.07%

* Covered-employee payroll is for the year ended December 31st.

City of Leavenworth, Kansas

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

	2017	2016	2015
Library's proportion of the collective net pension liability	0.0325%	0.033%	0.030%
Library's proportionate share of the collective net pension liability	$ 470,907	$ 510,628	$ 398,312
Library's covered-employee payroll^	$ 584,240	$ 583,838	$ 544,714
Library's proportionate share of the collective net pension liability as a percentage of its covered-employee payroll	80.60%	87.46%	71.80%
Plan fiduciary net position as a percentage of the total pension liability	67.12%	65.10%	64.95%

* GASB 67 requires presentation of 10 years. As of December 31, 2017, only three years of information is available.

^ Covered-employee payroll corresponds to the measurement date for the year ended June 30.

City of Leavenworth, Kansas

Schedule of Library's Contributions
Kansas Public Employees Retirement System
Last Three Fiscal Years*

	2017	2016	2015
Contractually required contribution	$ 50,853	$ 52,798	$ 46,390
Contributions in relation to the contractually required contribution	$ 50,853	$ 52,798	$ 46,390
Contribution deficiency (excess)	$ -	$ -	$ -
Library's covered-employee payroll	$ 584,240	$ 583,838	$ 554,714
Contributions as a percentage of covered-employee payroll	8.704%	9.043%	8.363%

* GASB 67 requires presentation of 10 years. As of December 31, 2017, only three years of information is available.

City of Leavenworth, Kansas
Schedule of Changes in Net Pension Liability and Related Ratios
Police and Fire Pension Plan
Last Four Fiscal Years*

Total pension liability	**2017**	**2016**	**2015**	**2014**
Interest	$ 60,322	$ 61,831	$ 73,102	$ 74,801
Differences between expected and actual experience	(29,788)	23,728	(305,853)	21,327
Changes of assumptions	97,084	-	-	-
Benefit payments, including refunds of member contributions	(136,916)	(134,794)	(151,091)	(154,434)
Net change in total pension liability	(9,298)	(49,235)	(383,842)	(58,306)
Total pension liability-beginning	2,079,197	2,128,432	2,512,274	2,570,580
Total pension-liability-ending (a)	2,069,899	2,079,197	2,128,432	2,512,274
Plan fiduciary net position				
Contributions-employer	$ 162,622	$ 163,144	$ 160,245	$ 159,716
Net investment income	3,417	1,266	846	846
Benefit payments, including refunds of member contributions	(136,916)	(134,794)	(151,091)	(154,434)
Other	-	-	-	(48)
Net change in plan fiduciary net position	29,123	29,616	10,000	6,080
Plan fiduciary net position-beginning	754,266	724,650	714,650	708,570
Plan fiduciary net position-ending (b)	783,389	754,266	724,650	714,650
Net pension liability-ending (a)-(b)	$ 1,286,510	$ 1,324,931	$ 1,403,782	$ 1,797,624
Plan fiduciary net position as a percentage of the total pension liability	37.85%	36.28%	34.05%	28.45%
Covered-employee payroll	$ -	$ -	$ -	$ -
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

* GASB 67 requires presentation of 10 years. As of December 31, 2017, only four years of information is available.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	$ 86,462	$ 91,608	$ 117,310	$ 153,655	$ 153,655	$ 153,655	$ 153,655	$ 153,655	$ 140,458	$ 140,458
Actual contributions	162,622	163,144	160,245	159,716	188,189	180,610	155,067	179,560	153,683	173,056
Contribution deficiency (excess)	$ (76,160)	$ (71,536)	$ (42,935)	$ (6,061)	$ (34,534)	$ (26,955)	$ (1,412)	$ (25,905)	$ (13,225)	$ (32,598)
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, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Open level dollar
Remaining amortization method	20 years
Asset valuation method	Market Value of Assets
Investment rate of return	3.0% net of investment expenses
Mortality	RP-2014 Mortality Table with Blue Collar adjustment projected from 2006 with Social Security Generational Improvement Scale based on the 2017 Trustees Report

City of Leavenworth, Kansas
Schedule of Investment Returns
Police and Fire Pension Plans
Last Four Fiscal Years*

Fiscal Year	Annual Money-Weighted Rate of Return
2017	0.00%
2016	0.15%
2015	0.14%
2014	0.14%

* GASB 67 requires presentation of 10 years. As of December 31, 2017, only four years of information is available.

City of Leavenworth, Kansas
Other Postemployment Benefits
Schedule of Funding Progress
December 31, 2017

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

Combining and Individual Fund Statements and Schedules

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2017

Special Revenue Funds

Fund Descriptions

Recreation Fund

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

Economic Development Fund

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

Special Fuel Fund

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

CIP Sales Tax Fund

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

Countywide Sales Tax Fund

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

Tax Increment Fund – Zeck

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

Tax Increment Fund – Hotels

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

Fund Descriptions (continued)

Tax Increment Fund – Home Depot

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

Convention & Visitors Bureau Fund

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

Police Seizure Fund

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

Police Grants Fund

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

Housing Fund

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

Community Development Fund

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

Special Park Gift Fund

To account for public contributions for improvements to city parks.

City of Leavenworth, Kansas

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2017

	Recreation	Economic Development
ASSETS		
Cash and cash equivalents	$ 178,004	$ 543,910
Cash in escrow	-	-
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	366,502	-
Sales tax receivable	-	70,093
Interest receivable	-	-
Due from other governments	-	-
Total assets	$ 544,506	$ 614,003
LIABILITIES		
Accounts payable	$ 25,786	$ 10
Accrued compensation	29,580	873
Due to other funds	-	-
Tenant deposits	-	-
Unearned revenues	-	-
Total liabilities	55,366	883
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	366,502	-
FUND BALANCES		
Restricted	122,638	613,120
Total liabilities, deferred inflows of resources, and fund balances	$ 544,506	$ 614,003

Special Revenue				
Special Fuel	**CIP Sales Tax**	**Countywide Sales Tax**	**Tax Increment Zeck**	**Tax Increment Hotels**
$ 979,619	$ 994,406	$ 705,290	$ 33,764	$ 124,397
-	-	-	-	93,914
-	-	-	-	-
-	-	-	-	-
-	376,489	397,194	83,733	8,977
-	-	-	-	-
-	-	-	-	-
$ 979,619	$ 1,370,895	$ 1,102,484	$ 117,497	$ 227,288
$ 8,134	$ -	$ -	$ -	$ -
28,498	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
36,632	-	-	-	-
-	-	-	-	-
942,987	1,370,895	1,102,484	117,497	227,288
$ 979,619	$ 1,370,895	$ 1,102,484	$ 117,497	$ 227,288

(continued)

City of Leavenworth, Kansas

Combining Balance Sheet
(Continued)

Nonmajor Governmental Funds

December 31, 2017

	Tax Increment Home Depot	Convention & Visitors Bureau
ASSETS		
Cash and cash equivalents	$ 95,612	$ 384,172
Cash in escrow	-	-
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	-	-
Sales tax receivable	39,312	-
Interest receivable	170	-
Due from other governments	-	-
Total assets	$ 135,094	$ 384,172
LIABILITIES		
Accounts payable	$ -	$ 5,421
Accrued compensation	-	5,606
Due to other funds	-	-
Tenant deposits	-	-
Unearned revenues	-	-
Total liabilities	-	11,027
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	-	-
FUND BALANCES		
Restricted	135,094	373,145
Total liabilities, deferred inflows of resources, and fund balances	$ 135,094	$ 384,172

