

ABILENE CITY COMMISSION - STUDY SESSION AGENDA
DWIGHT D. EISENHOWER MEMORIAL BUILDING - 419 N. BROADWAY AVENUE
August 2, 2016 - 4:00 pm

1. **PUBLIC COMMENTS.** Persons who wish to address the City Commission may do so when called upon by the Mayor. Comments on personnel matters and matters pending before court are not permitted. Speakers are limited to three minutes. Any presentation is for informational purposes only. No action will be taken.
2. **STRATEGIC DISCUSSION**
 - a. **Hotel/Conference Center Feasibility Study prepared by CBRE Hotels**
3. **ITEMS FOR PRESENTATION AND DISCUSSION**
 - a. **Presentation of the Independent Audit of the Financial Statements for Year-Ending December 31, 2016 by Varney and Associates, CPAs, LLC**
 - b. **Needs Assessment Proposal from Goldberg Group Architects, PC for Justice Center**
 - c. **US Army Corps of Engineers Mud Creek Levee Inspection**
 - d. **Request for Reimbursement of Water Services to Scott and Maureen Dawson**
 - e. **Highland Billboard Proposal**
4. **ITEMS PROPOSED FOR THE CONSENT AGENDA**
 - a. **Meeting Minutes: July 25, 2016 regular meeting**
 - b. **An Ordinance amending Section 5-304 of the City Code of the City of Abilene, Kansas, concerning the possession of marijuana**
 - c. **An Ordinance regulating vehicles upon the streets and highways within the City of Abilene, Kansas; incorporating by reference the Standard Traffic Ordinance for Kansas Cities, Edition of 2016**
 - d. **An Ordinance regulating public offenses within the City of Abilene, Kansas; incorporating by reference the Uniform Public Offense Code for Kansas Cities, Edition of 2016**
5. **ITEMS TO BE PLACED ON THE REGULAR AGENDA**
 - a. **Notice of Budget Hearing for the Proposed 2017 Budget of the City for Abilene, Kansas**
6. **REPORTS**
 - a. **City Manager's Report**
7. **ANNOUNCEMENTS** *(Meetings at Abilene Public Library unless otherwise provided)*
 - **Heritage Commission, July 21 at 4:00 pm**
 - **City Commission Meeting, July 25 at 4:00 pm**
 - **Convention and Visitors Bureau, July 26 at 2:00 pm (Civic Center)**
 - **Tree Board Committee, July 26 at 5:00 pm**
 - **Budget Information Meeting, July 28 at 7:30 am (Abilene Public Library)**

TO: City Commission
FROM: David Dillner, City Manager
SUBJ: Hotel/Conference Center Feasibility Study Summary
DATE: July 25, 2016

With the adoption of Resolution No. 042516-5, the City Commission authorized funds for a hotel/conference center feasibility study prepared by CBRE Hotels to determine the feasibility of another mid-market hotel and conference center. A summary of the results are included in this memorandum along with recommended next steps prepared by the City Manager.

Feasibility Study Summary

- The study recommended the development of a 100-room, mid-market hotel with the following amenities: a restaurant/lounge; 8,000 to 10,000 square feet meeting space; indoor pool; fitness center; sundry shop; business center; and guest laundry. The study assumes the project will be opened by January 2019, and would cost approximately \$14 million.
- The following conference center configuration was recommended: 1) ballroom, divisible into four sections (6,000 sf); 2) two to four dedicated breakout rooms (1,600 to 3,200 sf); and 3) one to two boardrooms (400 to 800 sf). Total configuration of 8,000 to 10,000 sf would allow hosting of events with attendance of approximately 300 people.
- There are several hotels being constructed or planned for construction in the region including: a 97-room Hilton Garden Inn in Salina that includes 12,000 square feet of meeting space; an 80-unit Holiday Inn Express & Suites in Junction City that will replace an existing 60-room hotel; an 85-room Fairfield Inn & Suites in Salina; and a 113-room Homewood Suites by Hilton. There is also a planned conversion of the 180-room Salina Ambassador Hotel and Conference Center to a Radisson. This hotel 10,000 square feet of meeting space. The conversion has been proposed for at least two years with no commitment yet. Even so, the study stated that a select-service hotel is expected to achieve overall market penetration levels approximating its fair share of the regional market.
- Based on the investment assumptions used for the study, the project would generate negative unleveraged Internal Rate of Return (IRR). The project returns will obviously vary depending upon the actual costs and debt terms. These return rates, however, suggest that the project is not economically feasible and will require economic incentives to bridge the gap. Based on similar projects, the project will likely require an unleveraged IRR of 8% to 12% and a leveraged IRR of 13% to 18% to be successful.
- Incentives could include property tax abatements or rebates, tax increment financing, direct investment in project infrastructure, and/or free or bargain priced land. The City could also provide a rebate of sales tax and/or transient guest tax generated by the project.

Recommended Next Steps

1. The City Manager knows of at least two entities who may be interested in developing a hotel in Abilene. The feasibility study would be shared with these entities to help them understand the underlying dynamics of the hotel industry in the Abilene market. The City could continue a dialogue with these entities to determine their interest in developing a hotel project.

2. The City Manager, with input from the Economic Development Council, would develop an incentive package for the City Commission's review to be made available to any party proposing a hotel in Abilene. As previously mentioned, an incentive package could include property tax abatements or rebates, tax increment financing, direct investment in project infrastructure, rebate of sales tax and/or transient guest tax and/or free or bargain priced land.
3. While the study recommended a project include 8,000 to 10,000 square feet of meeting space, the feasibility study did not provide a good explanation of the market demand for such facilities in the region. Conference centers have a reputation for requiring subsidization beyond the revenue that is generated from rentals and onsite sales. Conferences or events that would use these facilities may not be able to create the demand necessary to adequately support the facility. It may, therefore, be prudent to remove or reduce this space from a potential project so as to reduce the overall construction costs and ongoing operational and maintenance costs. Such reductions in overall project scope will also have a commensurate effect on the feasibility of the project.
4. An additional hotel in an competitive market will not provide a panacea to Abilene's tourism economy. Rather, it should be considered a means to an end. The City, in partnership with the community, should focus on developing a refined tourism product that appeals to a wider demographic, leverages existing strengths, and provides interactive experiences that appeal to the imagination. To that end, the City may wish to consider facilitating a community-wide strategic planning process focused on tourism in Abilene. The purpose of this process would be to establish a vision for tourism that the community buys into and helps implement over the next ten years.



**Market Study &
Financial Projections**

Proposed Hotel & Convention/Conference Center Abilene, Kansas

Prepared For:
Mr. David Dillner
City Manager
City of Abilene, Kansas
419 North Broadway Avenue
Abilene, Kansas 67410

Prepared By:
CBRE Hotels
3280 Peachtree Street NE, Suite 1400
Atlanta, Georgia 30305

Date of Report:
July 20, 2016

CBRE



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July 20, 2016

Mr. David Dillner
City Manager
City of Abilene, Kansas
419 North Broadway Avenue
Abilene, Kansas 67410

Dear Mr. Dillner:

In accordance with our agreement, we have prepared a market analysis and projections of occupancy, average daily rate (ADR) and cash flow for a proposed hotel and convention/conference center to be located in Abilene, Kansas. The report sets forth our findings and the support for our conclusions.

EXECUTIVE SUMMARY

Abilene Area Overview

- Abilene, the seat of government for and largest city in Dickinson County, is located in the Interstate 70 corridor of north central Kansas.
- Abilene boomed in the late 1860s/early 1870s as a shipping point for cattle driven north from Texas on the Chisolm Trail. Today, Abilene is best known as the site of the Dwight D. Eisenhower Presidential Library, Museum and Boyhood Home.
- Dickinson County had an estimated 2015 population of 19,400. Roughly one-third of the county's residents live in Abilene.
- The Dickinson County economy is largely agrarian in nature. Manufacturing, government and services also are important to the local economy.

- Abilene offers an array of attractions and events which draw visitors to the area and generate lodging demand. The city's 5-Star Museum District comprises five attractions collaborating to promote tourism.

Site and Neighborhood Evaluation

- It is our understanding three sites are being considered for the project under study and all are in the Buckeye Avenue corridor at or just south of the I-70 interchange.
- Buckeye Avenue is Abilene's primary commercial strip, with the downtown area situated 1.6 miles south of I-70. Development in the corridor includes highway motorist services such as hotels, restaurants and gas stations along with retail space, automobile dealerships, bank branches and the like. Abilene's key tourist attractions are located along Buckeye Avenue near downtown.

Recommended Facilities

- Considering the characteristics of the market and the site as well as the City's desire to have a hotel with significant meeting space, we recommend pursuing a mid-market, select-service property. We further recommend the property offer approximately 100 guest rooms, a restaurant/lounge, 8,000 to 10,000 square feet of meeting space, an indoor swimming pool, a fitness center, a sundry shop, a business center and a guest laundry.
- For purposes of this analysis, we have assumed the property will open by January 1, 2019.

Supply and Demand Analysis

- There are 12 properties with a total of 919 guest rooms in the I-70 corridor extending from Junction City to Salina which would compete most directly with the subject select-service hotel. These include Abilene's two highest quality hotels.
- The defined competitive set achieved an aggregate occupancy and ADR of 65.3 percent and \$94.91, respectively, for 2015. The properties garner 52 percent of their accommodated demand from business travelers, 25 percent from groups and 23 percent from leisure guests.
- We have identified four additions to the competitive supply of guest rooms other than the subject hotel: the 97-room Hilton Garden Inn Salina; the 80-unit Holiday Inn Express & Suites Junction City, the 85-unit Fairfield Inn & Suites Salina and the 113-unit Homewood Suites by Hilton Salina Downtown. These properties are anticipated to open between April 2017 and May 2018.
- Base growth rates are expected to be moderate in the initial years of the projection period, tapering to a more modest pace thereafter. A level of supply-driven demand growth also is expected following the openings of the new hotels.

Estimated Levels of Utilization

- The proposed select-service hotel is expected to achieve overall penetration levels approximating its fair market share.
- Projected market penetration, occupancy, ADR and revenue per available room (RevPAR) are presented in the table below:

**ESTIMATED MARKET PENETRATION, OCCUPANCY, AVERAGE DAILY RATE AND REVPAR
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
2019 THROUGH 2023**

Year	Market Penetration ¹	Occupancy	Average Daily Rate		RevPAR (Inflated \$)
			Constant 2015 Dollars	Inflated Dollars ²	
2019	89%	52%	\$ 97.00	\$109.25	\$56.81
2020	97	58	99.00	114.75	66.56
2021	100	61	100.00	119.50	72.90
2022	100	62	100.00	123.00	76.26
2023	100	63	100.00	126.75	79.85

¹ Presented as a percentage of fair market share.

² Inflated annually at 3.0 percent and rounded to the nearest \$0.25. Inflation rates were based on the results of recent investor surveys.

Financial Projections

- Projected cash flows from operations before debt service and income taxes, in constant 2015 and inflated dollars, are depicted in the following table.

**PROJECTED CASH FLOWS FROM OPERATIONS BEFORE DEBT SERVICE AND INCOME TAXES
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
2019 THROUGH 2023**

Year	Constant 2015 Dollars	Inflated Dollars
2019	\$ 91,000	\$104,000
2020	279,000	323,000
2021	347,000	416,000
2022	380,000	468,000
2023	413,000	525,000

- Based on typical investment parameters and projected development costs of \$14,000,000, the projected cash flows generate a negative unleveraged internal rate of return (IRR) indicating the project is not economically feasible. Some level of incentive, likely significant, must be considered if the property is to reach fruition.

ABILENE AREA OVERVIEW

An analysis of the economic characteristics of a given market area is critical in assessing historical and future growth patterns and their impact on levels of lodging demand. Such an analysis also contributes to a proper evaluation of market risks. For instance, a market heavily oriented towards a single demand generator (e.g., a military installation) often carries a high level of inherent risks. Conversely, a market having a diverse economy typically is less vulnerable to downturns. Further, the sheer size of a market can impact risks through its ability to recover from conditions of oversupply.

Abilene, the seat of government for and largest city in Dickinson County, is located in the I-70 corridor of north central Kansas. It is approximately 150 miles west of Kansas City, 90 miles west of Topeka, 95 miles north of Wichita and 220 miles southwest of Omaha. The independent county is sandwiched between the three-county Manhattan metropolitan statistical area (MSA) to the east and the two-county Salina micropolitan statistical area to the west. The maps on the following pages depict Dickinson County's location within the state and region, and Abilene's positioning within the I-70 corridor.

The western terminus of the first railroad through Kansas, Abilene boomed in the late 1860s/early 1870s as a shipping point for cattle driven north from Texas on the Chisolm Trail. With the cowboys came lawlessness and two famed figures served as the town's marshal during 1870 and 1871: Tom "Bear River" Smith, who gained a reputation for subduing assailants with his fists, and Wild Bill Hickok. As railroad service was expanded, other cities became preferred shipping points and peacefulness returned to the town. Also in 1871, the mayor of Abilene introduced winter wheat on land previously thought suitable only for grazing. Today, Abilene is best known as the site of the Dwight D. Eisenhower Presidential Library, Museum and Boyhood Home.

Population

Population growth is an important factor in determining the economic strength of a given area. Although the growth of a local population is not related directly to room-night demand for hotels, it does reflect employment growth and future employment concentration which, in turn, typically influence levels of commercial room-night demand.

Dickinson County had an estimated 2015 population of 19,400. Roughly one-third of the county's residents (6,600) live in Abilene. The following table depicts population characteristics for the county, state and nation. Statistics for the Manhattan and Salina MSAs are presented for comparison. As shown, Dickinson County experienced a decline in population over the past five years. This can be attributed to its rural nature.

POPULATION DICKINSON COUNTY, THE MANHATTAN MSA, THE SALINA MSA, KANSAS AND THE UNITED STATES 2010, 2015 AND 2020 (in thousands)					
	2010	2015	Compound Annual Change 2010-2015	2020	Compound Annual Change 2015-2020
Dickinson County	19.8	19.4	(0.4%)	19.6	0.2%
Manhattan MSA	93.3	98.9	1.2	103.1	0.9
Salina MSA	61.9	61.9	0.0	62.5	0.2
Kansas	2,858.9	2,920.6	0.4	3,016.9	0.7
United States	309,347.1	321,545.1	0.8	336,690.4	0.9

Source: Woods & Poole Economics, Inc. – 2016 CEDDS

Employment and Economy

Employment by industry for Dickinson County in 2010 and 2015 is depicted in the following table.

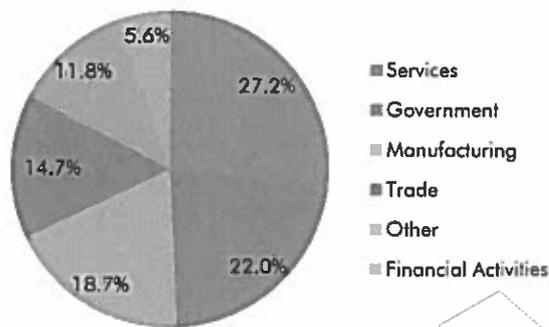
EMPLOYMENT BY NONAGRICULTURAL INDUSTRY DICKINSON COUNTY 2010 AND 2015					
Industry	2010 Employment		2015 Employment		Compound Annual Change
	Number	Percent	Number	Percent	
Services	2,674	31.6%	2,305	27.2%	(2.9%)
Government	1,860	22.0	1,866	22.0	0.1
Manufacturing	1,281	15.1	1,580	18.7	4.3
Trade	1,303	15.4	1,246	14.7	(0.9)
Other	954	11.3	997	11.8	0.9
Financial Activities	384	4.5	470	5.6	4.1
Total	<u>8,456</u>	<u>100.0%</u>	<u>8,464</u>	<u>100.0%</u>	0.0%

Source: Woods & Poole Economics, Inc. – 2016 CEDDS

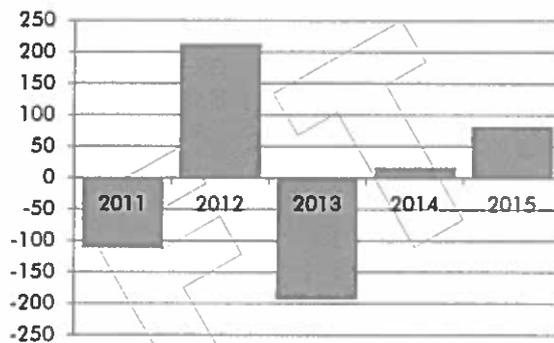
Although flat over the five-year period between 2010 and 2015, total nonagricultural employment for the county has ranged from a low of 8,345 in 2011 to a high of 8,558 in 2012. Growth of 1.0 percent was experienced in 2015. Forecasts by Woods & Poole Economics indicate employment growth of 0.6 percent compounded annually through 2025. The

Manhattan and Salina MSAs are projected to grow at 1.2 and 1.0 percent compounded annually, respectively. Graphical depictions of Dickinson County's 2015 employment by industry and the annual new job growth for the past five years are presented below.