Special Revenue					
Police Seizure	Police Grants	Housing	Community Development	Special Park Gift	Total Nonmajor Governmental Funds
$ 165,474	$ 3,980	$ 1,328,133	$ 12,615	$ 34,172	$ 5,583,548
-	-	-	-	-	93,914
-	-	33,248	-	-	33,248
-	-	-	-	-	366,502
-	-	-	-	-	975,798
119	-	-	-	-	289
-	-	-	18,701	-	18,701
$ 165,593	$ 3,980	$ 1,361,381	$ 31,316	$ 34,172	$ 7,072,000
$ -	$ -	$ 41,606	$ 9,819	$ -	$ 90,776
-	-	10,735	3,076	-	78,368
-	-	-	15,306	-	15,306
-	-	33,248	-	-	33,248
-	-	87,275	-	-	87,275
-	-	172,864	28,201	-	304,973
-	-	-	-	-	366,502
165,593	3,980	1,188,517	3,115	34,172	6,400,525
$ 165,593	$ 3,980	$ 1,361,381	$ 31,316	$ 34,172	$ 7,072,000

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2017

	Recreation	Economic Development
REVENUES		
Taxes	$ 586,318	$ 396,329
Intergovernmental	70,839	-
Charges for services	646,626	-
Fines and forfeitures	-	-
Investment earnings	-	-
Miscellaneous	9,261	(12)
Total revenues	1,313,044	396,317
EXPENDITURES		
Current:		
General government	-	-
Public safety	-	-
Public works	-	-
Culture and recreation	1,568,902	-
Housing and urban redevelopment	-	231,697
Debt service:		
Principal retirement	-	-
Interest and fiscal charges	-	-
Capital outlay	-	-
Total expenditures	1,568,902	231,697
Excess (deficiency) of revenues over (under) expenditures	(255,858)	164,620
OTHER FINANCING SOURCES (USES)		
Sale of general capital assets	-	958
Insurance proceeds	-	-
Transfers in	300,000	-
Transfers out	-	-
Total - other financing sources (uses)	300,000	958
Net change in fund balances	44,142	165,578
Fund balances - beginning	78,496	447,542
Fund balances - ending	$ 122,638	$ 613,120

Special Revenue									
	Special Fuel		CIP Sales Tax		Countywide Sales Tax		Tax Increment Zeck		Tax Increment Hotels
$	-	$	2,082,692	$	2,245,862	$	609,791	$	152,847
	1,067,443		-		-		-		-
	303		-		-		4,783		9,580
	-		-		-		-		-
	-		-		-		-		1,978
	947,048		238		-				177,567
	2,014,794		2,082,930		2,245,862		614,574		341,972
	-		-		-		-		-
	-		-		-		-		-
	1,129,761		-		-		-		-
	-		-		-		-		-
	-		-		-		617,399		593,546
	-		-		-		-		70,000
	-		-		-		-		14,413
	-		28,419		-		-		-
	1,129,761		28,419		-		617,399		677,959
	885,033		2,054,511		2,245,862		(2,825)		(335,987)
	-		35,480		-		-		-
	32,641		-		-		-		-
	-		-		-		-		-
	(47,345)		(2,112,144)		(1,890,907)		-		-
	(14,704)		(2,076,664)		(1,890,907)		-		-
	870,329		(22,153)		354,955		(2,825)		(335,987)
	72,658		1,393,048		747,529		120,322		563,275
$	942,987	$	1,370,895	$	1,102,484	$	117,497	$	227,288

(continued)

City of Leavenworth, Kansas

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

Nonmajor Governmental Funds

For the Year Ended December 31, 2017

	Tax Increment Home Depot	Convention & Visitors Bureau
REVENUES		
Taxes	$ 274,416	$ 341,317
Intergovernmental	-	-
Charges for services	-	-
Fines and forfeitures	-	-
Investment earnings	646	-
Miscellaneous	-	175
Total revenues	275,062	341,492
EXPENDITURES		
Current:		
General government	-	245,935
Public safety	-	-
Public works	-	-
Culture and recreation	-	-
Housing and urban redevelopment	265,495	-
Debt service		
Principal retirement	-	-
Interest and fiscal charges	-	-
Capital outlay	-	-
Total expenditures	265,495	245,935
Excess (deficiency) of revenues over (under) expenditures	9,567	95,557
OTHER FINANCING SOURCES (USES)		
Sale of general capital assets	-	-
Insurance proceeds	-	-
Transfers in	-	-
Transfers out	-	-
Total - other financing sources (uses)	-	-
Net change in fund balances	9,567	95,557
Fund balances - beginning	125,527	277,588
Fund balances - ending	$ 135,094	$ 373,145

Special Revenue											
Police Seizure		Police Grants		Housing		Community Development		Special Park Gift		Total Nonmajor Governmental Funds	
$	-	$	-	$	-	$	-	$	-	$	6,689,572
	-		12,310		2,055,935		306,905		-		3,513,432
	-		-		504,740		16,025		6,146		1,188,203
	8,543		-		-		-		-		8,543
	885		-		149		-		-		3,658
	-		-		24,004		7,941		7,629		1,173,851
	9,428		12,310		2,584,828		330,871		13,775		12,577,259
	-		-		-		-		-		245,935
	1,462		12,310		-		-		-		13,772
	-		-		-		-		-		1,129,761
	-		-		-		-		14,712		1,583,614
	-		-		2,426,198		366,224		-		4,500,559
	-		-		-		-		-		70,000
	-		-		-		-		-		14,413
	-		-		13,050		-		-		41,469
	1,462		12,310		2,439,248		366,224		14,712		7,599,523
	7,966		-		145,580		(35,353)		(937)		4,977,736
	-		-		-		-		-		36,438
	-		-		6,369		-		-		39,010
	-		-		-		-		-		300,000
	-		-		-		-		-		(4,050,396)
	-		-		6,369		-		-		(3,674,948)
	7,966		-		151,949		(35,353)		(937)		1,302,788
	157,627		3,980		1,036,568		38,468		35,109		5,097,737
$	165,593	$	3,980	$	1,188,517	$	3,115	$	34,172	$	6,400,525

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, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 1,924,910	$ 1,924,910	$ 1,940,021	$ 15,111
Miscellaneous	-	-	13,840	13,840
Total revenues	1,924,910	1,924,910	1,953,861	28,951
EXPENDITURES				
Debt service:				
Principal retirement	2,605,000	2,605,000	2,610,000	(5,000)
Interest and fiscal charges	388,155	388,155	368,103	20,052
Debt issuance costs	100,000	100,000	-	100,000
Operating reserves	495,000	495,000	-	495,000
Total expenditures	3,588,155	3,588,155	2,978,103	610,052
Deficiency of revenues under expenditures	(1,663,245)	(1,663,245)	(1,024,242)	639,003
OTHER FINANCING SOURCES				
Transfers in	1,143,235	1,143,235	924,158	(219,077)
Net change in fund balances	(520,010)	(520,010)	(100,084)	419,926
Fund balances - beginning	520,010	520,010	415,724	(104,286)
Fund balances - ending	$ -	$ -	$ 315,640	$ 315,640

City of Leavenworth, Kansas

Recreation Fund

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

For the Year Ended December 31, 2017

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
REVENUES				
Taxes	$ 583,627	$ 599,532	$ 586,318	$ (13,214)
Intergovernmental	55,593	70,839	70,839	-
Charges for services	545,721	600,000	646,626	46,626
Miscellaneous	13,000	15,145	9,261	(5,884)
Total revenues	1,197,941	1,285,516	1,313,044	27,528
EXPENDITURES				
Current:				
Culture and recreation	1,573,080	1,645,082	1,568,902	76,180
Deficiency of revenues under expenditures	(375,139)	(359,566)	(255,858)	103,708
OTHER FINANCING SOURCES				
Transfers in	300,000	300,000	300,000	-
Net change in fund balances	(75,139)	(59,566)	44,142	103,708
Fund balances - beginning	75,139	75,139	74,606	(533)
Prior year encumbrances relieved	-	-	3,890	3,890
Fund balances - ending	$ -	$ 15,573	$ 122,638	$ 107,065

City of Leavenworth, Kansas

Economic Development Fund

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

For the Year Ended December 31, 2017

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget - Positive (Negative)**
REVENUES				
Taxes	$ 376,804	$ 376,804	$ 396,329	$ 19,525
Miscellaneous	-	-	(12)	(12)
Total revenues	376,804	376,804	396,317	19,513
EXPENDITURES				
Current:				
Housing and urban development	376,804	376,804	231,697	145,107
Excess of revenues over expenditures	-	-	164,620	164,620
OTHER FINANCING SOURCES				
Sale of general capital assets	-	-	958	958
Net change in fund balances	-	-	165,578	165,578
Fund balances - beginning	32,229	32,229	447,542	415,313
Fund balances - ending	$ 32,229	$ 32,229	$ 613,120	$ 580,891

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	$ 1,027,610	$ 2,406,682	$ 1,067,443	$ (1,339,239)
Charges for services	-	-	303	303
Miscellaneous	1,500	1,500	947,048	945,548
Total revenues	1,029,110	2,408,182	2,014,794	(393,388)
EXPENDITURES				
Current:				
Public works	1,031,414	1,031,414	1,129,761	(98,347)
Capital outlay	-	338,682	-	338,682
Total expenditures	1,031,414	1,370,096	1,129,761	240,335
Excess (deficiency) of revenues over (under) expenditures	(2,304)	1,038,086	885,033	(153,053)
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	32,641	32,641
Transfers in	80,000	80,000	-	(80,000)
Transfers out	(47,345)	(47,345)	(47,345)	-
Total other financing sources (uses)	32,655	32,655	(14,704)	(47,359)
Net change in fund balances	30,351	1,070,741	870,329	(200,412)
Fund balances - beginning	25,230	40,000	72,658	32,658
Fund balances - ending	$ 55,581	$ 1,110,741	$ 942,987	$ (167,754)

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, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Sales tax	$ 2,168,250	$ 2,168,250	$ 2,082,692	$ (85,558)
Miscellaneous	-	-	238	238
Total revenues	2,168,250	2,168,250	2,082,930	(85,320)
EXPENDITURES				
Current:				
Capital outlay	-	-	28,419	(28,419)
Excess of revenues over expenditures	2,168,250	2,168,250	2,054,511	(113,739)
OTHER FINANCING SOURCES (USES)				
Sales of general capital assets	-	-	35,480	35,480
Transfers out	(2,422,550)	(2,422,550)	(2,112,144)	310,406
Total other financing sources (uses)	(2,422,550)	(2,422,550)	(2,076,664)	345,886
Net change in fund balances	(254,300)	(254,300)	(22,153)	232,147
Fund balances - beginning	924,496	924,496	1,393,048	468,552
Fund balances - ending	$ 670,196	$ 670,196	$ 1,370,895	$ 700,699

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, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 2,130,066	$ 2,130,066	$ 2,245,862	$ 115,796
OTHER FINANCING USES				
Transfers out	2,645,867	2,645,867	1,890,907	(754,960)
Net change in fund balances	(515,801)	(515,801)	354,955	870,756
Fund balances - beginning	515,801	515,801	747,529	231,728
Fund balances - ending	$ -	$ -	$ 1,102,484	$ 1,102,484

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, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	**Final**	**Actual Amounts**	**Positive (Negative)**
REVENUES				
Tax increment taxes	$ 640,774	$ 640,774	$ 609,791	$ (30,983)
Charges for services	-	-	4,783	4,783
Total revenues	640,774	640,774	614,574	(26,200)
EXPENDITURES				
Current:				
Housing and urban redevelopment	640,774	640,774	617,399	23,375
Net change in fund balances	-	-	(2,825)	(2,825)
Fund balances - beginning	128,238	128,238	120,322	(7,916)
Fund balances - ending	$ 128,238	$ 128,238	$ 117,497	$ (10,741)

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, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 106,000	$ 142,450	$ 152,847	$ 10,397
Charges for services	-	-	9,580	9,580
Interest	-	-	1,978	1,978
Miscellaneous	-	-	177,567	177,567
Total revenues	106,000	142,450	341,972	199,522
EXPENDITURES				
Current:				
Housing and urban redevelopment	5,000	172,296	593,546	(421,250)
Debt service:				
Principal retirement	108,281	108,281	70,000	38,281
Interest and fiscal charges	8,700	8,700	14,413	(5,713)
Total expenditures	121,981	289,277	677,959	(388,682)
Net change in fund balances	(15,981)	(146,827)	(335,987)	(189,160)
Fund balances - beginning	137,977	137,977	563,275	425,298
Fund balances - ending	$ 121,996	$ (8,850)	$ 227,288	$ 236,138

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, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 242,400	$ 242,400	$ 274,416	$ 32,016
Investment earnings	500	500	646	146
Total revenues	242,900	242,900	275,062	32,162
EXPENDITURES				
Current:				
Housing and urban redevelopment	242,900	242,900	265,495	(22,595)
Operating reserves	86,997	86,997	-	86,997
Total expenditures	329,897	329,897	265,495	64,402
Net change in fund balances	(86,997)	(86,997)	9,567	96,564
Fund balances - beginning	86,997	86,997	125,527	38,530
Fund balances - ending	$ -	$ -	$ 135,094	$ 135,094

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, 2017

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Taxes	$ 225,000	$ 225,000	$ 341,317	$ 116,317
Miscellaneous	-	-	175	175
Total revenues	225,000	225,000	341,492	116,492
EXPENDITURES				
Current:				
General government	225,000	225,000	245,935	(20,935)
Operating reserves	125,169	125,169	-	125,169
Total expenditures	350,169	350,169	245,935	104,234
Net change in fund balances	(125,169)	(125,169)	95,557	220,726
Fund balances - beginning	125,169	125,169	277,588	152,419
Fund balances - ending	$ -	$ -	$ 373,145	$ 373,145

City of Leavenworth, Kansas

Agency Funds

December 31, 2017

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, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
Library				
Assets:				
Cash in bank	$ 23,547	$ 3,940	$ 23,547	$ 3,940
Property tax receivable	899,905	924,276	899,905	924,276
	$ 923,452	$ 928,216	$ 923,452	$ 928,216
Liabilities				
Accounts payable	$ 23,547	$ 3,940	$ 23,547	$ 3,940
Deferred revenue	899,905	924,276	899,905	924,276
	$ 923,452	$ 928,216	$ 923,452	$ 928,216