2015 EMPLOYMENT BY INDUSTRY



ANNUAL NEW JOB GROWTH



As of April 2016, the unemployment rate for Dickinson County was 3.9 percent as compared to 4.7 percent for the nation. The rate for Kansas was 3.4 percent.

The Dickinson County economy is largely agrarian in nature, with wheat and soybeans being the top crop items and cattle the predominant livestock. Manufacturing, government and services also are important to the local economy as reflected by the list of Abilene's largest employers presented in the table below.

LARGEST EMPLOYERS
ABILENE

Employer	Product/Service	Number of Employees
Russell Stover Candies	Chocolate Candy	545
Memorial Hospital	Health Care	215
Unified School District 435	Education	167
Dickinson County	Government	129
Great Plains Manufacturing/Land Pride Division	Grounds Maintenance Equipment	122
Abilene Machine	Agricultural Machinery Replacement Parts	118
City of Abilene	Government	64
Holm Automotive Center	Automobile Sales	41
Eisenhower Complex	Library & Museum	31
ADM Milling	Grain Elevator	23

Source: City of Abilene

Although it does not necessarily have direct bearing on the Abilene economy, Fort Riley is an important factor regionally and generates significant lodging demand for hotels in Junction City. Located about 30 miles east of Abilene between Junction City and Manhattan, it is home to the

1st Infantry Division's Division Headquarters and Headquarters Battalion, 1st Armored Brigade, 2nd Armored Brigade, Division Artillery, 1st Sustainment Brigade and 1st Combat Aviation Brigade along with the United States Army Garrison and the 10th Air Support Operations Squadron. The fort, which is situated on some 92,000 acres, also supports several Department of Defense partners. Fort Riley has access to 34,000 additional training acres at the Great Plains Joint Training Center in Salina, the largest inert bombing range east of the Rockies. It is the only United States Army Forces Command (FORSCOM) installation in the Midwest with full spectrum training capability. The Fort Riley Mobilization and Reserve Support Branch provides training assistance to Reserve, Reserve Officer Training Corps (ROTC), and Active Component Soldiers, Airmen, Marines and Cadets from 23 states and Puerto Rico. The fort has a total population of nearly 49,000, including 17,100 active duty military personnel and 5,700 civilian employees.

Visitation

Abilene offers an array of attractions and events which draw visitors to the area and generate lodging demand. The city's 5-Star Museum District comprises five attractions collaborating to promote tourism. Included are the Eisenhower Presidential Library, Museum and Boyhood Home; the Dickinson County Historical Society's Heritage Center and Museum of Independent Telephony; Old Abilene Town; the Abilene & Smoky Valley Railroad Association; and the Greyhound Hall of Fame. These and other area attractions and events are highlighted in the paragraphs below.

- The Dwight D. Eisenhower Presidential Library, Museum and Boyhood Home complex enables visitors to explore the life and legacy of the only five-star Army general who served as president of the United States. The presidential library, dedicated in 1962, is one of 13 administered by the National Archives and Records Administration. Home to a world-class research facility catering to scholars and history enthusiasts from around the world, its holdings include approximately 26 million pages of historical records and papers, 334,500 photographs, 767,700 feet of original motion picture film and 70,500 artifacts. Some 865 researchers are in residence at the library annually. The museum and Ike's boyhood home present insight into his childhood in Abilene as well as his military leadership and presidency. He, his wife Mamie and their first-born son Doud are buried on the grounds of the complex in the Place of Meditation. The complex hosts approximately 185,000 visitors annually.
- The Heritage Center is the museum of the Dickinson County Historical Society. Among its artifacts are an original 1901 C.W. Parker carousel which visitors can ride. The Independent Museum of Telephony tells the story of C.L. Brown, founder of the Brown Telephone Company which evolved into the modern day Sprint Corporation.
- Old Abilene Town depicts life from the Wild Bill Hickok era. Shows which run from Memorial Day to Labor Day enable visitors to experience a gunfight on Main Street and see can-can girls dancing in the Alamo Saloon. It also features the General Store gift shop and Hitching Post Restaurant.

- The Abilene & Smoky Valley Railroad Association offers excursion and dinner train trips on weekends in May, September and October, and five days per week (Wednesday through Sunday) during June, July and August. Equipment includes diesel and steam locomotives, a railbus, an open-air gondola car, a dining car and a caboose.
- Abilene is billed as the "Greyhound Capital of the World." There are several greyhound farms in the surrounding countryside and both the Greyhound Hall of Fame and the National Greyhound Association (NGA) are located in the city. The hall of fame chronicles the breed and the sport of greyhound racing, honoring key figures both canine and human. Visitors are greeted by two retired racers. The NGA is the official registry for racing greyhounds in North America. It hosts two meets annually (April and October) which feature time trials and auctions. Each reportedly draws some 500 visitors to the city.
- Abilene's Great Plains Theatre is the only professional theater company between Kansas City and Denver. It presents plays and musicals performed by actors across the United States, offers youth education programming and has a cinema.
- The Seelye Mansion is an 11,000-square foot, 25-room Georgian-style home which is open for tours. It was built in 1905 for Dr. A.B. Seelye whose A.B. Seelye Medical Company was known for its patent medicines. A small museum featuring artifacts from the A.B. Seelye Medical Company, which produced more than 100 products sold in 14 states, is located behind the mansion.
- The Wild Bill Hickok Rodeo is held each August in conjunction with the Central Kansas Free Fair. The event draws nearly 500 contenders.
- The Eisenhower Marathon, Half Marathon, 10K and 5K race weekend is held in early April each year. The races had over 400 participants in 2016.

2017 marks the 150th anniversary of the Chisholm Trail. Communities along the trail, including Abilene, will celebrate the occasion with a variety of events over the next year.

Transportation

I-70 bisects Dickinson County and is a major east/west highway linking Baltimore, Maryland with Interstate 15 in southwestern Utah. Three exits on I-70 (272, 275 and 277) serve Abilene. Interstate 135 (I-135) travels south from I-70 at a point on the west side of Salina to Wichita. U.S. 77 also provides regional access, stretching from Brownsville, Texas north to Sioux City, Iowa. It intersects with I-70 just west of Junction City.

Abilene Municipal Airport is a general aviation facility with a 4,100-foot runway. Great Lakes Airlines provides daily flights to Denver from Salina Regional Airport, while American Eagle flies to Chicago and Dallas-Fort Worth from Manhattan Regional Airport. More extensive service is available from Wichita Dwight D. Eisenhower Airport (100 miles to the south) and Kansas City International Airport (160 miles to the east).

Conclusion

The Abilene area economy is not particularly robust, but appears stable based on most indices. It benefits from a location on a major interstate highway, its rich history and the presence of several unique cultural attractions.

SITE AND NEIGHBORHOOD EVALUATION

The neighborhood within which a hotel operates can have a significant impact on its operating performance. Emerging neighborhoods experiencing substantial growth can generate increasing levels of demand and provide an environment characterized by new development and, more importantly, popular support facilities (e.g., restaurants, retail, entertainment, etc.). Conversely, a declining neighborhood or, in some cases, a mature one relative to a nearby emerging one, can be detrimental to a property's operations. In this section, we address the location, access and development characteristics of the subject neighborhood.

It is our understanding three sites are being considered for the project under study and all are in the Buckeye Avenue corridor. Buckeye Avenue (State Highway 15; K-15) is Abilene's primary commercial strip, with the downtown area situated 1.6 miles south of I-70. Development in the corridor includes highway motorist services such as hotels, restaurants and gas stations along with retail space, automobile dealerships, bank branches and the like. The attractions comprising the 5-Star Museum District are located along Buckeye Avenue near downtown.

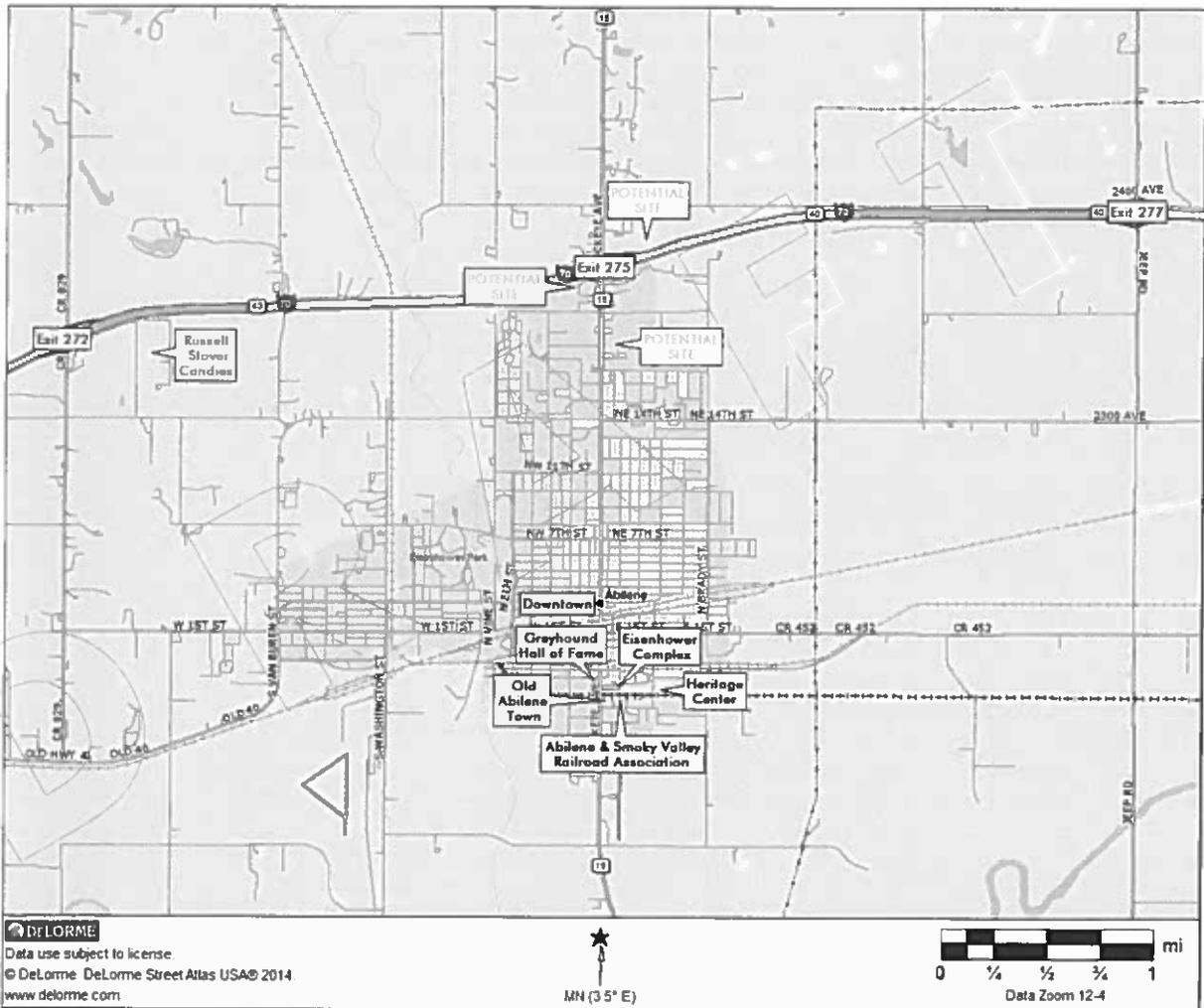
The three sites are as follows:

- Proximate to the northeast quadrant of the I-70/North Buckeye Avenue interchange (Exit 275). Existing development in the quadrant includes the Holiday Inn Express & Suites Abilene, the Brookville Hotel (a restaurant renowned for its chicken dinners), a Feldkamp's Furniture store and a vacant restaurant building.
- Southwest quadrant of the I-70/North Buckeye Avenue interchange. The site currently is occupied by an Americas Best Value Inn. Adjacent development includes a 24/7 Travel Store gas station/convenience store and a Holm Automotive Center facility.
- On the east side of North Buckeye Avenue across from the terminating point of Hilltop Drive approximately one-third of a mile south of I-70. Surrounding uses include a Shopko Hometown store and a Pizza hut.

The sites south of I-70 would be marginally closer to a greater array of service amenities and Abilene's attractions, while either site at the interchange should offer visibility from I-70. Given the importance of I-70 as a lodging demand generator, visibility therefrom is considered an important factor.

The map below depicts the location of the three potential sites in relation to other key areas of Abilene.

NEIGHBORHOOD



Overall, the neighborhood is considered the area of Abilene best suited to hotel development. It includes the greatest concentration of amenities in Abilene as well as direct access to I-70 and other demand generators.

RECOMMENDED FACILITIES

The guidelines for facilities and services outlined in this section of the report are based on our analysis of the properties in the competitive set as well as both the current desires and anticipated needs of the market. In order to better quantify the wants and needs of the market, we

conducted a survey of state association meeting planners to ascertain their potential utilization, as well as their requirements, particularly as they relate to meeting facilities.

While the final configuration of the structure and its amenities will largely be determined by architectural and management considerations, the facilities as described herein were used as the basis for all further analyses. For purposes of this analysis, we have assumed a January 1, 2019 opening date.

Branding

Brand affiliation has become increasingly important to successful hotel operations. Accordingly, the competitive strengths and weaknesses of a particular brand can have a substantial impact on a property's performance. Based on our market analysis and our experience with similar projects, we recommend the development of a select-service hotel, e.g. Hilton Garden Inn, Courtyard, Holiday Inn, Hyatt Place, Cambria Hotel & Suites, etc. The presence of some of these brands in Junction City and/or Salina may limit their availability.

Select-service hotels are typically designed to cater to individual commercial travelers and weekend leisure guests. They offer many of the attributes of a full-service property, e.g. food and beverage outlets and meeting space, but are generally smaller, cost less to develop and are operated more like limited-service properties. The catering services, multiple restaurants and extensive recreational amenities that characterize full-service hotels are typically omitted. In some instances, however, these hotels can be designed to function much like a full-service property.

Guest Rooms

Based on the characteristics of the Abilene market area, approximately 100 guest rooms appear to be appropriate. The largest hotel in Abilene today is the Super 8 at 62 rooms. Only the 119-room Courtyard Junction City and the 115-room Holiday Inn Salina have more than 100 rooms. The average size of properties in the competitive set is 77 rooms. The relative lack of commercial activity in Abilene limits the recommended size of the subject. However, the hotel must include a sufficient number of rooms in order to accommodate groups. Based on our survey of state association meeting planners, the most common group sizes are two to 20 and 21 to 50 attendees. If designed appropriately, the property could be enlarged at a later date if market support exists.

Due to the presence of the convention center/conference center, the property will likely garner a material portion of its room nights from groups. Still, careful consideration needs to be afforded the requirements of the other potential segments.

The property's orientation towards the group meeting market segment, which tends to be more prone to double occupancy, suggests that the majority of the guest rooms be double-bedded. We therefore recommend that at least 60 percent of units be double-bedded. Guest room design and furnishings will be based on standards for the selected brand; however, it is essential the hotel offer the highest quality guest rooms in Abilene. Typical select service guest rooms range in size from 325 to 525 square feet.

Meeting Facilities

The ability of the proposed hotel to accommodate various sized groups will be an important factor to its year-round success. In order to maximize utilization, the property needs to accommodate significant levels of group meeting-related demand and thus lessen the impact of the peaks and valleys of seasonal leisure demand and the mid-week focus of commercial demand.

Conferences and meetings have long been an integral part of corporate and association efforts to maintain internal and external communications. As these types of organizations have grown in size and complexity, an increasing demand has evolved for facilities designed to hold conferences. Typical meeting locations which have been developed to house this demand range from corporate board rooms to hotels, resorts, country clubs, continuing education centers and dedicated conference centers. As the demand for appropriate facilities has become more pronounced, it is essential that the meeting space included within the subject property be of a suitable design.