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Statistical Section

Statistical Section

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

Contents **Page**

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

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

	2008	2009	2010
Governmental activities			
Net investment in capital assets	$ 39,962,474	$ 43,256,157	$ 42,320,043
Restricted	-	-	-
Unrestricted	9,221,149	6,765,799	6,953,098
Total governmental activities net posiition	$ 49,183,623	$ 50,021,956	$ 49,273,141
Business-type activities			
Net investment in capital assets	$ 8,563,422	$ 8,127,188	$ 7,974,877
Unrestricted	2,049,738	2,611,536	2,384,532
Total business-type activities net position	$ 10,613,160	$ 10,738,724	$ 10,359,409
Primary government			
Net investment in capital assets	$ 48,525,896	$ 51,383,345	$ 50,294,920
Restricted	-	-	-
Unrestricted	11,270,887	9,377,335	9,337,630
Total primary government net position	$ 59,796,783	$ 60,760,680	$ 59,632,550

2011	2012	2013	2014	2015	2016	2017
$ 40,913,632	$ 40,411,904	$ 40,049,777	$ 39,488,841	$ 38,894,256	$ 36,850,763	$ 43,804,306
3,527,423	3,078,003	2,318,950	2,976,464	4,318,029	5,441,382	6,505,234
2,864,839	2,411,409	2,255,580	3,668,214	(11,465,656)	(11,091,415)	(12,840,376)
$ 47,305,894	$ 45,901,316	$ 44,624,307	$ 46,133,519	$ 31,746,629	$ 31,200,730	$ 37,469,164
$ 8,272,844	$ 7,631,457	$ 7,478,339	$ 6,926,217	$ 6,502,359	$ 7,732,377	$ 8,154,554
1,686,816	2,082,114	1,707,398	1,858,926	1,185,510	821,504	504,747
$ 9,959,660	$ 9,713,571	$ 9,185,737	$ 8,785,143	$ 7,687,869	$ 8,553,881	$ 8,659,301
$ 49,186,476	$ 48,043,361	$ 47,528,116	$ 46,415,058	$ 45,396,615	$ 44,583,140	$ 51,958,860
3,527,423	3,078,003	2,318,950	2,976,464	4,318,029	5,441,382	6,505,234
4,551,655	4,493,523	3,962,978	5,527,140	(10,280,146)	(10,269,911)	(12,335,629)
$ 57,265,554	$ 55,614,887	$ 53,810,044	$ 54,918,662	$ 39,434,498	$ 39,754,611	$ 46,128,465

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

	2008	2009	2010
Expenses			
Governmental activities:			
General government	$ 3,321,308	$ 3,752,966	$ 4,030,168
Public safety	11,469,502	11,631,240	11,843,745
Public works	4,162,190	4,036,853	4,108,248
Culture and recreation	2,616,612	2,985,096	3,242,768
Housing and urban redevelopment	3,245,216	3,121,926	2,898,887
Unallocated depreciation expense	3,159,401	3,418,630	3,383,422
Debt issuance costs	-	-	-
Interest on long-term debt	1,033,025	978,152	936,659
Total governmental activities expenses	29,007,254	29,924,863	30,443,897
Business-type activities:			
Sewer	3,506,033	3,470,050	3,776,559
Refuse	1,594,748	1,636,297	1,671,076
Total business-type activities expenses	5,100,781	5,106,347	5,447,635
Total primary government expenses	$ 34,108,035	$ 35,031,210	$ 35,891,532
Program Revenues			
Governmental activities:			
Charges for services:			
General government	$ 1,974,587	$ 1,893,375	$ 1,919,296
Public safety	638,907	634,969	634,801
Public works	1,477,331	1,266,949	1,273,124
Culture and recreation	760,694	791,542	910,377
Housing and urban redevelopment	390,632	396,551	578,098
Operating grants and contributions	3,835,416	4,134,068	3,301,500
Capital grants and contributions	2,954,685	1,673,619	1,677,095
Total governmental activities program revenues	12,032,252	10,791,073	10,294,291
Business-type activities:			
Charges for services:			
Sewer	3,347,631	3,447,930	3,271,676
Refuse	1,666,071	1,783,981	1,796,644
Operating grants and contributions	13,375	-	-
Capital grants and contributions	432,393	-	-
Total business-type activities program revenues	5,459,470	5,231,911	5,068,320
Total primary government program revenues	$ 17,491,722	$ 16,022,984	$ 15,362,611
Net (Expense)/Revenue			
Governmental activities	$ (16,975,002)	$ (19,133,790)	$ (20,149,606)
Business-type activities	358,689	125,564	(379,315)
Total primary government net expense	$ (16,616,313)	$ (19,008,226)	$ (20,528,921)

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
$ 4,352,118	$ 3,731,226	$ 4,890,345	$ 3,773,326	$ 4,385,410	$ 3,582,125	$ 4,725,105
12,008,431	11,882,932	11,642,136	12,227,523	11,467,939	12,819,901	12,409,485
4,443,172	4,073,389	4,105,004	4,326,643	4,146,573	3,476,393	7,359,726
3,238,794	3,226,421	3,173,151	3,286,242	3,282,317	3,864,795	3,595,821
3,307,860	3,096,295	2,980,409	2,884,617	3,872,406	4,716,419	4,836,524
3,593,817	3,506,457	3,613,024	3,652,203	3,635,561	3,790,328	-
-	-	-	-	-	-	149,635
1,077,433	800,498	590,364	651,141	620,490	628,329	538,079
32,021,625	30,317,218	30,994,433	30,801,695	31,410,696	32,878,290	33,614,375
3,766,429	4,090,751	4,318,011	4,399,423	4,148,953	4,123,179	4,709,551
1,710,490	1,484,989	1,805,972	1,920,283	1,931,036	1,809,659	1,963,188
5,476,919	5,575,740	6,123,983	6,319,706	6,079,989	5,932,838	6,672,739
$ 37,498,544	$ 35,892,958	$ 37,118,416	$ 37,121,401	$ 37,490,685	$ 38,811,128	$ 40,287,114
$ 1,889,468	$ 1,929,579	$ 2,113,229	$ 1,848,902	$ 1,948,419	$ 2,063,853	$ 1,894,875
726,273	702,342	687,666	676,940	588,486	452,930	392,715
1,529,150	1,311,654	1,311,813	1,383,007	1,244,162	896,938	2,618,014
735,381	644,688	575,244	638,330	670,945	705,652	710,596
776,573	546,902	604,527	460,988	602,145	506,280	563,009
3,621,432	3,116,968	3,517,217	3,296,130	3,459,665	4,031,401	3,686,980
1,100,609	448,448	440,024	860,690	1,534,648	970,391	4,885,013
10,378,886	8,700,581	9,249,720	9,164,987	10,048,470	9,627,445	14,751,202
3,211,525	3,507,038	4,027,182	4,093,310	4,076,766	4,176,334	4,323,162
1,835,014	1,822,613	1,827,391	1,825,802	1,882,466	1,896,702	1,962,730
35,831	-	-	-	-	-	-
-	-	-	-	-	772,325	512,256
5,082,370	5,329,651	5,854,573	5,919,112	5,959,232	6,845,361	6,798,148
$ 15,461,256	$ 14,030,232	$ 15,104,293	$ 15,084,099	$ 16,007,702	$ 16,472,806	$ 21,549,350
$ (21,642,739)	$ (21,616,637)	$ (21,744,713)	$ (21,636,708)	$ (21,362,226)	$ (23,250,845)	$ (18,863,173)
(394,549)	(246,089)	(269,410)	(400,594)	(120,757)	912,523	125,409
$ (22,037,288)	$ (21,862,726)	$ (22,014,123)	$ (22,037,302)	$ (21,482,983)	$ (22,338,322)	$ (18,737,764)