We recommend that the meeting facility contain 8,000 to 10,000 square feet of usable meeting space. Respondents to our survey of state association meeting planners indicated ballroom and classroom seating for 50 to 100 people are the most needed spaces in terms of size, but not materially more so than smaller spaces. The following configuration is recommended:

Space	Total Square Footage
Ballroom, divisible into four sections	6,000
Dedicated breakout rooms – two to four	1,600 to 3,200
Boardrooms – one to two	<u>400 to 800</u>
Total	<u>8,000 to 10,000</u>

The ballroom should allow for the hosting of groups of moderate size (approximately 300 banquet style). Breakout rooms are designed primarily for dividing larger general meetings into smaller, more intensive groups oriented toward accomplishing specific tasks. These rooms are a

necessity when accommodating a convention offering concurrent sessions. A boardroom is best suited to small corporate groups desirous of dedicated space.

Audio/visual aids should be available in major gathering rooms, operated by the catering department staff. An audio/visual technician should be available to keep all equipment in proper working condition and assist presenters as needed.

General considerations which should be incorporated into meeting rooms are:

- The rooms should be well lit with flexible fluorescent, LED and/or halogen lighting controlled by rheostats with the capability for track lighting and spotlights.
- Boardroom chairs should be comfortable and equipped with arm rests.
- Table arrangements should include different configurations such as circles, squares, U-shape and classroom. This generally requires rooms which are nearly square or only slightly rectangular in shape.
- Both ceilings and walls should be acoustically superior and provide good sound absorption. The walls should be sufficiently soundproof to minimize noise from other meeting rooms.
- The meeting rooms should be carpeted in an unobtrusive color.
- Walls should have adequate tack boards for the hanging of charts and other written material.
- Meeting room positioning should permit convenient access from banquet kitchen facilities and provide for adequate "back-of-the-house" service corridors.

We recognize that the City perceives a need for space to accommodate local events or civic functions. These types of events, typically accruing to a "civic center" could certainly be accommodated by the subject hotel and convention/conference center. It should, nonetheless, be recognized that few room-nights are generated therefrom. For this reason, hotels often limit the use of meeting space for these types of functions if other groups generating room-nights are available. Facilities currently available in Abilene include the Eisenhower Presidential Library, the Abilene Conference Room & Civic Center, the Abilene Community Center, schools, the Abilene Public Library, the Abilene Senior Center and civic clubs/lodges. In general, these facilities do not offer the flexibility and quality which could be provided by the subject hotel and convention/civic center.

Food and Beverage Outlets

Large-scale food and beverage facilities within a hotel generally represent higher risks, require significant management time and expertise, and often detract from the overall profitability of the hotel. While select-service hotels include a restaurant and lounge, these facilities are typically limited in scope. Accordingly, an expanded kitchen or separate banquet kitchen will be required to service the convention/conference center.

Other Facilities

The hotel should include amenities typical of a select service hotel including an indoor swimming pool/whirlpool spa, a fitness center, a sundry shop, a business center and a guest laundry facility.

It should be noted that our facilities recommendations are general in scope. The ultimate configuration of the building will be dictated by architectural and management considerations as well as the requirements of the selected franchisor.

SUPPLY AND DEMAND ANALYSIS

The supply and demand analysis involves a qualitative and quantitative evaluation of the lodging facilities in the Abilene area with which the proposed hotel would potentially compete for various segments of demand. This section includes a description of the existing supply of, and demand for, hotel rooms in the subject market area, identification of proposed competitive properties, and a discussion of the growth potential of area demand by segment. The analysis is for the period through December 31, 2023 to encompass the first five full years of operation for the subject following its anticipated opening by January 1, 2019.

Understanding the relationship between supply and demand is a critical component of any market study, particularly with respect to hotels. Unlike other property types, hotels essentially lease their rooms on a daily basis. While this characteristic allows for an immediate response to changes in market conditions, it also requires a high level of management intensity. There is an inverse relationship between occupancy and ADR, and raising or lowering rates typically has an immediate impact on room-nights sold. Effective management entails finding the proper balance that allows for the maximization of revenue.

In this section we first identify the subject property's competitive set (e.g., those hotels that tend to compete for the same sources of demand). We then identify relevant demand sources, analyze historical growth patterns and assess the potential for growth (or lack thereof) in demand by segment. The result is a projection of future market performance. Lastly, we conclude with a

projection of occupancy and ADR for the subject property, taking into consideration its competitive strengths and weaknesses relative to the overall market.

Obviously, some hotels are more directly competitive than others based on their locations, facilities, branding, etc. This disparity in the level of competitiveness can be handled in a number of ways. Some consultants assign a percentage to each property and include only a portion of their guest rooms in the competitive set. This technique, while theoretically sound, is highly subjective and the overall analysis can be extremely sensitive to the assumptions made. Alternatively, we have chosen to address this issue through our projected penetration rates. For example, the introduction of a new property that is only marginally competitive will have a limited impact on the subject property's penetration level, whereas a directly competitive property will likely have a substantial effect. Regardless of the method employed, properly assessing the relationship between supply and demand and its impact on the subject property and market occupancy requires a level of professional judgment.

National Lodging Market Overview

CBRE Hotels owns the database for *Trends in the Hotel Industry*[®], the statistical review of U.S. hotel operations which first appeared in 1935 and has been published every year since. Beginning in 2007, PKF Consulting (now CBRE Hotels) unveiled its powerful *Hotel Horizons*[®], an econometrically-developed hotel forecasting model that projects five years of supply, demand, occupancy, ADR and RevPAR for the U.S. lodging industry with a high degree of accuracy. *Hotel Horizons*[®] reports are published on a quarterly basis for 59 of the nation's largest markets, six national chain-scales and six location classifications.

CBRE Hotels has determined through econometric analysis that strong relationships exist between employment, income, price and demand for hotel rooms. Using proprietary models developed in the course of this research, the firm produces national quarterly forecasts for supply, demand, occupancy, ADR and RevPAR. These forecasts use baseline historical hotel operating data from STR, and historic and forecast economic data from Moody's Analytics.

The following table shows the national forecast for all hotels from CBRE Hotel's *Hotel Horizons*[®] June – August 2016 National Edition.

National Forecast - All Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2011	Annual	60.0%	4.2%	\$101.73	3.8%	\$61.02	8.1%	0.4%	4.7%
2012	Annual	61.4%	2.4%	\$106.01	4.2%	\$65.08	6.7%	0.4%	2.7%
2013	1	57.7%	1.6%	\$107.84	4.3%	\$62.20	6.1%	0.6%	2.3%
2013	2	65.8%	1.1%	\$110.21	3.5%	\$72.54	4.7%	0.6%	1.8%
2013	3	67.9%	1.3%	\$111.66	3.9%	\$75.78	5.2%	0.6%	1.8%
2013	4	57.5%	1.6%	\$109.81	3.2%	\$63.15	4.8%	0.6%	2.2%
2013	Annual	62.2%	1.4%	\$109.97	3.7%	\$68.45	5.2%	0.6%	2.0%
2014	1	59.2%	2.7%	\$111.87	3.7%	\$66.26	6.5%	0.7%	3.4%
2014	2	68.0%	3.4%	\$115.06	4.4%	\$78.29	7.9%	0.7%	4.1%
2014	3	70.4%	3.7%	\$117.42	5.2%	\$82.61	9.0%	0.8%	4.5%
2014	4	59.8%	4.0%	\$114.72	4.5%	\$68.63	8.7%	0.7%	4.8%
2014	Annual	64.4%	3.4%	\$114.91	4.5%	\$73.99	8.1%	0.7%	4.2%
2015	1	61.0%	3.0%	\$117.16	4.7%	\$71.44	7.8%	0.8%	3.8%
2015	2	69.1%	1.6%	\$120.65	4.9%	\$83.38	6.5%	1.0%	2.6%
2015	3	71.3%	1.3%	\$122.68	4.5%	\$87.44	5.8%	1.1%	2.4%
2015	4	60.5%	1.1%	\$118.94	3.7%	\$71.95	4.8%	1.4%	2.5%
2015	Annual	65.5%	1.7%	\$120.01	4.4%	\$78.59	6.2%	1.1%	2.8%
2016	1	60.7%	-0.5%	\$120.92	3.2%	\$73.34	2.7%	1.5%	1.0%
2016F	2	69.1%	0.0%	\$126.32	4.7%	\$87.30	4.7%	1.7%	1.7%
2016F	3	71.3%	0.0%	\$127.71	4.1%	\$91.02	4.1%	1.9%	1.9%
2016F	4	60.5%	0.0%	\$124.91	5.0%	\$75.57	5.0%	2.0%	2.0%
2016F	Annual	65.4%	-0.1%	\$125.14	4.3%	\$81.86	4.2%	1.8%	1.6%
2017F	Annual	65.3%	-0.2%	\$131.24	4.9%	\$85.71	4.7%	2.1%	2.0%
2018F	Annual	65.3%	0.0%	\$137.21	4.6%	\$89.58	4.5%	2.3%	2.3%
2019F	Annual	65.1%	-0.2%	\$142.22	3.7%	\$92.64	3.4%	2.5%	2.2%
2020F	Annual	65.3%	0.2%	\$147.24	3.5%	\$96.12	3.8%	2.4%	2.7%
2016-1Q	Trailing 4 Qtrs	65.4%	0.9%	\$120.87	4.1%	\$79.04	5.0%	1.3%	2.2%

Source: CBRE Hotels | Americas Research, STR Inc, Q1 2016

The U.S. lodging industry enjoyed its sixth consecutive year of growth in RevPAR during 2015. According to STR, RevPAR grew by 6.2 percent for the year, the result of a 1.7 percent gain in occupancy and a 4.4 percent increase in ADR. RevPAR growth was well distributed between the chain scales in 2015, with the leader being economy brands at 6.5 percent.

The national occupancy level reached 65.5 percent in 2015. This level is greater than the long-run average occupancy rate of 61.9 percent, and tops the 63.1 percent pre-recession peak occupancy level reported by STR in 2006. Supply growth is slated to match demand growth in 2016, and outpace it in the years to follow. By year-end 2016, U.S. occupancy is forecast to decline slightly to 65.4 percent. This will mark the first year in eight where occupancy did not grow from the previous year.

Beyond 2016, industry occupancy is expected to flatten, with supply and demand levels being roughly equal. However, CBRE Hotels projects continued strength in ADR from 2016 through 2020, at annual growth rates between 3.5 and 4.9 percent. This will drive gains in RevPAR.

Competitive Supply

Existing Competitive Facilities: There are five hotels with 268 rooms in Abilene. These include the 61-unit Holiday Inn Express & Suites Abilene, the 62-room Super 8 Abilene KS, the 64-room Americas Best Value Inn (a portion of which has been condemned), the 52-room Budget Lodge Inn and the 29-room Diamond Motel. Of these, only the Holiday Inn Express & Suites would be directly competitive. The Super 8 also has been considered in our analysis due to its national branding, but its economy orientation limits its degree of competitiveness. The other properties were not treated as competitors due to their poor quality, lack of affiliation and/or exterior-corridor configuration.

Due to Abilene's small size and limited number of quality hotel rooms, it is necessary to include hotels in nearby cities in order to properly assess the potential of the subject. Thus, we have included three hotels in Junction City and seven in Salina. While some 25 miles distant in either direction (Junction City to the east and Salina to the west), these are the closest concentrations of hotels and accommodate some of the demand generated in Abilene. The properties chosen as competitors represent the region's highest quality, most strongly branded limited- and select-service hotels. Including the two Abilene hotels, there are 12 properties with a total of 919 guest rooms which would potentially compete with the subject select-service hotel.

The map on the following page depicts the location of each property in relation to the subject. The tables on the page after the map provide a summary profile of the defined competitive properties. Additional information on the competitors is provided in the following paragraphs.

- The Holiday Inn Express & Suites Abilene is likely to be the subject's most direct competitor by virtue of its location and strong brand. The property underwent renovation in 2012 and is in good condition.
- The vast majority of the demand accommodated by the hotels in Junction City is related to Fort Riley, be it government travelers, contractors or family members of soldiers returning from deployment. They also get overflow from Kansas State University in Manhattan. The Courtyard Junction City will be the most comparable to the subject in terms of facilities due its 15,553 square feet of meeting space. Management of the property indicated it operated at a higher occupancy prior to the opening of the 135-room Hilton Garden Inn Manhattan in late 2011. That property offers 15,500 square feet of meeting space.
- Salina is the largest and strongest of the three submarkets comprising the competitive market. Hotels there benefit from a significant industrial base, the presence of Kanas Polytechnic and Kansas Wesleyan University, activities at the Great Plains Joint Training Center and being located at the junction of two interstate highways.

**SUMMARY OF COMPETITIVE PROPERTIES
ABILENE AREA
PROPOSED 100-ROOM SELECT-SERVICE HOTEL**

Name of Property	Number of Units	Year Opened	Estimated 2015			RevPAR ¹	Estimated 2015 Demand Segmentation		Total Sq. Ft. Meeting Space	Amenities
			Percent Occupancy	Average Daily Rate	Commercial		Leisure			
Holiday Inn Express & Suites Abilene	61	2000	60%-64%	\$100-\$104	\$60-\$64	35%	25%	650	C-D-E-F	
Super 8 Abilene KS	62	1989	35-39	55-59	20-24	25	50	240	E-F	
Hampton Inn Junction City	82	2010	65-69	85-89	60-64	60	20	800	C-D-E-F	
Courtyard Junction City	119	2004	50-54	85-89	40-44	50	35	15,553	A-B-C-D-F	
Holiday Inn Express Junction City	60	1996	60-64	90-94	55-59	80	5	-	C-D-E-F	
Holiday Inn Express & Suites Salina	88	2011	75-79	110-114	80-84	50	20	1,046	C-D-E-F	
Country Inn & Suites Salina	72	1999	65-69	80-84	50-54	50	25	600 ²	C-D-E-F	
Best Western Plus Midwest Inn & Suites	51	2001	75-79	80-84	60-64	50	20	-	C-D-E-F	
Comfort Suites Salina	61	2009	70-74	85-89	65-69	50	25	300 ²	C-D-E-F	
Hampton Inn Salina	68	1998	85-89	105-109	85-89	65	15	-	C-D-E-F	
Courtyard Salina	80	2005	80-84	110-114	90-94	50	35	2,088	C-D-E-F	
Holiday Inn Salina	115	2015 ³	50-54	95-99	50-54	50	35	3,000	A-B-C-D-F	
Total/Averages	919		65.3%	\$94.91	\$62.02	52%	25%		23%	

Name of Property	Fair Market Share ⁴	Estimated 2015 Market Share Percentages ⁵			Estimated 2015 Market Penetration as a Percentage of Fair Market Share ⁶			RevPAR Penetration ⁷
		Total	Commercial	Leisure	Total	Commercial	Leisure	
Holiday Inn Express & Suites Abilene	6.85%	6.53%	4.36%	6.55%	95%	64%	96%	103%
Super 8 Abilene KS	6.96	4.13	1.97	4.15	59	28	60	36
Hampton Inn Junction City	9.21	9.75	11.16	7.82	106	121	85	93
Courtyard Junction City	13.36	10.16	9.70	14.27	76	73	107	50
Holiday Inn Express Junction City	6.74	6.53	9.96	1.31	97	148	19	64
Holiday Inn Express & Suites Salina	9.88	11.28	10.76	9.05	114	109	92	135
Country Inn & Suites Salina	8.08	8.07	7.70	8.09	100	95	100	86
Best Western Plus Midwestern Inn & Suites	5.73	6.70	6.39	8.07	117	112	141	103
Comfort Suites Salina	6.85	7.77	7.41	7.79	113	108	114	107
Hampton Inn Salina	7.63	9.91	12.29	5.96	130	161	78	114
Courtyard Salina	8.98	11.11	10.60	15.60	124	118	174	147
Holiday Inn Salina	9.73	8.07	7.70	11.33	83	79	116	83

Notes:

- ¹ Occupancy x average daily rate.
- ² Estimated based on capacity.
- ³ Property opened in April 2015.
- ⁴ Based on a partial year of operation for the Holiday Inn Salina.
- ⁵ Property's accommodated demand + total demand accommodated in market.
- ⁶ Market share percentage + fair market share.
- ⁷ Property's RevPAR + market RevPAR.

Amenities Key

- A = Restaurant(s)
- B = Lounge(s)
- C = Fitness Center
- D = Indoor Swimming Pool
- E = Complimentary Breakfast
- F = Complimentary High-Speed Internet Access

Source: Properties concerned and CBRE Hotels

The table on the following page depicts trends in occupancy, ADR, RevPAR, supply and demand for the defined competitive supply since 2010. The market is sensitive to activities at Fort Riley and the impact of weather. New supply also has had an impact on occupancy levels, although they have been generally stable in the mid-60s. Despite the fluctuations in occupancy, however, rate has been steady.