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

	2008	2009	2010
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes	$ 9,581,568	$ 9,643,197	$ 9,337,269
Sales taxes	5,629,107	5,334,666	5,519,376
Franchise taxes	2,379,715	2,395,005	2,502,959
Motor vehicle taxes	1,013,203	1,000,334	1,016,050
Other taxes	937,141	996,700	914,034
Intergovernmental revenue not restricted to specific programs	85,902	87,643	88,794
Gain on sale of capital assets	-	-	-
Payments in lieu of property taxes	3,143	-	-
Investment earnings	491,027	52,722	22,309
Miscellaneous	-	-	-
Transfers	156,796	-	-
Total governmental activities	20,277,602	19,510,267	19,400,791
Business-type activities:			
Gain on sale of capital assets	-	-	-
Miscellaneous	-	-	-
Transfers	(156,796)	-	-
Total business-type activities	(156,796)	-	-
Total primary government	$ 20,120,806	$ 19,510,267	$ 19,400,791
Change in Net Position			
Governmental activities	$ 3,302,600	$ 376,477	$ (748,815)
Business-type activities	201,893	125,564	(379,315)
Total primary government	$ 3,504,493	$ 502,041	$ (1,128,130)

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
$ 9,491,948	$ 9,487,704	$ 9,283,277	$ 9,259,644	$ 5,149,544	$ 5,351,495	$ 5,359,986
5,712,203	5,721,451	5,950,513	8,464,314	10,654,420	10,896,918	12,557,687
2,565,587	2,540,990	2,736,877	2,861,614	2,676,007	2,802,922	2,796,945
922,183	917,453	1,113,514	1,014,989	1,074,498	729,991	714,825
870,810	916,065	1,005,638	1,367,983	2,333,684	2,792,915	1,378,371
87,420	88,957	98,073	98,434	98,849	-	-
-	516,869	-	-	-	52,397	36,438
-	-	-	-	-	-	-
20,141	22,570	21,388	20,548	21,192	30,963	123,383
-	-	-	-	-	-	39,010
5,200	-	258,424	-	70,185	47,345	47,345
19,675,492	20,212,059	20,467,704	23,087,526	22,078,379	22,704,946	23,053,990
-	-	-	-	-	834	4,908
-	-	-	-	-	-	22,448
(5,200)	-	(258,424)	-	(70,185)	(47,345)	(47,345)
(5,200)	-	(258,424)	-	(70,185)	(46,511)	(19,989)
$ 19,670,292	$ 20,212,059	$ 20,209,280	$ 23,087,526	$ 22,008,194	$ 22,658,435	$ 23,034,001
$ (1,967,247)	$ (1,404,578)	$ (1,277,009)	$ 1,450,818	$ 716,153	$ (545,899)	$ 4,190,817
(399,749)	(246,089)	(527,834)	(400,594)	(190,942)	866,012	105,420
$ (2,366,996)	$ (1,650,667)	$ (1,804,843)	$ 1,050,224	$ 525,211	$ 320,113	$ 4,296,237

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

	2008	2009	2010
General Fund			
Reserved	$ 12,774	$ 28,440	$ 35,387
Unreserved	4,484,097	4,427,681	3,695,914
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	$ 4,496,871	$ 4,456,121	$ 3,731,301
All Other Governmental Funds			
Reserved	$ 4,711,605	$ 1,257,599	$ 2,006,141
Unreserved, reported in:			
Special revenue funds	2,037,060	2,810,245	3,412,515
Capital projects funds (1)	(763,434)	(2,594,109)	(3,117,025)
Debt service funds	176,421	433,524	446,225
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	$ 6,161,652	$ 1,907,259	$ 2,747,856

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.

2011	2012	2013	2014	2015	2016	2017
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
6,666	5,208	3,457	-	-	-	-
387,057	357,962	366,560	2,390,081	-	-	-
2,816	9,049	12,156	-	54,523	47,985	25,749
2,632,344	2,640,634	2,970,612	2,946,257	5,566,724	5,974,476	6,451,103
$ 3,028,883	$ 3,012,853	$ 3,352,785	$ 5,336,338	$ 5,621,247	$ 6,022,461	$ 6,476,852
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,427,175	1,604,878	863,676	1,197,539	2,925,495	2,418,165	2,846,524
323,532	319,368	167,851	149,531	150,246	161,607	169,573
-	1,383	-	-	945	72,658	942,987
30,673	35,916	31,414	27,162	59,080	113,605	156,810
1,205,584	681,635	809,472	833,676	942,072	2,331,702	2,284,631
418,901	317,152	320,222	677,320	306,415	415,724	315,640
604,280	1,114,249	2,094,072	468,646	162,483	2,352,854	2,240,305
472,904	485,212	608,605	825,454	1,214,744	-	-
147,130	309,989	497,958	147,212	(28,259)	-	-
71,916	103,504	173,918	89,848	86,755	-	-
19,469	19,262	20,262	20,107	20,507	-	-
84,652	78,992	-	1,438	-	-	-
-	-	(30,357)	-	-	-	-
$ 4,806,216	$ 5,071,540	$ 5,557,093	$ 4,437,933	$ 5,840,483	$ 7,866,315	$ 8,956,470

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

	2008	2009	2010
Revenues			
Taxes	$ 19,811,174	$ 19,621,593	$ 19,635,158
Intergovernmental	6,479,625	5,284,788	4,781,818
Licenses and permits	456,263	389,583	398,837
Charges for services	2,956,536	2,873,306	2,984,685
Fines and forfeitures	1,144,436	1,092,079	1,139,945
Investment earnings	515,785	55,217	40,303
Other revenues	820,871	803,890	717,577
Total revenues	32,184,690	30,120,456	29,698,323
Expenditures			
General government	3,310,150	3,648,781	3,715,791
Public safety	10,321,518	10,481,825	10,900,873
Public works	3,685,294	3,562,664	3,647,884
Culture and recreation	2,008,807	2,203,936	2,294,126
Housing and urban redevelopment	2,975,920	2,857,240	2,608,889
Capital outlay	8,012,788	10,282,578	7,225,679
Debt service			
Principal	4,091,314	2,359,951	1,998,982
Interest and fiscal charges	973,280	948,624	1,055,106
Issuance costs	-	-	-
Total expenditures	35,379,071	36,345,599	33,447,330
Excess of revenues over (under) expenditures	(3,194,381)	(6,225,143)	(3,749,007)
Other Financing Sources (Uses)			
Bonds issued	1,530,000	1,930,000	3,250,000
Refunding bonds issued	-	-	-
Bond anticipation notes issued	-	-	4,905,000
Capital leases	-	-	614,784
Sale of capital assets	-	-	-
Sale of land	-	-	-
Insurance recoveries	-	-	-
Payments to escrow agent	-	-	-
Transfers in	6,134,458	5,419,899	3,600,395
Transfers out	(5,977,662)	(5,419,899)	(3,600,395)
Total other financing sources (uses)	1,686,796	1,930,000	8,769,784
Net change in fund balances	$ (1,507,585)	$ (4,295,143)	$ 5,020,777
Debt service as a percentage of noncapital expenditures	18.5%	12.7%	11.6%