Supply Additions: Based on our fieldwork, we have identified four additions to the competitive supply other than the subject hotel.

- The 97-room Hilton Garden Inn Salina is under construction at 3320 South 9th Street, proximate to the southeast quadrant of the I-135/Schilling Road interchange. The property, which is to include 12,000 square feet of meeting space, is expected to open by April 1, 2017.
- An 80-unit Holiday Inn Express & Suites is to be developed at 235 East Ash Street in Junction City, proximate to the northeast quadrant of the I-70/Washington Street interchange. Anticipated to open by October 1, 2017, it will replace the 60-room Holiday Inn Express Junction City.
- The 85-unit Fairfield Inn & Suites Alina is proposed for development at the intersection of Magnolia Road and Virginia Drive, proximate to the southwest quadrant of the I-135/Magnolia Road interchange. It has been added to the competitive set as of April 1, 2018.
- A 113-unit Homewood Suites by Hilton is proposed as part of a redevelopment plan for downtown Salina. To be located on the north side of Mulberry Street between Santa Fe Avenue and 5th Street, the property is slated to open by May 1, 2018.

It also should be noted that conversion of the Salina Ambassador Hotel & Conference Center to a Radisson has been proposed. The 180-room hotel has over 10,000 square feet of meeting space. While the conversion is scheduled to occur in January 2017, it is our understanding the property is in poor condition and timing of renovations is uncertain although they have been promised for more than two years. Thus, the project is deemed tentative and has not been considered in our analysis. Should it reach fruition, however, the property would likely be competitive with the subject hotel for groups.

Should any directly competitive supply additions occur beyond the subject and those noted above, the estimates of occupancy (and possibly ADR) contained herein would thus be affected and a revision might be required.

**HISTORICAL OCCUPANCY, ADR, REVPAR, SUPPLY AND DEMAND
DEFINED COMPETITIVE SUPPLY
ABILENE AREA**

Year	Occupancy												Total Year	YTD April	% Change	% Change YTD
	January	February	March	April	May	June	July	August	September	October	November	December				
2010	53.8%	61.4%	71.1%	65.5%	69.0%	85.2%	81.9%	74.3%	79.1%	81.0%	66.8%	46.9%	69.8%	63.0%	-9.0%	-14.3%
2011	43.2	48.7	62.1	61.4	65.3	83.6	79.4	71.6	72.7	72.0	59.0	45.3	63.5	54.0	4.5	16.1
2012	59.8	51.5	69.5	68.9	82.0	85.5	70.0	68.9	68.0	69.6	56.3	45.4	66.4	62.6	-5.5	-11.9
2013	50.6	51.1	59.7	59.0	64.1	77.7	73.2	73.2	67.1	69.0	58.6	48.3	67.7	55.2	6.3	3.9
2014	47.9	50.7	64.5	65.7	71.7	84.2	79.2	74.0	71.6	77.7	59.7	49.7	66.6	57.3	-1.9	7.3
2015	51.0	54.6	70.1	68.8	68.5	78.5	79.4	67.8	68.9	70.6	58.5	44.4	65.3	55.6	-	-9.5
2016	46.7	51.3	57.9	66.6	70.2%	82.6%	77.1%	71.5%	71.0%	73.1%	59.7%	46.6%	65.6%	58.3%	-	-
Avg	50.4%	57.5%	64.7%	65.3%	70.2%	82.6%	77.1%	71.5%	71.0%	73.1%	59.7%	46.6%	65.6%	58.3%	-	-

Year	ADR												Total Year	YTD April	% Change	% Change YTD
	January	February	March	April	May	June	July	August	September	October	November	December				
2010	\$79.66	\$80.64	\$84.08	\$85.43	\$84.88	\$86.08	\$85.16	\$86.10	\$85.30	\$86.23	\$85.72	\$82.04	\$84.61	\$82.68	2.8%	3.3%
2011	83.93	85.38	86.42	85.29	87.99	88.30	86.38	87.48	88.88	90.00	86.76	84.16	87.00	85.36	1.7	0.9
2012	84.54	85.89	86.09	87.75	89.66	90.48	91.23	88.65	89.75	91.56	88.32	84.30	88.47	86.12	1.3	0.4
2013	85.26	84.51	87.05	88.55	90.61	91.63	91.95	91.33	91.01	90.97	91.13	87.68	89.64	86.48	4.0	4.8
2014	89.56	90.37	91.54	90.63	93.35	95.56	95.88	94.81	95.58	96.93	90.19	88.88	93.24	90.61	1.8	4.3
2015	91.78	92.57	94.24	96.08	95.81	97.21	98.25	94.06	95.29	96.67	92.15	86.83	94.91	93.54	-	-1.0
2016	91.11	94.07	94.38	94.19	90.76	\$91.87	\$91.82	\$90.60	\$91.10	\$92.26	\$89.11	\$85.79	\$89.89	\$88.81	-	-
Avg	\$86.76	\$87.91	\$89.65	\$90.22	\$90.76	\$91.87	\$91.82	\$90.60	\$91.10	\$92.26	\$89.11	\$85.79	\$89.89	\$88.81	-	-

Year	RevPAR												Total Year	YTD April	% Change	% Change YTD
	January	February	March	April	May	June	July	August	September	October	November	December				
2010	\$42.85	\$49.51	\$59.77	\$55.98	\$58.61	\$73.34	\$69.78	\$64.01	\$67.43	\$69.86	\$57.25	\$38.46	\$59.06	\$52.06	-6.4%	-11.5%
2011	36.28	41.61	53.71	52.40	57.48	73.79	68.56	62.63	64.64	64.76	49.23	38.11	55.27	46.06	6.2	17.1
2012	50.56	44.26	59.82	60.42	73.48	77.34	63.83	61.07	61.07	63.77	49.48	38.25	58.71	53.95	-4.3	-11.6
2013	43.14	43.17	51.97	52.23	58.04	71.16	67.32	66.83	61.11	62.81	53.42	42.34	56.20	47.70	10.6	8.8
2014	42.93	45.83	59.02	59.52	66.96	82.41	75.98	70.19	68.42	75.29	53.89	44.21	51.91	47.70	-0.2	12.0
2015	46.79	50.56	67.50	66.08	65.61	76.33	78.06	63.80	65.64	68.21	53.89	38.56	62.02	52.03	-	-10.5
2016	42.51	48.23	54.62	62.75	\$63.70	\$75.87	\$70.82	\$64.78	\$64.69	\$67.47	\$53.16	\$39.98	\$59.01	\$51.81	-	-
Avg	\$43.70	\$46.18	\$58.00	\$58.90	\$63.70	\$75.87	\$70.82	\$64.78	\$64.69	\$67.47	\$53.16	\$39.98	\$59.01	\$51.81	-	-

Year	Supply												Total Year	YTD April	% Change	% Change YTD
	January	February	March	April	May	June	July	August	September	October	November	December				
2010	19,716	17,808	19,716	19,080	19,716	19,080	22,258	22,258	21,540	22,258	21,540	22,258	24,728	26,320	6.7%	12.9%
2011	22,258	20,104	22,258	21,540	22,258	21,540	22,258	22,258	21,540	22,258	24,180	24,986	26,748	26,748	9.9	12.3
2012	24,986	22,568	24,986	24,180	24,986	24,180	24,986	24,180	24,120	24,924	24,120	24,924	293,946	293,946	-0.2	-0.2
2013	24,924	22,512	24,924	24,120	24,924	24,120	24,924	24,120	24,120	24,924	24,120	24,924	293,460	293,460	0.0	0.0
2014	24,924	22,512	24,924	24,120	24,924	24,120	24,924	24,120	24,120	24,924	24,120	24,924	293,460	293,460	10.8	3.6
2015	28,489	25,732	28,489	27,570	28,489	27,570	28,489	28,489	27,570	28,489	27,570	28,489	325,085	325,085	-	-
2016	24,317	21,964	24,317	24,026	24,216	23,435	24,640	24,640	23,835	24,630	24,275	25,084	286,770	286,770	10.4	10.4
Avg	24,317	21,964	24,317	24,026	24,216	23,435	24,640	24,640	23,835	24,630	24,275	25,084	286,770	286,770	10.4	10.4

Year	Demand												Total Year	YTD April	% Change	% Change YTD
	January	February	March	April	May	June	July	August	September	October	November	December				
2010	10,605	10,933	14,014	12,503	13,613	16,255	18,237	16,547	17,029	18,031	14,386	10,434	172,587	48,055	-1.6%	-3.3%
2011	9,622	9,797	13,832	13,234	14,540	18,002	17,667	15,935	15,664	16,015	14,277	11,314	169,899	46,485	14.8	30.3
2012	14,944	11,629	17,362	16,650	20,477	20,669	17,482	17,213	16,412	17,359	13,568	11,308	195,073	60,585	-5.7	-12.2
2013	12,610	11,501	14,879	14,227	15,967	18,753	18,248	16,248	16,195	17,210	14,139	12,037	183,986	53,217	6.3	3.9
2014	11,948	11,417	16,070	15,841	17,878	20,802	19,751	18,452	17,266	19,360	14,388	12,397	195,570	55,276	8.6	11.2
2015	12,706	12,296	17,481	18,960	19,508	21,650	22,633	19,326	18,993	20,101	16,123	12,650	212,427	61,443	-	-0.2
2016	13,293	13,193	16,488	16,369	16,997	19,352	19,003	17,619	16,927	18,013	14,480	11,690	188,257	61,343	-	-
Avg	12,247	11,538	15,732	15,683	16,997	19,352	19,003	17,619	16,927	18,013	14,480	11,690	188,257	61,343	-	-

Notes: The 87-room Hampton Inn Junction City opened in July 2010, the 88-unit Holiday Inn Express & Suites Safina opened in November 2011, the room count of the Best Western Midwest Inn & Suites was reduced by two in September 2012 and the 115-room Holiday Inn Safina opened in April 2015.

Source: STR, Inc.

Demand Analysis

Principal Sources of Demand: The principal sources of lodging demand for the defined competitive set are the commercial, group and leisure segments. From our analysis of the operating performance of the existing competitive properties, it is estimated that the total demand accommodated by these properties in 2015 was segmented as follows:

ESTIMATED ACCOMMODATED DEMAND SEGMENTATION DEFINED COMPETITIVE SUPPLY ABILENE AREA 2015		
Demand Segmentation	Annual Accommodated Room-Nights	Percent of Total Demand
Commercial	111,300	52%
Group	52,900	25
Leisure	<u>48,200</u>	<u>23</u>
Total	<u>212,400</u>	<u>100%</u>

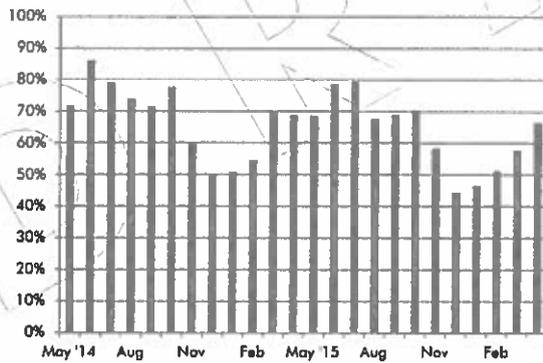
Seasonality of Demand: The subject market area is moderately seasonal, with area hotels achieving their highest occupancies during the summer months when family vacations usually occur. Sporting events at local universities have positive impact on October. As with most commercial markets, December and January typically are the weakest months of the year due to the holidays. Inclement weather also can suppress occupancies during the winter months. Disparities of up to 35 points in occupancy can occur between the winter and summer months. ADR levels, however, tend to remain fairly steady, fluctuating less than \$10 throughout the year. The table and graphs below profile the trend in seasonality for the defined competitive set from May 2014 through April 2016.

**SEASONALITY TRENDS
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
MAY 2014 THROUGH APRIL 2016**

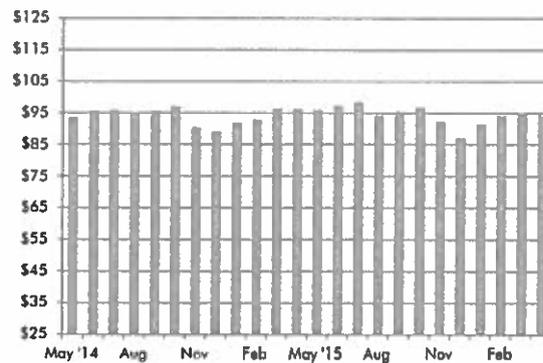
Month	Occupancy		Average Daily Rate	
	2014/2015	2015/2016	2014/2015	2015/2016
May	71.7%	68.5%	\$93.35	\$95.81
June	86.2	78.5	95.56	97.21
July	79.2	79.4	95.88	98.25
August	74.0	67.8	94.81	94.06
September	71.6	68.9	95.58	95.29
October	77.7	70.6	96.93	96.67
November	59.7	58.5	90.19	92.15
December	49.7	44.4	88.88	86.83
January	51.0	46.7	91.78	91.11
February	54.6	51.3	92.57	94.07
March	70.1	57.9	96.08	94.38
April	68.8	66.6	95.81	94.19

Source: STR, Inc.

MONTHLY OCCUPANCY



MONTHLY ADR



With the exception of being somewhat lighter during the summer months and holiday periods, commercial demand is fairly consistent on a year-round basis and generally is concentrated on Monday through Thursday nights. Group meetings are most prevalent during the spring and fall months, while social groups are more evenly spread throughout the year. Leisure demand is usually most prevalent during the summer months and on weekends consistent with typical vacation patterns.

The market occasionally reaches capacity during the peak months due to tourist activity, both mid-week when it overlaps with commercial demand and on weekends. Thus, we have included a level of unaccommodated demand in our analysis. The following table presents daily occupancy and ADR patterns for the three-year period ended April 2016.

**OCCUPANCY AND ADR BY DAY OF THE WEEK
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
THREE YEARS ENDED APRIL 2016**

Day of the Week	Occupancy	ADR
Sunday	44.1%	\$89.38
Monday	64.1	93.34
Tuesday	71.4	94.44
Wednesday	71.3	94.40
Thursday	65.0	92.87
Friday	69.8	93.71
Saturday	67.9	93.83
Three-Year Average	64.8%	\$93.36

Source: STR, Inc.

Future Demand: Future room-night demand for the commercial, group and leisure segments was estimated based upon an analysis of key economic and demographic indicators. For each segment, relevant factors were identified and weighted according to their relative impact on demand. The annual growth rates estimated for each segment are discussed in the following paragraphs.

Commercial Demand: This segment consists of demand generated by vendors, service representatives, corporate executives and other visitors to area businesses and industries. Transient government demand also is included here as are researchers at the Eisenhower Presidential Library. Those commercial travelers on a per diem, such as government employees, tend to choose lower-priced facilities offering a good price/value relationship (and often including complimentary food and beverage), while business people on an expense account consider the quality of the accommodations to be more important than the price charged. The federal per diem for the subject market area is \$89 for fiscal 2016.

Commercial demand levels tend to reflect trends in employment, although in this case activities at Fort Riley such as deployments also can have significant influence. As previously mentioned, employment for the three communities housing the competitive set is forecast to grow between 0.6 and 1.2 percent compounded annually. Overall, demand is anticipated to increase at a moderate pace.

Group Demand: The group meetings market, on a national level, is diverse and can be delineated as follows:

- **Conventions:** Private groups or associations meeting to exchange ideas. National and regional associations generally prefer larger markets with activities for spouses. The

subject market area's penetration of this subsegment is limited to small and medium-sized associations.

- **Conferences:** Small private groups conducting training sessions, sales presentations or exchanging ideas. The subject property should be well suited to these groups.
- **Assemblies:** These groups are typically large and usually require tiered seating. Examples are large religious events. The subject will not participate in this market.
- **Trade Shows:** The primary purpose of a trade show is to bring buyers and sellers together within a particular industry. These events typically require large amounts of exhibit space. In general, trade show promoters try to attract as many participants as possible; accordingly, they are often held in major cities with extensive transportation networks and large populations.
- **Consumer Shows:** These events are organized to sell goods and/or services directly to the public and are usually space intensive. Most attendees are from the local area which serves to limit economic impact. Accordingly, few hotel room-nights are generated.
- **Special Events:** Most of these events are entertainment oriented (e.g., athletic events, concerts, festivals, large banquets, etc.). Depending upon the event, a substantial number of room-nights can be generated.

The group demand accommodated by the competitive set consists of small corporate and association groups holding meetings or conducting training, supplemented by SMERF (social, military, educational, religious and fraternal) such as weddings and reunions as well as youth sports groups and bus tours.