2011	2012	2013	2014	2015	2016	2017
$ 19,868,108	$ 19,886,015	$ 20,267,917	$ 23,147,239	$ 22,079,326	$ 22,574,241	$ 22,807,814
4,383,780	3,420,383	4,124,981	4,152,879	4,929,915	4,482,983	8,564,188
409,844	420,084	351,826	378,728	401,505	402,462	392,950
2,996,210	3,064,573	3,108,222	3,158,767	2,996,356	2,658,253	3,101,482
1,115,114	1,101,533	910,243	820,719	862,554	824,540	639,850
46,502	22,570	21,387	20,548	21,193	30,963	123,383
1,059,723	509,540	635,097	590,081	703,851	1,249,801	2,045,589
29,879,281	28,424,698	29,419,673	32,268,961	31,994,700	32,223,243	37,675,256
3,664,873	3,630,286	3,612,126	3,386,433	3,629,457	3,549,462	3,670,272
11,022,513	10,799,019	10,522,795	11,045,497	11,054,380	11,367,068	11,160,771
3,972,206	3,659,854	3,663,486	3,730,738	3,643,703	3,343,760	3,917,574
2,192,258	2,303,854	2,252,866	2,353,510	2,357,827	2,883,746	2,514,505
3,007,367	2,644,508	2,472,611	2,597,516	3,038,327	4,464,750	4,550,691
5,124,530	3,727,392	6,714,098	6,581,595	5,698,832	4,755,873	14,073,071
3,066,945	2,870,705	2,880,249	4,010,529	2,926,748	5,484,348	2,843,553
1,149,587	846,655	594,381	657,144	620,978	621,932	401,116
-	-	-	-	-	-	149,635
33,200,279	30,482,273	32,712,612	34,362,962	32,970,252	36,470,939	43,281,188
(3,320,998)	(2,057,575)	(3,292,939)	(2,094,001)	(975,552)	(4,247,696)	(5,605,932)
3,465,000	1,740,000	3,860,000	2,900,000	2,300,000	6,575,000	6,550,000
6,250,000	1,825,000	-	-	-	-	-
-	-	-	-	-	-	-
196,740	-	-	-	-	-	477,685
-	-	-	-	-	52,397	36,438
-	516,869	-	-	292,826	-	-
-	-	-	-	-	-	39,010
(5,240,000)	(1,775,000)	-	-	-	-	-
6,138,173	4,983,085	6,610,615	5,719,587	6,112,012	5,717,005	4,194,786
(6,132,973)	(4,983,085)	(6,352,191)	(5,719,587)	(6,041,827)	(5,669,660)	(4,147,441)
4,676,940	2,306,869	4,118,424	2,900,000	2,663,011	6,674,742	7,150,478
$ 1,355,942	$ 249,294	$ 825,485	$ 805,999	$ 1,687,459	$ 2,427,046	$ 1,544,546
15.0%	13.9%	13.4%	16.8%	13.0%	19.3%	11.6%

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
2008	$ 9,581,568	$ -	$ 5,629,107	$ 737,883
2009	9,643,197	-	5,334,666	798,374
2010	9,337,269	-	5,519,376	716,724
2011	9,491,948	-	5,712,203	685,653
2012	9,487,704	-	5,721,451	708,861
2013	9,283,277	-	5,950,513	790,747
2014	9,259,644	-	8,464,314	1,134,088
2015	5,149,544	36,612	10,654,420	1,604,125
2016	5,221,570	126,217	10,896,918	1,508,063
2017	5,227,897	142,450	10,958,814	1,598,873
Change 2008 - 2017	(45.4%)	100.0%	94.7%	116.7%

Tax Increment Sales Tax	Franchise Tax	Motor Vehicle Tax	Special Assessment Tax	Other Tax	Total
$ 199,258	$ 2,379,715	$ 1,013,203	$ 267,297	$ 3,143	$ 19,811,174
198,326	2,395,005	1,000,334	251,691	-	19,621,593
197,310	2,502,959	1,016,050	345,470	-	19,635,158
185,157	2,565,587	922,183	305,377	-	19,868,108
207,204	2,540,990	917,453	302,352	-	19,886,015
214,891	2,736,877	1,113,514	178,098	-	20,267,917
233,895	2,861,614	1,014,989	178,695	-	23,147,239
484,431	2,676,007	1,074,498	191,173	208,516	22,079,326
808,165	2,802,922	729,991	129,925	350,470	22,574,241
894,604	2,796,945	714,825	132,089	341,317	22,807,814
349.0%	17.5%	(29.4%)	(50.6%)	10759.6%	15.1%

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	
2008	$ 128,198,925	$ 51,175,279	$ 179,374,204	$ 12,235,178
2009	132,784,625	53,005,829	185,790,454	10,613,929
2010	133,077,189	53,122,616	186,199,805	8,200,207
2011	133,998,063	53,490,216	187,488,279	7,347,200
2012	133,128,072	53,142,928	186,271,000	7,141,023
2013	131,388,896	52,448,672	183,837,568	6,663,472
2014	129,674,855	51,764,450	181,439,305	6,984,423
2015	130,269,055	52,001,647	182,270,702	5,412,888
2016	129,723,607	57,449,951	187,173,558	4,497,671
2017	131,984,490	59,297,564	191,282,054	4,114,339

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
$ 10,989,672	NA	$ 202,599,054	$ 52.067	$ 1,422,246,581	14.25 %
10,296,290	NA	206,700,673	51.921	1,450,794,335	14.25
9,692,087	NA	204,092,099	51.922	1,437,966,087	14.19
9,853,412	NA	204,688,891	51.883	1,433,229,801	14.28
10,048,621	NA	203,460,644	51.865	1,393,132,353	14.60
10,869,314	NA	201,370,354	51.841	1,394,124,698	14.44
11,446,519	NA	199,870,247	52.029	1,430,085,770	13.98
11,084,363	NA	198,767,953	31.023	1,421,438,551	13.98
11,983,704	NA	203,654,933	31.027	1,433,255,606	14.21
11,838,522	NA	207,234,915	31.348	1,456,131,008	14.23

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

	City of Leavenworth			Leavenworth	
Fiscal Year	**Operating Millage**	**Debt Service Millage**	**Total City Millage**	**Operating Millage**	**Debt Service Millage**
2008	43.665	8.402	52.067	26.548	1.573
2009	44.330	7.591	51.921	30.519	1.041
2010	44.541	7.381	51.922	30.735	1.317
2011	43.993	7.890	51.883	31.809	1.276
2012	44.394	7.471	51.865	35.348	0.165
2013	44.465	7.376	51.841	36.065	0.449
2014	43.227	8.802	52.029	36.196	0.374
2015	22.854	8.169	31.023	36.544	0.000
2016	22.803	8.224	31.027	37.608	0.000
2017	23.713	7.635	31.348	23.228	8.133

Source: Leavenworth County Clerk

Overlapping Rates						
County	School District					Total
Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	Total Direct & Overlapping Rates
28.121	44.794	5.976	50.770	1.500	132.458
31.560	44.805	5.876	50.681	1.500	135.662
32.052	40.840	22.350	63.190	1.500	148.664
33.085	39.880	23.296	63.176	1.500	149.644
35.513	41.447	21.719	63.166	1.500	152.044
36.514	45.480	20.668	66.148	1.500	156.003
36.570	49.603	19.750	69.353	1.500	159.452
36.544	43.569	19.778	63.347	1.500	132.414
37.608	43.841	19.484	63.325	1.500	133.460
31.361	43.836	19.489	63.325	1.500	127.534