Given that the group segment has elements of both commercial and leisure demand, its growth has been based upon the same factors influencing those segments.

Leisure Demand: The leisure demand segment includes through travelers on I-70 en route to other destinations, tourists visiting attraction in the area, attendees at special events, and visitors to friends and relatives. As a major interstate highway extending across a large portion of the U.S., highway motorists are a significant factor. Based on the annual average daily traffic counts on four locations between Junction City and Salina, traffic increased 1.8 percent compounded annually between 2010 and 2015. Overall, base levels of leisure demand growth area anticipated to be moderate.

Overall Demand Growth: The segmented growth rates and overall lodging demand growth anticipated for the subject lodging market area are as shown in the following table. The higher rates of growth through 2019 reflect the opening of the various supply additions. With the exception of the Holiday Inn Express & Suites Junction City, these properties will offer product types and/or affiliations heretofore unavailable in the market area. The Hilton Garden Inn and the subject in particular will expand the market's available meeting space. Accordingly, the new

hotels should draw a level of demand to the market by their presence and in-house marketing efforts.

**ESTIMATED ANNUAL GROWTH RATES BY SEGMENT AND TOTAL DEMAND
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
2015 THROUGH 2023**

Year	Commercial		Group		Leisure		Total	
	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change	Amount
2015	-	119,800 ¹	-	62,300 ¹	-	57,700 ¹	-	239,800 ¹
2016	1.6%	121,700	2.1%	63,600	1.3%	58,400	1.7%	243,700
2017	5.1	127,900	7.5	68,400	3.7	60,600	5.4	256,900
2018	11.5	142,700	8.4	74,100	6.7	64,700	9.6	281,500
2019	6.3	151,600	8.1	80,200	5.7	68,300	6.6	300,100
2020	2.6	155,600	2.3	82,000	2.3	69,900	2.5	307,500
2021	2.2	159,100	1.8	83,500	1.9	71,200	2.0	313,800
2022	1.8	161,900	1.7	84,900	1.8	72,500	1.8	319,300
2023	1.8	164,800	1.7	86,400	1.8	73,900	1.8	325,100

¹ Includes unaccommodated demand as discussed herein.

Estimated Relationship of Supply to Demand

Based on the foregoing discussion of growth in demand for transient lodging facilities in the market area, together with our analysis of existing and foreseeable supply characteristics, the following table indicates resulting market occupancy levels estimated for the defined competitive supply from 2015 through 2023.

**ESTIMATED RELATIONSHIP OF SUPPLY TO DEMAND
DEFINED COMPETITIVE SUPPLY
ABILENE AREA
2015 THROUGH 2023**

Year	Estimated Rooms Supply		Estimated Annual Demand in Room-Nights		Estimated Market Area Occupancy ^B
	Daily	Annual	Total ^A	Accommodated	
2015	891 ¹	325,085	239,800	212,400	65%
2016	9192	335,435	243,700	217,500	65
2017	1,0123	369,470	256,900	234,300	63
2018	1,2364	451,100	281,500	269,100	60
2019	1,394 ⁵	508,810	300,100	294,600	58
2020	1,394	508,810	307,500	301,900	59
2021	1,394	508,810	313,800	308,000	61
2022	1,394	508,810	319,300	313,500	62
2023	1,394	508,810	325,100	319,100	63

^A Includes unaccommodated demand which, due to capacity constraints, is turned away from the market.

^B Based on estimated levels of accommodated demand in the market area. Rounded to the nearest whole percentage point.

¹ Existing competitive supply including a partial year of operation for the 115-room Holiday Inn Salina.

² First full year of operation for the Holiday Inn Salina.

³ Partial year of operation for the 97-room Hilton Garden Inn Salina and the 80-unit Holiday Inn Express & Suites Junction City.

⁴ First full year of operation for the Hilton Garden Inn Salina and the Holiday Inn Express & Suites Junction City. Partial year of operation for the 85-unit Fairfield Inn & Suites Salina and the 113-unit Homewood Suites by Hilton Salina Downtown.

⁵ First full year of operation for the Fairfield Inn & Suites Salina, the Homewood Suites by Hilton Salina Downtown and the subject 100-room select-service hotel.

ESTIMATED LEVELS OF UTILIZATION

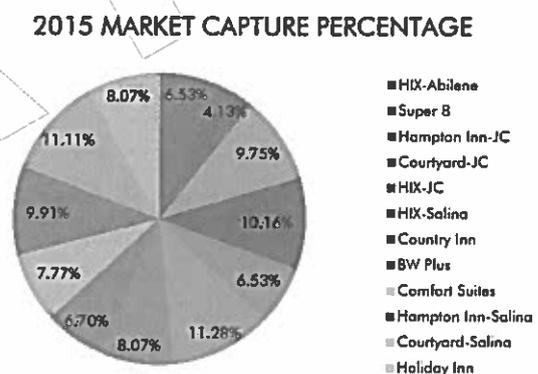
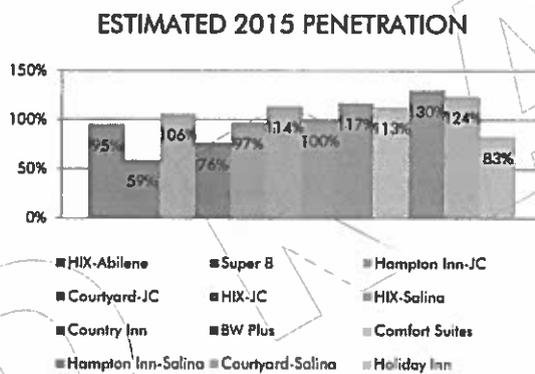
Projected levels of occupancy and average daily rate for the subject hotel are discussed in detail in this section. The bases of the estimates were determined through the evaluation of the subject property's competitive position, future supply and demand, and fair market share penetration rates, which also are presented.

Estimated Occupancy and Market Segmentation

Prospective levels of utilization for the subject hotel have been analyzed for its first five full years of operation, 2019 through 2023. Our quantitative analysis anticipated the hotel's ability to capture future market area demand in terms of its "fair share" percentage of the competitive

room supply. Fair market share is based on the ratio of the hotel's available guest rooms to the total market supply.

As discussed previously, there are 919 rooms in the competitive market. This number will increase to 1,394 in 2019 following the opening of 97-room Hilton Garden Inn Salina, the 80-unit Holiday Inn Express & Suites Junction City, the 85-unit Fairfield Inn & Suites Salina, the 113-unit Homewood Suites by Hilton Salina Downtown and the subject 100-room select-service hotel. Accordingly, the subject's fair market share will be 7.17 percent ($100 \div 1,394$). This fair market share is expected to remain constant through 2023. The existing competitive properties' estimated 2015 penetration as a percentage of fair market share and market capture percentage are depicted by the following graphs. These figures reflect a partial year of operation for the 115-room Holiday Inn Salina.



The proposed select-service hotel is anticipated to achieve penetration levels well below its fair market share in the commercial segment and significantly above its fair share in the group and leisure segments. Its overall penetration is projected to range between 89 and 100 percent of fair market share during the period analyzed. These projections are based on the following factors:

- The subject hotel should be recognized as Abilene's highest quality and only select-service property. Thus it should appeal to those guests desirous of the market's best accommodations
- At 100 rooms, the subject will be one of the largest hotels in the competitive set. By 2019, the average size of the competitors will be 82 rooms. This count will likely make it more difficult for the property to maintain occupancy levels during non-peak periods.
- It is assumed the subject will be affiliated with a strong brand not currently represented in Abilene and perhaps not in the defined market area.
- Amongst the competitors, only the Courtyard Junction City and the Hilton Garden Inn Salina will have similar or higher quantities of meeting space per guest room. A majority

of respondents to our survey of state association meeting planners indicated they would be somewhat to very likely to use the subject if appropriately configured. These organizations tend to hold one to four meetings per year which last two nights on average.

- Abilene does not have the corporate and government demand base enjoyed by Junction City and Salina. Thus, the subject is not expected to fully penetrate the commercial segment.
- Abilene has a concentration of tourist attractions and hosts a number of special events which draw a significant number of visitors. The subject's location in Abilene should enable it to achieve a market penetration substantially in excess of its fair market share in the leisure segment.

Based on the foregoing considerations and assuming competent management, the penetration rates by segment and the resulting estimated occupancy and corresponding room-nights for the subject were projected as shown below. The stabilized occupancy represents a long-term average. Year-to-year fluctuations can be expected in actuality, and the property may in fact achieve occupancies and/or rates (as discussed below) higher than those depicted here during the period of our analysis.

Estimated Average Daily Rate

The estimates of future average daily rate for the proposed luxury resort hotel are based on the following factors:

- The competitive advantages and disadvantages outlined previously;
- Anticipated rate structure relative to the competitive lodging supply; and
- Estimated economic inflation of 3.0 percent per annum.

**ESTIMATED MARKET PENETRATION, OCCUPANCY AND MARKET SEGMENTATION
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS**

	2019	2020	2021	2022	2023
Commercial					
Market Area Accommodated Demand	150,500	154,500	157,900	160,700	163,600
Subject's Capture Percentage	4.46%	4.84%	4.90%	4.90%	4.90%
Room-Nights Captured	6,700	7,500	7,700	7,900	8,000
Penetration as a Percentage of Fair Market Share	62%	67%	68%	68%	68%
Group					
Market Area Accommodated Demand	77,700	79,500	81,000	82,400	83,800
Subject's Capture Percentage	8.73%	9.40%	9.73%	9.73%	9.73%
Room-Nights Captured	6,800	7,500	7,900	8,000	8,200
Penetration as a Percentage of Fair Market Share	122%	131%	136%	136%	136%
Leisure					
Market Area Accommodated Demand	66,400	67,900	69,200	70,400	71,700
Subject's Capture Percentage	8.00%	9.01%	9.44%	9.44%	9.44%
Room-Nights Captured	5,300	6,100	6,500	6,600	6,800
Penetration as a Percentage of Fair Market Share	112%	126%	132%	132%	132%
Total					
Market Area Accommodated Demand	294,600	301,900	308,000	313,500	319,100
Subject's Capture Percentage	6.39%	6.98%	7.19%	7.19%	7.19%
Room-Nights Captured	18,800	21,100	22,100	22,500	22,900
Penetration as a Percentage of Fair Market Share	89%	97%	100%	100%	100%
Market Segmentation					
Commercial	35.6%	35.5%	34.8%	35.1%	34.9%
Group	36.2%	35.5%	35.7%	35.6%	35.8%
Leisure	28.2%	28.9%	29.4%	29.3%	29.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Projected Occupancy					
	52%	58%	61%	62%	63%

Average daily rates for each of the competitive properties in 2015 were as depicted in the following table.

**ESTIMATED 2015 AVERAGE DAILY RATES
DEFINED COMPETITIVE SUPPLY
ABILENE AREA**

Property	Average Daily Rate
Holiday Inn Express & Suites Abilene	\$100-\$104
Super 8 Abilene KS	55-59
Hampton Inn Junction City	85-89
Courtyard Junction City	85-89
Holiday Inn Express Junction City	90-94
Holiday Inn Express & Suites Salina	110-114
Country Inn & Suites Salina	80-84
Best Western Plus Midwest Inn & Suites	80-84
Comfort Suites Salina	85-89
Hampton Inn Salina	105-109
Courtyard Salina	110-114
Holiday Inn Salina	95-99
Market Average	\$94.91

The rates for the Junction City hotels tend to be constrained by the government per diem. Accordingly, the Courtyard Salina and the Holiday Inn Salina are considered the best benchmarks for projecting ADR for the subject given their competitive branding. The rate achieved by the Holiday Inn reflects its first, partial year of operation. Thus, it is not representative of a stabilized rate. The Courtyard is 20 percent smaller than the subject. Respondents to the state association meeting planners survey indicated the average expenditure per guest room per night ranges between \$76 and \$125, with most responses falling between \$100 to \$125. A great majority of respondents also would expect to pay the same amount for a hotel in Abilene that they are paying now.

Considering the foregoing and assuming competent management, the subject property's ADR has been projected as depicted in the following table. The lower rates in 2019 and 2020 reflect discounting to induce trial.

**ESTIMATED AVERAGE DAILY RATE
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
2019 THROUGH 2023**

Year	Constant 2015 Dollars	Inflated Dollars ¹
2019	\$ 97.00	\$109.25
2020	99.00	114.75
2021	100.00	119.50
2022	100.00	123.00
2023	100.00	126.75

¹ Inflated annually at 3.0 percent and rounded to the nearest \$0.25. Inflation rates were based on the results of recent investor surveys.

FINANCIAL PROJECTIONS

Bases of Financial Projections

Estimates of cash flow before debt service and income taxes have been prepared for the property's first five years of operation, 2019 through 2023. All projections and calculations were based on an analysis of the recommended facilities, operating data for comparable hotels, the experience of the consultants and industry statistics for similar type properties. The data for four comparable properties with significant meeting space are presented on the following page (Comparables 1 through 4) along with a composite comprising seven select-service of highly similar size, occupancy and ADR (Comparable 5).

Although the comparables are similar in many physical respects, material differences in occupancy and ADR levels, labor markets and/or management philosophy can cause significant variations in financial performance. Consequently, we have utilized the comparable data as a guideline in evaluating the reasonableness of our estimates and have not attempted to explain variations between the comparable data by line item.

**COMPARABLE OPERATING STATEMENTS
PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
EXPRESSED IN 2015 DOLLARS**

	1 Select-Service Hotel		2 Select-Service Hotel		3 Select-Service Hotel		4 Select-Service Hotel		5 Composite	
	Amount/ (000s)	Amount/ Percent Avail. / Rm. Occ. Rm.	Amount/ (000s)	Amount/ Percent Avail. / Rm. Occ. Rm.						
Revenue:										
Rooms	\$1,837	68.3%	\$4,076	61.5%	\$3,889	67.2%	\$3,798	59.9%	\$2,216	84.9%
Food and Beverage	825	30.7	2,513	37.9	1,848	31.9	2,505	39.5	380	13.9
Minor Operated Departments	25	0.9	79	0.4	49	0.8	33	0.5	28	1.0
Miscellaneous Income (Net)	2	0.1	13	0.2	2	0.0	6	0.1	5	0.2
	2,689	100.0	6,631	100.0	5,787	100.0	6,343	100.0	2,778	100.0
Departmental Expenses:										
Rooms	499	27.2	876	20.3	847	21.8	742	19.5	537	23.0
Food and Beverage	587	71.1	1,213	48.3	1,311	71.0	1,776	70.9	307	80.8
Minor Operated Departments	4	17.6	20	70.3	27	55.0	25	75.1	77	96.2
	1,091	40.6	2,059	31.1	2,185	37.8	2,542	40.1	866	31.7
Gross Operating Income	1,598	59.4	4,572	68.9	3,603	62.2	3,800	59.9	1,862	68.3
Undistributed Operating Expenses:										
Administrative and General	300	11.1	467	7.0	443	7.7	454	7.2	278	10.2
Information and Telecommunications Systems	45	1.7	51	0.8	81	1.4	88	1.4	45	1.6
Management Fees	52	1.9	199	3.0	231	4.0	254	4.0	87	3.0
Marketing	353	13.1	754	11.4	635	11.0	753	11.9	365	13.4
Utility Costs	765	9.9	299	4.5	289	4.6	317	3.4	121	4.4
Property Operation and Maintenance	193	7.2	252	3.8	335	5.8	379	5.2	169	6.2
	1,207	44.9	2,073	30.5	1,994	34.5	2,095	33.0	1,060	38.9
Cash Flow From Operations Before										
Fixed Charges, Reserve For										
Replacement of Fixed Assets,										
Debt Service and Income Taxes	\$391	14.5%	\$2,549	38.6%	\$1,609	27.8%	\$1,706	26.9%	\$802	29.4%
Net:										
1 Percentages of departmental expenses are to departmental revenue, all other percentages are to total revenue.										
2 Totals may not add due to rounding.										

In preparing the financial projections, stabilized year amounts were projected first on the bases presented in the following table. The fixed and variable components of each line item were then estimated and the projections for the years prior to stabilization were prepared. The fixed and variable components presented in the table were based on industry standards and the consultants' experience.

BASES OF PROJECTIONS AND FIXED AND VARIABLE COMPONENT PERCENTAGES

Line Item	Basis	Fixed	Variable
Food Revenue	\$45.00/occupied room	30%	70%
Beverage Revenue	\$9.00/occupied room	30	70
Food & Beverage Other Income	\$10.00/occupied room	30	70
Minor Operated Departments Revenue	\$1.25/occupied room	10	90
Miscellaneous Income (Net)	\$0.25/occupied room	5	95
Rooms Payroll	\$14.00/occupied room	70	30
Rooms Other Expense	\$10.00/occupied room	35	65
Food Cost	35.0% of food revenue	10	90
Beverage Cost	25.0% of beverage revenue	5	95
Food & Beverage Payroll	35.0% of food & beverage revenues	70	30
Food & Beverage Other Expense	10.0% of food & beverage revenues	35	65
Minor Operated Departments Expense	80.0% of MOD revenues	10	90
Administrative & General	\$3,300/available room	75	25
Information & Telecommunications Systems	\$400/available room	65	35
Management Fees	3.0% of total revenues	0	100
Marketing	\$5,000/available room	75	25
Utility Costs	\$8.00/occupied room	65	35
Property Operations & Maintenance	\$1,900/available room	75	25
Property Taxes	\$193,000 annually	100	0
Insurance	\$375/available room	100	0
Replacement Reserve	4.0% of total revenues	0	100

Each line item was evaluated on the most appropriate basis for that particular revenue or expense. For example, rooms department payroll was projected on a "per occupied room" basis versus a percentage basis since increases in average daily rate do not result in corresponding increases in payroll.

Prospective revenues and expenses were first prepared and expressed in constant 2015 dollars. These amounts were then inflated at 3.0 percent annually and rounded to the nearest thousand dollars. The 3.0 percent inflation rate was selected based upon the results of recent investor surveys. Statements were then prepared in inflated dollars (see Exhibits I and I-A). If higher or lower inflation rates are experienced, these statements would thus be affected and a revision would be appropriate. All account classifications generally conform to the definitions prescribed in the Uniform System of Accounts for the Lodging Industry. All percentage relationships presented in the following pages were computed on the basis of the financial projections expressed in 2015 dollars. All dollar amounts are expressed in 2015 dollars unless otherwise noted.

Notes to Financial Projections

Revenues:

Room revenue is a factor of occupancy and average daily rate, both of which are driven by the competitive market environment, as discussed in the Estimated Levels of Utilization section of this report. The projected occupancy levels, average daily rates and total annual guest room sales are depicted in the financial analyses presented as Exhibit I.

Food revenue is derived from food sales as well as sales of coffee, milk, tea and soft drinks. Generally, food revenue includes sales generated in restaurants, lounges, room service and banquets. The extent of food revenue is driven by the size and type of food outlets in addition to the number of in-house guests. For this reason, comparative data may not be relevant.

Some hotel restaurants enjoy a significant level of local patronage while many are solely dependent upon in-house guests. To a degree, the same holds true for banquet activity. Revenue generated by in-house guests is directly related to occupancy and is therefore primarily variable. Conversely, revenue generated by local patrons is considered to be fixed.

Food revenue is projected to stabilize at \$45.00 per occupied room.

Beverage revenue is derived from the sale of alcoholic beverages. Again, the size and nature of beverage outlets tend to dictate the level of beverage revenue. As with food, the fixed and variable components of beverage revenue are based upon the extent of local patronage. Beverage revenue is projected to stabilize at \$9.00 per occupied room.

Other food and beverage income includes meeting room rentals, conference services, cover charges, miscellaneous banquet income and miscellaneous other income. This line item is usually less than 50 percent fixed. Other food and beverage revenue has been projected to stabilize at \$10.00 per occupied room.

Total food and beverage revenues are estimated to stabilize at 64.00 per occupied room. Comparables 1 through 4, which are deemed most relevant with respect to food and beverage due to their substantial meeting space, range from \$37.77 to \$80.61 per occupied room.

Minor operated departments (MOD) revenue is derived from such sources as the sundry shop and guest laundry. MOD revenue has been projected to stabilize at \$1.25 per occupied room. The comparable data range from \$0.85 to \$1.41 per occupied room.

Miscellaneous income is usually presented *net of expenses* and includes non-operating activities such as vending, commissions, interest income and cancellation fees. Miscellaneous income has been projected to stabilize at \$0.25 per occupied room. The comparable data indicate a range of \$0.07 to \$0.37 per occupied room.

Based on the foregoing, total revenues are projected at approximately \$167.00 per occupied room for year one, decreasing to and stabilizing at \$165.50 per occupied room in year five. The comparable data range from \$117.46 to \$204.12 per occupied room. Comparables 1 through 4 depict a range of \$123.08 to \$204.12 per occupied room.

Departmental Expenses:

Rooms Department:

Rooms payroll includes regular pay, overtime pay, vacation pay, severance pay, incentive pay, holiday pay and bonuses for employees of the rooms department. Employee benefits such as payroll taxes, payroll-related insurance expense, pension and other related expenses are also included in rooms payroll. Specifically, rooms department personnel include the following:

Rooms division manager
Front office:
Front office manager
Room clerks

Night clerks
Housekeeping:
Housekeeper and assistants

Rooms payroll has been projected to stabilize at \$14.00 per occupied room.

Rooms other expenses include commissions, contract cleaning, guest transportation, laundry/dry cleaning, linen, operating supplies, reservations, uniforms and miscellaneous other expenses of the rooms department. Complimentary services such as breakfast or cocktails also are included here. Rooms other expenses are estimated to stabilize at \$10.00 per occupied room.

Total rooms department expenses are projected to stabilize at \$24.00 per occupied room. The comparable data range from \$22.86 to \$24.44 per occupied room.

Food & Beverage Department:

Food cost represents the cost of food served to guests and the cost of food items furnished for employee meals. Food cost is presented net of trade discounts and income from the salvage of grease, bones, etc. Theoretically, food cost should be 100 percent variable. In reality, however, waste, spoilage and pilferage result in a small fixed component, say five to ten percent. Food cost is estimated at 35.0 percent of food sales.

Beverage cost includes the cost of wines, liquors, beers and other set-up items such as fruit, sugar, syrups and bitters. Transportation, duties, and storage costs are included while trade discounts and salvage income are deducted. Beverage cost is generally 90 to 95 percent variable and is estimated at 25.0 percent of beverage revenue throughout the projection period.

Food and beverage payroll includes regular pay, overtime pay, vacation pay, severance pay, incentive pay, holiday pay, bonuses and related benefits for the following personnel:

Food & beverage department manager
Kitchen:
Chefs and assistants
Preparation personnel
Cooks
Dishwashers
Storeroom personnel
Utility persons
Cleaners

Service:
Hosts/hostesses
Servers
Dining room attendants
Room service personnel
Banquet personnel
Bar tenders
Bar attendants
Stewards

Food and beverage payroll is projected to stabilize at 35.0 percent of food and beverage revenues.

Food and beverage other expenses include china, glassware, silver, linen, contract cleaning, kitchen fuel, laundry and dry cleaning, licenses, music and entertainment, operating supplies, uniforms and miscellaneous other expenses related to food and beverage operations. These expenses are projected at approximately 10.0 percent of food and beverage revenues throughout the projection period.

Total food and beverage department expenses are projected to stabilize at 73.1 percent of food and beverage revenues. The comparable data range between 48.3 and 80.8 percent. Four of the comparables depict a more narrow range of 70.9 to 80.8 percent.

Minor Operated Departments:

MOD expenses include all expenditures related to the operations of associated revenue-generating departments. MOD expenses are estimated at 80.0 percent of MOD revenues. The comparable data indicate a range of 17.6 to 96.2 percent. Four of the comparables depict a more narrow range of 55.0 to 96.2 percent.

Undistributed Operating Expenses:

Administrative and general (A&G) expenses tend to be a "catch-all" for items not easily classified. In theory, these expenses should benefit the entire property. Salaries and wages are a significant component of A&G and include the general manager, resident manager, manager's office personnel, night auditors, receiving clerks, timekeepers and personnel in the accounting, human

resources, data processing and transportation departments. Other typical expenses classified as A&G include the following:

Credit card commissions	Contributions
Data processing services	Professional fees
Dues and subscriptions	Provision for doubtful accounts
Human resources (training, relocation, etc.)	Travel and entertainment
Operating supplies	Cash overages and shortages
Postage and delivery charges	Other expenses not classified elsewhere

Administrative and general expenses are projected to stabilize at \$3,300 per available room. The comparable data range between \$2,540 and \$4,129 per available room.

Information and telecommunications systems expenses include all telecommunications-related labor expenses, administrative telecommunications costs, and the costs associated with complimentary phone and Internet services. These expenses are projected to stabilize at \$400 per available room. The comparable data indicate a range of \$381 to \$799 per available room.

Management fees reflect the cost of management services and supervision of the property. Competition for management contracts has increased in recent years. As a result, fees charged have declined. Management fees are 100 percent variable and have been projected at 3.0 percent of total revenues.

Marketing expenses consist of five categories: sales, reservations, advertising/merchandising, fees/commissions and franchise/membership-related costs such as royalty and national advertising fees. With respect to sales and reservations, wages and benefits are a significant expense. Marketing expense varies widely depending upon property type. In a convention-oriented hotel, sales salaries may contribute the bulk of expenditures. These expenses have been projected to stabilize at \$5,000 per available room. The comparable data range from \$2,991 to \$6,847 per available room.

Utility costs include electricity, gas, oil, coal, steam, water and sewage. Particular attention is given to local utility charges when projecting this item. The fixed portion of utility costs is based upon the amount of public space in a property. Hotels with extensive meeting space and numerous food and beverage outlets tend to have a higher fixed percentage than rooms only properties. Utility costs have been projected to stabilize at \$8.00 per occupied room. The comparables indicate a range of \$5.21 to \$12.13 per occupied room. Four of the comparables depict a more narrow range of \$5.21 to \$8.73 per occupied room.

Property operation and maintenance (POM) expenses include wages and benefits for maintenance personnel, building supplies, electrical and mechanical equipment, engineering supplies, grounds and landscaping, operating supplies, waste removal, swimming pool maintenance and uniforms. Also included is the cost of materials and labor relating to painting,

decorating and repairing furniture, fixtures and equipment (FF&E). The replacement of FF&E is not included.

POM expenses are projected to stabilize at \$1,900 per available room. Since the hotel will be new at the beginning of the projection period, these expenses are expected to be significantly lower in the first two years of operation. The comparable data present a range of \$1,636 to \$2,993 per available room.

Fixed Charges:

Property taxes are projected at approximately \$193,000 annually throughout the period analyzed based on the assessments of other hotels located in the same taxing jurisdiction (Dickinson County).

Insurance includes the cost of insuring the buildings and contents against damage or destruction by fire, weather, or other causes as well as general liability insurance. Insurance has been estimated at \$375 per available room based on the comparable data and industry norms.

Reserve for Replacement of Fixed Assets:

Reserve for replacement of fixed assets represents an amount set aside each year in anticipation of needed capital improvements. This line item is almost always calculated as a percentage of total revenue and is usually set forth in management contracts. Most properties reserve anywhere from three to five percent of revenues. The amount is often lower in the early years of operation, increasing thereafter as the property ages. Reserve for replacement of fixed assets has been projected at 2.0 percent of total revenues in the first year of the projection period, 3.0 percent in the second year and 4.0 percent thereafter based on industry norms.

Expense Summary

Total expenses before fixed charges for the subject are projected at 87.8 percent of total revenues in year one, decreasing to and stabilizing at 79.1 percent in year five. The comparable data exhibit expense ratios before fixed charges of 61.6 to 85.5 percent. On a per occupied room basis, expenses before fixed charges for the subject are projected at approximately \$146.70 per occupied room for 2019, decreasing to and stabilizing at approximately \$130.85 per occupied room. The comparable data range between \$82.95 and \$149.23 per occupied room. Comparables 1 through 4 depict a more narrow range of \$105.18 to \$149.23 per occupied room.

Investment Summary

Based on the foregoing, we have prepared an investment summary as presented as Exhibit II reflecting hypothetical return levels given certain investment parameters. The following assumptions were employed:

INVESTMENT SUMMARY ASSUMPTIONS	
Assumption	Amount
Project Costs (including land cost)	\$14,000,000
Interest Rate	5.0 percent per annum
Terminal Capitalization Rate	9.5 percent
Sales Costs	2.0 percent
Amortization Period (monthly payments)	20 years
Debt Ratio	70 percent

As depicted by the investment summary, the project would generate a negative unleveraged IRR. Obviously, the returns will vary depending upon the actual project costs and debt terms. However, these return levels suggest the project is not economically feasible. Thus it will be necessary to provide economic incentives to bridge the gap. Incentives could take the form of tax abatements, tax increment financing, direct investment in project infrastructure, free or bargain priced land, etc. The precise value of the incentives will vary depending upon the project costs and deal structure. Nonetheless, it can be assumed that the benefits would materially alter investment returns. Based on our observation of other development projects, an unleveraged IRR of 8.00 to 12.00 percent and a leveraged IRR of 13.00 to 18.00 percent would likely be required.

TERMS AND CONDITIONS

The projections of occupancy, average daily rate and cash flow presented in this report are based on estimates, assumptions and other information developed from research of the market as of July 20, 2016, knowledge of the industry and other factors including certain information provided by you. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis may vary from the estimates, and these variations may be material. Further, the performance estimates assume the hotel will be professionally and effectively managed.

CBRE Hotels will make no representations or warranty as to the accuracy or completeness of the information contained within this report, including any estimates, and shall have no liability for any representations (expressed or implied) contained herein. This report is intended for your internal information only. Otherwise, neither our report, nor any reference to our firm, may be

included or quoted in any offering circular or registration statement, prospectus, sales brochure or appraisal.



We appreciate your consideration of CBRE Hotels for professional services. Please contact us should you have any questions regarding this report.

Sincerely,

CBRE Hotels

D R A F E T

EXHIBIT I

**PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
PROJECTED CASH FLOW FROM OPERATIONS BEFORE
DEBT SERVICE AND INCOME TAXES
EXPRESSED IN THOUSANDS OF INFLATED DOLLARS
2019 THROUGH 2023**

	2019		2020		2021		2022		2023	
	Amount	Percent								
Revenues:										
Rooms	\$2,074	58.1%	\$2,429	59.5%	\$2,661	60.2%	\$2,783	60.3%	\$2,915	60.4%
Food and Beverage	1,462	41.0	1,615	39.6	1,720	38.9	1,791	38.8	1,864	38.7
Minor Operated Departments	27	0.8	31	0.8	33	0.8	35	0.8	36	0.8
Miscellaneous Income (Net)	5	0.2	6	0.2	7	0.2	7	0.2	7	0.2
	<u>3,569</u>	<u>100.0</u>	<u>4,082</u>	<u>100.0</u>	<u>4,421</u>	<u>100.0</u>	<u>4,616</u>	<u>100.0</u>	<u>4,823</u>	<u>100.0</u>
Departmental Expenses:										
Rooms	573	27.6	617	25.4	650	24.4	674	24.2	699	24.0
Food and Beverage	1,129	77.2	1,209	74.8	1,269	73.8	1,315	73.5	1,363	73.1
Minor Operated Departments	22	81.5	25	80.6	27	80.2	28	80.1	29	80.0
	<u>1,724</u>	<u>48.3</u>	<u>1,851</u>	<u>45.3</u>	<u>1,945</u>	<u>44.0</u>	<u>2,017</u>	<u>43.7</u>	<u>2,091</u>	<u>43.4</u>
Gross Operating Income	<u>1,845</u>	<u>51.7</u>	<u>2,231</u>	<u>54.7</u>	<u>2,475</u>	<u>56.0</u>	<u>2,599</u>	<u>56.3</u>	<u>2,731</u>	<u>56.6</u>
Undistributed Operating Expenses:										
Administrative and General	356	10.0	375	9.2	391	8.9	404	8.8	418	8.7
Information and Telecommunications Systems	42	1.2	45	1.1	47	1.1	49	1.1	51	1.1
Management Fees	107	3.0	122	3.0	133	3.0	138	3.0	145	3.0
Marketing	539	15.1	569	13.9	593	13.4	613	13.3	633	13.1
Utility Costs	194	5.4	207	5.1	217	4.9	225	4.9	233	4.8
Property Operation and Maintenance	171	4.8	198	4.9	225	5.1	233	5.0	241	5.0
	<u>1,410</u>	<u>39.5</u>	<u>1,517</u>	<u>37.2</u>	<u>1,607</u>	<u>36.3</u>	<u>1,663</u>	<u>36.0</u>	<u>1,720</u>	<u>35.7</u>
Cash Flow From Operations Before Fixed Charges	<u>435</u>	<u>12.2</u>	<u>713</u>	<u>17.5</u>	<u>868</u>	<u>19.6</u>	<u>936</u>	<u>20.3</u>	<u>1,011</u>	<u>21.0</u>
Fixed Charges:										
Property Taxes	218	6.1	224	5.5	231	5.2	238	5.2	245	5.1
Insurance	42	1.2	43	1.1	45	1.0	46	1.0	48	1.0
	<u>260</u>	<u>7.3</u>	<u>268</u>	<u>6.6</u>	<u>276</u>	<u>6.2</u>	<u>284</u>	<u>6.2</u>	<u>293</u>	<u>6.1</u>
Cash Flow From Operations Before Reserve For Replacement of Fixed Assets	<u>175</u>	<u>4.9</u>	<u>446</u>	<u>10.9</u>	<u>593</u>	<u>13.4</u>	<u>652</u>	<u>14.1</u>	<u>718</u>	<u>14.9</u>
Reserve For Replacement of Fixed Assets	<u>71</u>	<u>2.0</u>	<u>122</u>	<u>3.0</u>	<u>177</u>	<u>4.0</u>	<u>185</u>	<u>4.0</u>	<u>193</u>	<u>4.0</u>
Cash Flow From Operations Before Debt Service and Income Taxes	<u>\$104</u>	<u>2.9%</u>	<u>\$323</u>	<u>7.9%</u>	<u>\$416</u>	<u>9.4%</u>	<u>\$468</u>	<u>10.1%</u>	<u>\$525</u>	<u>10.9%</u>
Statistics:										
Number of Rooms	100		100		100		100		100	
Percentage of Occupancy		52%		58%		61%		62%		63%
Average Daily Rate	\$109.25		\$114.75		\$119.50		\$123.00		\$126.75	

Notes:

- Percentages of departmental expenses are to departmental revenue, all other percentages are to total revenue
- Totals may not add due to rounding.