City of Leavenworth, Kansas
Principal Property Taxpayers
December 31, 2017

Taxpayer	2017 Taxable Assessed Value	2017 Rank	2017 Percentage of Total Taxable Assessed Value	2008 Taxable Assessed Value	2008 Rank	2008 Percentage of Total Taxable Assessed Value
Corrections Corporation of America	$ 7,146,778	1	3.6 %	$ 3,757,867	2	1.9 %
Westar Energy	6,807,068	2	3.4	9,093,255	1	4.5
Wal-Mart	3,254,511	3	1.6	1,199,871	9	0.6
Development, Inc.	2,017,514	4	1.0	1,484,618	6	0.0
Kansas Gas Service	1,952,343	5	1.0	1,707,603	4	0.8
Hallmark	1,656,909	6	0.8	1,422,299	8	0.7
Cereal Ingredient	1,563,524	7	0.8	-	0	0.0
Prime Healthcare	1,518,125	8	0.8	-	0	0.0
Leavenworth Hotel	1,330,878	9	0.7	-	0	0.0
Zeck Brothers Dev.	1,276,492	10	0.6	-	0	0.0
Southwestern Bell Telephone	-	-	-	2,388,719	3	1.2
Union Pacific	-	-	-	1,649,351	5	0.8
Greenamyre Rentals	-	-	-	1,518,257	7	0.7
Dillons	-	-	-	1,131,775	10	0.6
	$ 28,524,142		14.3 %	$ 25,353,615		11.8 %

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: Amount	Collected within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years	Total Collections to Date: Amount	Total Collections to Date: Percentage of Levy
2008	$10,439,218	$10,244,413	98.1 %	$ 194,805	$10,439,218	100.0 %
2009	10,710,730	10,423,269	97.3	271,787	10,695,056	99.9
2010	10,575,737	10,216,927	96.6	327,134	10,544,061	99.7
2011	10,619,874	10,297,377	97.0	247,715	10,545,092	99.3
2012	10,552,486	10,265,866	97.3	192,913	10,458,779	99.1
2013	10,439,241	10,176,683	97.5	129,665	10,306,348	98.7
2014	10,399,049	10,133,604	97.4	109,528	10,243,132	98.5
2015	6,166,379	6,038,709	97.9	9,418	6,048,127	98.1
2016	6,282,188	6,128,032	97.5	94,673	6,222,705	99.1
2017	6,383,650	6,183,776	96.9	-	6,183,776	96.9

Source: Leavenworth County Treasurer

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

	Governmental Activities		Business-Type Activities			
Fiscal Year	General Obligation Bonds	Capital Leases	General Obligation Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2008	$ 21,345,000	$ 193,933	$ 7,720,000	$ 29,258,933	2.4 %	$ 841
2009	20,615,000	98,982	7,300,000	28,013,982	2.3	807
2010	22,825,000	614,784	6,820,000	30,259,784	2.5	858
2011	21,485,000	664,579	6,390,000	28,539,579	2.2	800
2012	19,960,000	473,874	10,115,000	30,548,874	2.3	856
2013	21,270,000	278,625	9,460,000	31,008,625	2.3	866
2014	17,990,000	78,696	8,780,000	26,848,696	1.9	748
2015	17,405,000	39,348	8,050,000	25,494,348	1.8	708
2016	18,535,000	-	7,305,000	25,840,000	1.8	718
2017	22,405,000	314,132	6,555,000	29,274,132	2.8	808

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 143 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: Governmental Activities	General Obligation Bonds: Business-Type Activities	Less: Amounts Available in Debt Service Fund (3)	Total Primary Government	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2008	$ 21,345,000	$ 7,720,000	$ 176,421	$28,888,579	2.0 %	$ 830
2009	20,615,000	7,300,000	433,524	27,481,476	1.9	791
2010	22,825,000	6,820,000	446,225	29,198,775	2.0	828
2011	21,485,000	6,390,000	418,901	27,456,099	1.9	770
2012	19,960,000	10,115,000	319,652	29,755,348	2.1	834
2013	21,270,000	9,460,000	320,222	30,409,778	2.2	849
2014	17,990,000	8,780,000	677,320	26,092,680	1.8	727
2015	17,405,000	8,050,000	320,346	25,134,654	1.8	698
2016	18,535,000	7,305,000	415,724	25,424,276	1.8	706
2017	22,405,000	6,555,000	315,640	28,644,360	2.0	790

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 143 for population data.

(3) Accumulated resources from ad valorem taxes restricted to repaying general bonded debt.

City of Leavenworth, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2017

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	$ 52,647,365	$ 23,164,841	96.0%	$ 22,238,247
Leavenworth County	24,361,566	16,322,249	31.0%	5,059,897
Subtotal, overlapping debt				27,298,144
City direct debt				22,719,132
Total direct and overlapping debt				$ 50,017,276

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

	2008	2009	2010
Debt limit	$ 69,672,253	$ 69,380,778	$ 68,465,048
Total net debt applicable to limit	18,997,507	16,017,666	18,551,322
Legal debt margin	$ 50,674,746	$ 53,363,112	$ 49,913,726
Total net debt applicable to the limit as a percentage of debt limit	27.3%	23.1%	27.1%

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

	Fiscal Year					
2011	2012	2013	2014	2015	2016	2017
$ 67,999,247	$ 67,244,547	$ 66,950,665	$ 66,619,977	$ 68,350,691	$ 69,128,610	$ 70,316,891
12,849,782	10,475,866	12,973,064	10,741,429	11,004,905	10,659,848	15,034,277
$ 55,149,465	$ 56,768,681	$ 53,977,601	$ 55,878,548	$ 57,345,786	$ 58,468,762	$ 55,282,614
18.9%	15.6%	19.4%	16.1%	16.1%	15.4%	21.4%

Legal Debt Margin Calculation for Fiscal Year 2017

Adjusted equalized assessed valuation	$234,389,636
Debt limit (30% of total equalized assessed value)	70,316,891
Debt applicable to limit	15,034,277
Legal debt margin	$ 55,282,614

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

Fiscal Year	Population (1)	Personal Income	Per Capita Income (2)	School Enrollment (3) Public	Private	Total	Unemployment Rate (4)
2008	34,787	$ 1,233,164,363	$ 35,449	4,069	477	4,546	8.4 %
2009	34,729	1,221,766,220	35,180	4,075	481	4,556	10.7
2010	35,251	1,232,057,701	34,951	3,707	484	4,191	7.9
2011	35,675	1,284,870,800	36,016	3,755	476	4,231	7.4
2012	35,675	1,317,228,025	36,923	3,866	429	4,295	6.7
2013	35,816	1,342,526,944	37,484	3,886	375	4,261	5.8
2014	35,891	1,394,078,222	38,842	3,919	338	4,257	4.6
2015	36,000	1,405,692,000	39,047	3,843	327	4,170	4.8
2016	36,154	1,427,251,458	39,477	3,894	323	4,217	5.7
2017	36,240	1,041,646,320	28,743	3,873	217	4,090	4.9

(1) Kansas Secretary of State
(2) Kansas Statistical Abstract & U.S. Bureau of Economic Analysis
(3) Kansas Department of Education
(4) U.S. Bureau of Labor Statistics