EXHIBIT I-A

**PROPOSED 100-ROOM SELECT-SERVICE HOTEL
ABILENE, KANSAS
PROJECTED ROOMS AND
FOOD AND BEVERAGE DEPARTMENTAL INCOME
EXPRESSED IN THOUSANDS OF INFLATED DOLLARS
2019 THROUGH 2023**

	2019		2020		2021		2022		2023	
	Amount	Percent								
Rooms Department:										
Room Revenue	\$2,074	100.0%	\$2,429	100.0%	\$2,661	100.0%	\$2,783	100.0%	\$2,915	100.0%
Payroll and Related Expenses	343	16.6	364	15.0	381	14.3	394	14.2	408	14.0
Other Expenses	229	11.1	253	10.4	269	10.1	280	10.1	291	10.0
Departmental Income	\$1,501	72.4%	\$1,812	74.6%	\$2,011	75.6%	\$2,110	75.8%	\$2,216	76.0%
Food and Beverage Department:										
Revenues:										
Food	\$1,022	69.9%	\$1,133	70.1%	\$1,208	70.2%	\$1,259	70.3%	\$1,311	70.3%
Beverage	213	14.6	231	14.3	243	14.1	253	14.1	262	14.1
Other	227	15.5	252	15.6	268	15.6	280	15.6	291	15.6
	1,462	100.0	1,615	100.0	1,720	100.0	1,791	100.0	1,864	100.0
Cost of Food Sales	363	35.5	399	35.2	424	35.1	441	35.0	459	35.0
Cost of Beverage Sales	53	25.1	58	25.1	61	25.0	63	25.0	66	25.0
Total Gross Profit	1,046	71.5	1,159	71.7	1,235	71.8	1,287	71.8	1,340	71.9
Payroll and Related Expenses	559	38.2	588	36.4	611	35.5	631	35.3	652	35.0
Other Expenses	153	10.5	165	10.2	173	10.1	180	10.0	186	10.0
Departmental Income	\$334	22.8%	\$406	25.2%	\$451	26.2%	\$475	26.5%	\$501	26.9%

Notes:

- Percentages of departmental expenses are to departmental revenue.
- Totals may not add due to rounding.

EXHIBIT II

INVESTMENT SUMMARY
 PROPOSED 100-ROOM SELECT-SERVICE HOTEL
 ABILENE, KANSAS

Assumptions:
 Loan Amortization Period (months): 240
 Interest Rate (monthly): 0.42%
 Cost per Room: \$140,000
 Rooms: 100
 Total Costs: \$14,000,000
 Equity Percent: 30%
 Debt Percent: 70%

Equity Amount: \$4,200,000
 Debt Amount: \$9,800,000
 Monthly Payment: \$64,676
 Terminal Capitalization Rate: 9.50%
 Sales Costs: 2.00%

	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
Cash Flow Before Debt Service	\$104,000	\$323,000	\$416,000	\$468,000	\$525,000	\$540,000	\$558,000	\$574,000	\$588,000	\$605,000
Annual Debt Service (monthly amortization)	776,108	776,108	776,108	776,108	776,108	776,108	776,108	776,108	776,108	776,108
Cash Flow After Debt Service	-672,108	-453,108	-360,108	-308,108	-251,108	-236,108	-218,108	-202,108	-186,108	-171,108
Cash On Cash Return	-16.00%	-10.79%	-8.57%	-7.34%	-5.98%	-5.62%	-5.19%	-4.81%	-4.48%	-4.07%
Unleveraged Internal Rate Of Return										
Leveraged Internal Rate Of Return	0.13	0.42	0.54	0.60	0.68	0.70	0.72	0.74	0.76	N/A
Debt Service Coverage										0.78

Note: The foregoing is based upon market, financial and costs assumptions that may differ materially from actual circumstances. Accordingly, these projections should not be construed as results which actually will be achieved.

CITY OF ABILENE, KANSAS

FINANCIAL STATEMENT

WITH INDEPENDENT AUDITOR'S REPORT

AND

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

DRAFT

December 31, 2015

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

CITY OF ABILENE, KANSAS
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DRAFT

Date

Mayor and City Council
City of Abilene, Kansas

Independent Auditor's Report

We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Abilene, Kansas (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statement, the financial statement is prepared by the City to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Date
City of Abilene, Kansas
(Continued)

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2015, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2015, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Regulatory-Required Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of expenditures - actual and budget - regulatory basis and individual fund schedules of receipts and expenditures - actual and budget - regulatory basis (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however they are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Additional Information

The 2014 Actual column presented in the individual fund schedules of receipts and expenditures - actual and budget - regulatory basis (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2015 financial statement upon which we rendered an unmodified opinion dated DATE. The 2014 basic financial statement and the accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://da.ks.gov/ar/muniserv/>. Such prior year comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the prior year basic financial statement. The 2014 comparative information was subjected to the auditing procedures applied in the audit of the 2014 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2014 basic financial statement or to the 2014 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 comparative information is fairly stated in all material respects in relation to the 2014 basic financial statement as a whole, on the basis of accounting described in Note 1.

Date
City of Abilene, Kansas
(Continued)

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of 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 is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statement as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Certified Public Accountants
Manhattan, Kansas

DRAFT

CITY OF ABILENE, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
 Regulatory Basis

For the Year Ended December 31, 2015

Fund	Beginning	Prior Year	Cash	Receipts	Expenditures	Ending	Add:	Ending
	Unencumbered					Unencumbered		
	Cash	Cancelled				Cash	Encumbrances	Cash
	Balance	Encumbrances				Balance	and Accounts	Balance
	\$	\$	\$	\$	\$	\$	Payable	\$
General Fund	1,284,604	-	4,245,934	4,142,439	1,388,099	1,425,704	37,605	1,425,704
Special Revenue Funds								
Airport Fund	210,319	-	2,336,383	2,510,917	35,785	35,785	-	35,785
Fire Apparatus Fund	42,394	-	55,301	49,548	48,147	48,147	-	48,147
Special Park and Recreation Fund	50,521	-	36,920	34,233	53,208	53,208	-	53,208
Special Alcohol and Drug Fund	55,267	-	25,428	6,500	74,195	74,195	-	74,195
Library Fund	-	-	363,667	363,667	-	-	-	-
Tourism and Convention Fund	35,248	-	292,388	253,575	74,061	74,061	3,271	77,332
Special Street Fund	(31,537)	-	294,462	262,829	96	12,660	12,564	12,660
Recreation Commission Fund	169,226	-	460,998	411,259	218,965	219,668	703	219,668
Capital Improvement Fund	484,465	-	1,417	6,057	479,825	479,825	-	479,825
Equipment Reserve Fund	163,579	-	73,210	73,192	163,597	163,597	-	163,597
Community Center Fund	153,891	-	33	-	153,924	153,924	-	153,924
Library/Pool Renovation Fund	297,803	-	499,678	449,763	347,718	347,718	-	347,718
Sales Tax Street Fund	146,701	-	343,082	296,636	193,147	193,147	-	193,147
Bond and Interest	(41,255)	-	862,244	778,830	42,159	42,159	-	42,159
Capital Projects Funds								
Dawson Cottage Division Fund	31,656	-	48,723	155,203	(74,824)	(74,774)	50	(74,774)
Business Funds								
Water Utility Fund	297,279	-	1,488,011	1,429,687	355,603	380,748	25,145	380,748
Sewer Utility Fund	1,340,278	-	1,342,377	1,522,685	1,159,970	1,214,261	54,291	1,214,261
Equipment Reserve - Water Fund	162,536	-	50,037	5,096.00	207,477	207,477	-	207,477

STATEMENT 1

The accompanying notes are an integral part of this financial statement.
 See Independent Auditor's Report.

Financial Statement

CITY OF ABILENE, KANSAS
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH (CONTINUED)
 Regulatory Basis
 For the Year Ended December 31, 2015

Fund	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Business Funds							
Equipment Reserve - Sewer Fund	\$ 630,960	\$ -	\$ 25,138	\$ -	\$ 656,098	\$ -	\$ 656,098
Recycling Fund	249,469	-	149,408	197,696	201,181	6,444	207,625
Storm Drain Fund	360,839	-	69,386	6,776	423,449	-	423,449
Related Municipal Entities							
Public Building Commission	\$ 385,604	\$ -	\$ 870,748	\$ 1,110,567	\$ 145,785	\$ -	\$ 145,785
Total Reporting Entity (Excluding Agency Funds)	\$ 6,479,847	\$ -	\$ 13,934,973	\$ 14,067,155	\$ 6,347,665	\$ 140,073	\$ 6,487,738

DRAFT

Composition of Cash	
Checking Account	\$ 2,022,064
Money Market	352,592
Petty Cash	800
Certificates of Deposit	3,974,948
Total Related Municipal Entities	145,785
Total Cash	\$ 6,496,189
Agency Funds Per Schedule 3	(8,451)
Total Reporting Entity (Excluding Agency Funds)	\$ 6,487,738

STATEMENT 1
(CONTINUED)

The accompanying notes are an integral part of this financial statement.
 See Independent Auditor's Report.

Financial Statement

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT
December 31, 2015

Note 1: Summary of Significant Accounting Policies

The City of Abilene, Kansas (the City) was chartered March 16, 1868 and provides the following services as authorized by its charter: public works, public safety, recreation and waterworks.

The Abilene Kansas Public Building Commission (PBC), a municipal corporation, was organized in 2007 by the governing body of the City pursuant to the Act and Ordinance No. 3098 of the City. The powers of the PBC were expanded by the governing body of the City pursuant to Charter Ordinance No. 21.

The more significant accounting policies of the City are described below:

Municipal Financial Reporting Entity

The City is a municipal corporation governed by an elected five-member Commission-Manager form of government. The regulatory financial statement presents the City, and a related municipal entity (RME), the PBC. The RME is included in the City's reporting entity because it was established to benefit the City and/or its constituents. The governing body of this RME is appointed by the governing body of the City and consists of five members who are the current members of the City's governing body.

Regulatory Basis Fund Types

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. In the financial statement in this report, the various funds are grouped into generic fund types and broad fund categories as follows:

General Fund - The general fund is the chief operating fund of the City. It is used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds - Special purpose funds are used to account for the proceeds of specific tax levies and other specific revenue sources intended for specified purposes.

Bond and Interest Fund - Bond and interest fund is used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Funds - Capital Project Funds are used to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Funds - Business funds are used to account for funds financed in whole or in part by fees charged to users of the goods or services.

Agency Funds - Agency funds are used to report assets held by the municipal reporting entity in a purely custodial capacity.

Basis of Accounting

The *Kansas Municipal Audit and Accounting Guide (KMAAG)* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were two budget amendments in 2015: Airport Fund and Bond & Interest Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: equipment reserve fund, capital improvement fund and reimbursed payroll fund.

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

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
 December 31, 2015

Note 2: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies

As of December 31, 2015, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity Less than 1 Year</u>	<u>Rating</u>
Money Market Treasury	\$ 145,785	NA (weighted average maturity 49 days)	S&P AAAM

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. K.S.A. 10-131 limits the City's investment of bond proceeds. The money market treasury fund used by the City meets these requirements. The City has no investment policy that would further limit its investment choices. The rating of the City's investments is noted above.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when coverage is 50%. The City does not utilize "peak periods".

As of December 31, 2015, the City's carrying amount of the deposits was \$6,496,189 and the bank balance was \$7,055,036. The bank balance was held by three banks, resulting in a concentration of credit risk. Of the bank balance, \$750,000 was covered by federal depository insurance, and the balance of \$6,305,036 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

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

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
 December 31, 2015

Note 3: Stewardship, Compliance and Accountability

K.S.A. 79-2935 provides that it shall be unlawful for the governing body to create indebtedness in any fund in excess of the adopted budget of expenditures of such fund. For the year ended December 31, 2015, no funds were in violation of this statute.

K.S.A. 10-1113 requires that expenditures be made in compliance with the cash basis law which requires that no indebtedness be created for a fund in excess of available monies in that fund. For the year ended December 31, 2015, there were no violations of the cash basis law.

K.S.A. 12-1608 states that second class cities are required to publish quarterly published financial statements showing, by fund, beginning and ending balances, receipts, and expenditures along with obligation/liability information. All financial statements were published for the year ended December 31, 2015.

Note 4: Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by KSA 74-4901, *et seq.* KPERS & KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue publicly available financial reports that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66503-3803) or by calling 1-888-275-5737.

Funding Policy. KSA 74-4919, KSA 74-49,210 and KSA 74-4975 establish the KPERS and KP&F member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. KSA 74-4975 establishes KP&F member-employee contributions rate at 21.36% 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. Kansas law provides that employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for Death and Disability Program) and the statutory contribution rate was 9.48% for fiscal year ended December 31, 2015.

Net Pension Liability. The total pension liability for KPERS was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. As of June 30, 2015, the net pension liability for KPERS was \$8,978,950,317. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local and KP&F subgroups within KPERS. The City's proportionate share of the net pension liability is \$1,646,798 for KP&F and \$1,231,215 for KPERS, for a total of \$2,878,013. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report, including all actuarial assumption and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described in the

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2015

Note 5: Other Long-Term Obligations from Operations

Other Post Employment Benefits. As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. The City pays 50% of the premium until age 62 to retirees with 10 or more years of service and each retiree is responsible for the balance. During the year ended December 31, 2015, two retirees participated in this plan and the City paid \$5,674. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program.