City of Leavenworth, Kansas
Principal Employers
December 31, 2017

Taxpayer	2017 Employees	2017 Rank	2017 Percentage of Total City Employment	2008 Employees	2008 Rank	2008 Percentage of Total City Employment
Fort Leavenworth	5,001	1	31.6 %	5,423	1	30.4 %
Veterans Administration	800	2	5.1	600	4	3.4
Leavenworth USD #453	630	3	4.0	829	2	4.7
Leavenworth County	407	4	2.6	370	8	2.1
Leavenworth Federal Penitentiary	355	5	2.2	550	6	3.1
Walmart Supercenter	350	6	2.2	-	-	-
Northup-Grumman	302	7	1.9	589	5	3.3
City of Leavenworth	267	8	1.7	-	-	-
Hallmark Cards, Inc.	260	9	1.6	647	3	3.6
St. John's Hospital	244	10	1.5	-	-	-
Cubic Defense Applications Group	-		-	380	7	2.1
Cushing Memorial Hospital	-		-	350	9	2.0
Capital Electric	-		-	326	10	1.8
	8,616		54.4 %	10,064		56.5 %

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	2008	2009	2010
General government	29	29	30
Public safety			
Police	91	93	93
Fire	57	57	57
Public works	33	33	31
Culture and recreation	33	35	35
Housing and urban redevelopment	7	7	7
Sewer	20	19	19
Refuse	13	14	14
Total	283	287	286

Source: City of Leavenworth Human Resources Department

Full-Time Equivalent Employees as of December 31

2011	2012	2013	2014	2015	2016	2017
28	26	29	29	27	33	34
93	89	86	84	85	72	77
57	57	57	55	54	54	54
30	29	30	30	27	25	30
34	34	35	37	31	32	30
7	7	7	7	7	7	8
19	19	18	14	19	17	16
14	14	13	13	14	12	13
282	275	275	269	264	252	262

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

Function/Program	**2008**	**2009**	**2010**
Public safety			
Police			
Physical arrests	2,868	2,545	2,374
Traffic violations	8,555	7,377	8,698
Fire			
Calls answered	2,037	1,969	1,914
Inspections conducted	959	771	814
Housing and urban redevelopment			
Certificates/vouchers for low-income rental assistance	444	444	444
Sewer			
Daily average treatment (thousands of gallons)	4,912	4,289	5,156
Refuse			
Refuse disposed (tons)	12,110	12,561	11,508

Sources: Various city departments

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

Fiscal Year						
2011	2012	2013	2014	2015	2016	2017
2,475	2,544	2,608	2,029	1,918	1,762	2,126
10,403	9,148	3,974	5,230	4,927	4,576	4,459
2,378	2,353	2,303	2,199	2,508	2,543	2,606
795	854	1,004	796	951	830	854
444	444	444	444	444	469	469
6,423	3,325	3,609	3,983	4,753	4,778	4,240
11,026	10,967	11,325	11,259	11,696	11,710	11,928

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

Function/Program	**2008**	**2009**	**2010**
Public safety			
Police			
Stations	1	1	1
Fire			
Stations	3	3	3
Public works			
Miles of street:			
Improved	151.7	151.7	156.6
Unimproved	0.4	0.4	0.4
Controlled intersections	41	41	43
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						
2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
1	1	1	1	1	1	1
3	3	3	3	3	3	3
156.6	156.6	156.6	156.6	156.6	156.6	124.4
0.4	0.4	0.4	0.4	0.4	0.4	58.5
43	43	43	42	42	41	1324
1	1	1	1	1	1	1
21	22	22	22	22	22	22
424	441	441	442	442	442	442
2	2	2	2	2	2	2
8	8	8	8	8	8	8
9	10	12	12	12	12	12
105	105	105	105	105	105	105
130	130	130	130	130	130	13
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, 2017

(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	
CDBG - Entitlement Grants Cluster:	
2015 Community Development Block Grant-Entitlement	14.218
2016 Community Development Block Grant-Entitlement	14.218
2017 Community Development Block Grant-Entitlement	14.218
Total CDBG - Entitlement Grants Cluster	
Passed through the Kansas Housing Resources Corporation:	
2016 Emergency Solutions Grant	14.231
2017 Emergency Solutions Grant	14.231
Public Housing	14.850
Capital Fund Program	14.872
Capital Fund Program	14.872
Housing Voucher Cluster:	
Section 8 - Housing Choice Vouchers	14.871
Total U.S. Department of Housing and Urban Development	
U.S. Department of Justice	
Bulletproof Vest Partnership Program - 2015	16.607
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Total U.S. Department of Justice	
U.S. Department of Transportation	
Passed through the Kansas Department of Transportation:	
Highway Safety Cluster:	
State and Community Highway Safety (A) (STEP)	20.600
State and Community Highway Safety (A) (STEP)	20.600
Total U.S. Department of Transportation	
Total expenditures of federal awards	

* Award amended

See accompanying notes to schedule of expenditures of federal awards.

			Reported Expenditures			
Pass-Through Grantor's Number	Cumulative Awards Through December 31, 2017 (Unaudited)		Cumulative Through December 31, 2016 (Unaudited)	Total for the Year Ended December 31, 2017	Cumulative Through December 31, 2017	Amounts Passed on to Subrecipients
	$ 689,495	*	$ 664,629	$ (500)	$ 664,129	$ -
	344,787	*	161,831	182,956	344,787	13,048
	345,644		-	122,175	122,175	22,501
	1,379,926		826,460	304,631	1,131,091	35,549
ESG-FFY2016	37,486		14,616	22,870	37,486	21,884
ESG-FFY2017	34,405		-	16,250	16,250	16,250
	188,949		-	188,949	188,949	-
KS16P06850114	89,834		78,165	11,669	89,834	-
KS16P06850115	88,655		-	1,381	1,381	-
	1,853,937		-	1,877,763	1,877,763	-
	3,673,192		919,241	2,423,513	3,342,754	73,683
	4,243		3,607	636	4,243	-
2016DJBX0306	27,177		11,622	10,877	22,499	10,877
	31,420		15,229	11,513	26,742	10,877
SP-1300-17	4,000		-	1,433	1,433	-
	4,500		-	4,500	4,500	-
	8,500		-	5,933	5,933	-
	$ 3,713,112		$ 934,470	$ 2,440,959	$ 3,375,429	$ 84,560

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:

Community Development Block Grant (14.218)

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.

Homeless Grant – Emergency Solutions Grant (14.231)

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.

2. Purposes of Federal programs (continued)

Public Housing (14.850)

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 (14.872)

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

Low-Income Housing Assistance Program - Section 8 – Housing Choice Vouchers (14.871)

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.

Bulletproof Vest Partnership Program (16.607)

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.

Edward Byrne Memorial Justice Assistance Grant Program (16.738)

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.

State and Community Highway Safety (20.600)

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

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.

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

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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 27, 2018. 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 weakensses 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 intergral 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.

July 27, 2018
Topeka, Kansas

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

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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, 2017. 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, 2017.

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.

Berberich Trahan + Co., P.A.

July 27, 2018
Topeka, Kansas

City of Leavenworth, Kansas

Schedule of Findings and Questioned Costs

Year Ended December 31, 2017

Section I – Summary of Independent Auditor's Results

Financial Statements

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

Federal Awards

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

CFDA Number	Name of Federal Program
14.871	Housing Voucher Cluster

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

(continued)

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None