Note 6: Capital Projects

At year-end, capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	Project Authorization	Expenditures to Date
Hospital Reconstruction	\$ 22,870,806	\$ 16,906,165
Airport Runway Rehabilitation	2,750,000	2,523,480

Note 7: Interfund Transactions
Operating transfers were as follows:

From	To	Statutory Authority	Amount
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	\$ 73,192
General Fund	Convention & Tourism Fund	Commission Direction	25,000
Water Fund	General Fund	KSA 825d	59,000
Water Fund	Equipment Reserve Water Fund	KSA 825d	50,000
Water Fund	Dawson Cottage Addition Fund	KSA 825d	16,242
Sewer Fund	Dawson Cottage Addition Fund	KSA 825d	32,479
Sewer Fund	General Fund	KSA 825d	37,900
Sewer Fund	Equipment Reserve Sewer Fund	KA 12-631o	25,000
General Fund	Library Fund	K.S.A. 12-1,117	44
Storm Drainage Fund	General Fund	KSA 825d	6,375
			\$ 325,232

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2015

Note 8: Long-Term Debt

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Beginning Balance of Year	Additions	Reductions/Payments	Balance End of Year	2015 Interest Paid
General Obligation Bonds									
2008 Series B	Var - 4.0%	6/1/2008	3,700,000	3,700,000	\$ 1,730,000	\$ -	\$ 1,730,000	\$ -	\$ 43,735
2009 Series A	Var - 4.3%	7/23/2009	1,780,000	1,780,000	1,420,000	-	80,000	1,340,000	53,248
2010 Series A	Var - 4.6%	4/28/2010	4,055,000	4,055,000	3,500,000	-	160,000	3,340,000	144,814
2011 Series A	Var - 3.0%	3/25/2011	2,200,000	2,200,000	1,605,000	-	210,000	1,395,000	38,118
2013 Series A	Var - 1.9%	2/27/2013	1,570,000	1,570,000	1,150,000	-	265,000	885,000	12,890
2015 Series A	Var-2.45%	8/13/2015	245,000	245,000	-	245,000	-	245,000	-
2015 Series B	Var-1.30%	8/13/2015	1,365,000	1,365,000	-	1,365,000	-	1,365,000	-
Total General Obligation Bonds			13,665,000		\$ 9,405,000	\$ 1,610,000	\$ 2,445,000	\$ 8,570,000	\$ 292,805
Revenue Bonds									
Public Building Commission Bond									
Issue - Series 2011	Var - 4.3%	12/9/2011	7,760,000	12/1/2028	\$ 7,545,000	\$ -	\$ 105,000	\$ 7,440,000	\$ 275,115
Issue - Series 2012	Var - 5.025%	1/5/2012	10,000,000	12/1/1935	10,000,000	-	-	10,000,000	490,039
Total Revenue Bonds			17,760,000		\$ 17,545,000	\$ -	\$ 105,000	\$ 17,440,000	\$ 765,154
Revolving Loans									
KDHE Waste Water Treatment Plan	2.58%	9/1/2006	8,620,417	9/1/2028	\$ 6,264,034	\$ -	\$ 393,355	\$ 5,870,679	\$ 143,675
Temporary Notes									
Dawson Cottage Addition	0.90%	7/18/2013	380,000	9/1/2015	\$ 380,000	\$ -	\$ 380,000	\$ -	\$ -
Lease Purchase									
Recycling Baler	2.84%	8/24/2015	69,730	9/1/2020	\$ -	\$ 69,730	\$ 12,416	\$ 57,314	\$ 43
Road Grader	3.20%	1/7/2015	160,300	1/1/2021	-	160,300	-	160,300	4,326
Street Sweeper	3.89%	12/12/2011	122,889	9/1/2017	64,235	-	20,624	43,611	2,502
Total Lease Purchase			352,919		\$ 64,235	\$ 230,030	\$ 33,040	\$ 261,225	\$ 6,871
Total Contractual Indebtness					\$ 33,658,269	\$ 1,840,030	\$ 3,356,395	\$ 32,141,904	\$ 1,208,505

Notes to Financial Statement

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
 December 31, 2015

Note 8: Long-Term Debt (Continued)

Current maturities of long-term debt and interest through maturity are as follows:

Principal	Year							Total	
	2016	2017	2018	2019	2020	2021 - 2025	2026 - 2030		2031 - 2035
General Obligation Bonds									
2008 Series B	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2009 Series A	80,000	85,000	90,000	95,000	100,000	515,000	375,000	-	1,340,000
2010 Series A	165,000	175,000	180,000	190,000	195,000	1,090,000	1,345,000	-	3,340,000
2011 Series A	215,000	220,000	230,000	235,000	245,000	250,000	-	-	1,395,000
2013 Series A	210,000	215,000	180,000	90,000	190,000	-	-	-	885,000
2015 Series A	20,000	25,000	25,000	25,000	25,000	125,000	-	-	245,000
2015 Series B	460,000	470,000	435,000	-	-	-	-	-	1,365,000
Total General Obligation Bonds	\$ 1,150,000	\$ 1,190,000	\$ 1,140,000	\$ 635,000	\$ 755,000	\$ 1,980,000	\$ 1,720,000	\$ -	\$ 8,570,000
Revenue Bonds									
Public Building Commission Bond									
Issue - Series 2011	\$ 110,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 3,975,000	\$ 2,895,000	\$ -	\$ 7,440,000
Issue - Series 2012	-	-	-	-	-	-	2,835,000	7,165,000	10,000,000
Total Revenue Bonds	\$ 110,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 115,000	\$ 3,975,000	\$ 5,730,000	\$ 7,165,000	\$ 17,440,000
Revolving Loans									
KDHE Waste Water Treatment Plan	\$ 403,569	\$ 414,049	\$ 424,800	\$ 435,830	\$ 447,147	\$ 2,416,048	\$ 1,329,236	\$ -	\$ 5,870,679
Temporary Notes									
Dawson Cottage Addition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Purchase									
Recycling Baler	\$ 10,827	\$ 11,139	\$ 11,455	\$ 11,780	\$ 12,113	\$ -	\$ -	\$ -	\$ 57,314
Road Grader	27,593	31,603	32,630	33,690	34,784	-	-	-	160,300
Street Sweeper	21,426	22,185	-	-	-	-	-	-	43,611
Total Lease Purchase	\$ 59,846	\$ 64,927	\$ 44,085	\$ 45,470	\$ 46,897	\$ -	\$ -	\$ -	\$ 261,225
Total Contractual Indebtedness	\$ 1,723,415	\$ 1,783,976	\$ 1,723,885	\$ 1,231,300	\$ 1,364,044	\$ 8,371,048	\$ 8,779,236	\$ 7,165,000	\$ 32,141,904

Notes to Financial Statement

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2015

Note 8: Long-Term Debt (Continued)

Current maturities of long-term debt and interest through maturity are as follows:

Interest	Year							Total		
	2016	2017	2018	2019	2020	2021 - 2025	2026 - 2030		2031 - 2035	2036 - 2037
General Obligation Bonds										
2009 Series A	\$ 51,168	\$ 48,848	\$ 46,213	\$ 43,243	\$ 39,918	\$ 141,204	\$ 41,153	\$ -	\$ -	\$ 411,747
2010 Series A	140,014	133,414	126,414	119,214	111,614	438,644	189,095	-	-	1,258,409
2011 Series A	34,232	30,255	25,635	20,230	14,238	7,500	-	-	-	132,090
2013 Series A	10,240	8,140	5,990	4,190	3,155	5,348	-	-	-	37,063
2015 Series A	4,426	4,075	3,825	3,488	3,125	8,477	-	-	-	27,415
2015 Series B	14,875	7,770	2,828	-	-	-	-	-	-	25,472
Total General Obligation Bonds	\$ 254,954	\$ 232,502	\$ 210,905	\$ 190,365	\$ 172,050	\$ 601,173	\$ 230,248	\$ -	\$ -	\$ 1,892,195
Revenue Bonds										
Public Building Commission Bond Issue - Series 2011	\$ 273,645	\$ 271,830	\$ 269,645	\$ 267,115	\$ 264,355	\$ 1,100,996	\$ 229,191	\$ -	\$ -	\$ 2,676,777
Issue - Series 2012	490,039	490,039	490,039	490,039	490,039	2,450,195	2,359,260	1,112,524	-	8,372,171
Total Revenue Bonds	\$ 763,684	\$ 761,869	\$ 759,681	\$ 757,154	\$ 754,394	\$ 3,551,191	\$ 2,588,451	\$ 1,112,524	\$ -	\$ 11,048,948
Revolving Loans										
KDHE Waste Water Treatment Plant	\$ 134,451	\$ 124,987	\$ 115,278	\$ 105,316	\$ 95,096	\$ 306,719	\$ 31,367	\$ -	\$ -	\$ 913,214
Total KDHE Loans	\$ 134,451	\$ 124,987	\$ 115,278	\$ 105,316	\$ 95,096	\$ 306,719	\$ 31,367	\$ -	\$ -	\$ 913,214
Temporary Notes:										
Dawson Cottage Addition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease Purchase										
Recycling Baler	\$ 1,632	\$ 1,320	\$ 1,004	\$ 679	\$ 345	\$ -	\$ -	\$ -	\$ -	\$ 4,980
Road Grader	8,320	4,309	3,283	2,224	1,130	-	-	-	-	19,266
Street Sweeper	1,700	866	-	-	-	-	-	-	-	2,566
Total Lease Purchases	\$ 11,652	\$ 6,495	\$ 4,287	\$ 2,903	\$ 1,475	\$ -	\$ -	\$ -	\$ -	\$ 26,812
Total Debt	\$ 1,164,741	\$ 1,125,853	\$ 1,090,151	\$ 1,055,738	\$ 1,023,015	\$ 4,459,083	\$ 2,850,066	\$ 1,112,524	\$ -	\$ 13,881,169

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2015

Note 9: 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 have been no decreases in insurance coverage from the prior year.

Note 10: Litigation

The City knows of no actual or possible litigations, claims, or assessments whose effects should be considered in the preparation of the financial statement as of December 31, 2015.

Note 11: Self-Insurance Program

In 2010, the City implemented a partially funded self-insurance plan for its employees' health care costs. The plan is administered by Freedom Claims Management, Inc. The City is liable for losses on claims up to \$30,000 per insured and \$515,609 in total for the year. The plan has fixed costs of \$183,708. The City has third-party insurance coverage for any losses in excess of such amounts. Management believes claims incurred, but not reported, are insignificant at December 31, 2015. Changes in claims liability for 2015 and 2014 were as follows:

	2015	2014
Beginning Balance	\$ 83,594	\$ 89,760
Additions	569,448	532,073
Payments	555,430	538,239
Ending Balance	<u>\$ 97,612</u>	<u>\$ 83,594</u>

Note 12: Compensated Absences

The City's policy regarding vacation and leave allows employees to accumulate vacation and sick leave based on years of continuous service as follows:

Vacation leave is earned by the month. If an employee leaves the City, they are entitled to a payment of all accrued vacation pay earned prior to termination or resignation.

<u>Years of Continuous Service</u>	<u>Vacation Days Accrued (hours/year)</u>	
	<u>Regular</u>	<u>Fire Department</u>
0 - 5	80	74
5 - 10	100	92
10 - 15	120	111
15 - 20	140	129
20+	160	148

The dollar amount of accrued vacation at December 31, 2015 was \$113,146.

Sick leave is accrued at a rate of 8.0 hours per month for all employees, up to a maximum of 120 days (960 hours). Sick leave accumulated is not paid to employees except upon retirement or separation after twenty or more years of regular service, in which the employee shall receive payment for 25% of the unused sick leave, up to a maximum of one calendar month's salary.

The dollar amount of accrued sick leave at December 31, 2015 was \$27,754.

CITY OF ABILENE, KANSAS
NOTES TO FINANCIAL STATEMENT (CONTINUED)
December 31, 2015

Note 13: Abilene Recreation Commission

The Abilene Recreation Commission amended its inter-local agreement with the City, effective December 19, 2007. Under this agreement, the City receives funds from and for the Abilene Recreation Commission and pays their expenditures per their budget at their direction within the Recreation Commission fund of the City. All Recreation Commission funds are held by the City.

Management of the Commission is carried out by an appointed five member Commission. The City appoints two members, the USD 435 Board of Education appoints two members, and the fifth member is appointed collectively by the other four members of the Commission. The primary source of funding is provided by tax levies through the USD 435 Board of Education. These tax levies are forwarded by the Recreation Commission to the City and are recorded as Contract Payments in the Recreation Commission fund on page 24 of the supplemental schedules.

The Commission utilizes the City's facilities at no cost to the Commission; however, the Commission does pay for certain repairs and maintenance of the facilities.

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CITY OF ABILENE, KANSAS
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis

For the Year Ended December 31, 2015

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General Fund	\$ 5,575,995	\$ -	\$ 5,575,995	\$ 4,142,439	\$ (1,433,556)
Special Revenue Funds					
Airport Fund	2,742,500	27,350	2,769,850	2,510,917	(258,933)
Fire Apparatus Fund	74,223	-	74,223	49,548	(24,675)
Special Park and Recreation Fund	35,000	-	35,000	34,233	(767)
Special Alcohol and Drug Fund	13,000	-	13,000	6,500	(6,500)
Library Fund	370,007	-	370,007	363,667	(6,340)
Tourism and Convention Fund	325,443	-	325,443	253,575	(71,868)
Special Street Fund	413,500	-	413,500	262,829	(150,671)
Recreation Commission Fund	559,067	-	559,067	411,259	(147,808)
Capital Improvement Fund	400,000	-	400,000	6,057	(393,943)
Equipment Reserve Fund	115,000	-	115,000	73,192	(41,808)
Community Center Fund	-	-	-	-	-
Library/Pool Renovation Fund	454,325	-	454,325	449,763	(4,562)
Sales Tax Street Fund	300,000	-	300,000	296,636	(3,364)
Bond and Interest	820,987	-	820,987	778,830	(42,157)
Business Funds					
Water Utility Fund	1,485,422	-	1,485,422	1,429,687	(55,735)
Sewer Utility Fund	1,658,091	-	1,658,091	1,522,685	(135,406)
Recycling Fund	160,928	-	160,928	197,696	36,768 **
Storm Drain Fund	281,375	-	281,375	6,776	(274,599)

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SCHEDULE 1

** This overage does not constitute a budget violation. The City executed a lease-purchase during 2015. The funding was received and the entire payment made to vendor.

See Independent Auditor's Report.

Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
GENERAL FUND

For the Year Ended December 31, 2015

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

GENERAL FUND	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 1,246,385	\$ 1,289,993	\$ 1,400,802	\$ (110,809)
Delinquent Tax	24,577	26,981	12,000	14,981
Motor Vehicle Tax	141,515	224,583	166,504	58,079
Intergovernmental Revenue				
Local Sales Tax	1,263,712	1,307,005	1,240,000	67,005
Franchise Tax	746,655	683,207	683,000	207
KLINK - Highway Maintenance	30,750	30,750	30,500	250
Liquor Control Tax	12,716	25,413	16,712	8,701
Licenses and Fees				
Licenses and Permits	53,789	87,878	24,600	63,278
Fines and Penalties	141,679	170,679	163,300	7,379
Charges for Services	24,827	18,266	23,350	(5,084)
Use of Money and Property				
Interest Income	7,019	7,863	8,500	(637)
Rent	11,355	23,032	9,960	13,072
Other Receipts				
Grants	53,005	94,616	61,000	33,616
Contributions	1,650	1,500	1,800	(300)
Reimbursed Expenditures	43,003	25,990	25,000	990
Insurance Proceeds	25,839	75,567	-	75,567
Miscellaneous	28,072	39,629	22,757	16,872
Transfers From	-	112,982	156,775	(43,793)
Total Receipts	\$ 3,856,548	\$ 4,245,934	\$ 4,046,560	\$ 199,374

Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
GENERAL FUND

For the Year Ended December 31, 2015

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

GENERAL FUND	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
Departmental Expenditures				
Administrative				
Salaries and Benefits	\$ 223,427	\$ 189,406	\$ 212,077	\$ (22,671)
Contractual Services	7,781	37,834	7,500	30,334
Services and Supplies	203,563	204,866	116,075	88,791
Capital Outlay	115	4,560	500	4,060
Other	-	5,054	20,000	(14,946)
Total	\$ 434,886	\$ 441,720	\$ 356,152	\$ 85,568
Police				
Salaries and Benefits	\$ 974,268	\$ 1,048,415	\$ 1,082,821	\$ (34,406)
Services and Supplies	135,341	127,822	147,350	(19,528)
Capital Outlay	5,097	6,404	7,000	(596)
Total	\$ 1,114,706	\$ 1,182,641	\$ 1,237,171	\$ (54,530)
Fire				
Salaries and Benefits	\$ 587,358	\$ 640,725	\$ 646,128	\$ (5,403)
Services and Supplies	79,467	74,722	82,350	(7,628)
Capital Outlay	14,991	14,766	16,700	(1,934)
Total	\$ 681,816	\$ 730,213	\$ 745,178	\$ (14,965)
Streets and Alley				
Salaries and Benefits	\$ 314,980	\$ 307,022	\$ 282,320	\$ 24,702
Services and Supplies	354,852	297,882	311,650	(13,768)
Capital Outlay	51,189	25,412	25,626	(214)
Total	\$ 721,021	\$ 630,316	\$ 619,596	\$ 10,720
Bindweed and Flood Maintenance				
Salaries and Benefits	\$ 61,644	\$ 72,241	\$ 96,644	\$ (24,403)
Services and Supplies	40,706	35,786	37,500	(1,714)
Total	\$ 102,350	\$ 108,027	\$ 134,144	\$ (26,117)
Parks and Recreation				
Salaries and Benefits	\$ 167,870	\$ 180,116	\$ 184,354	\$ (4,238)
Services and Supplies	80,430	73,067	79,550	(6,483)
Capital Outlay	5,015	2,900	4,000	(1,100)
Total	\$ 253,315	\$ 256,083	\$ 267,904	\$ (11,821)
Pool				
Services and Supplies	\$ 22,935	\$ 21,545	\$ 21,550	\$ (5)

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Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
GENERAL FUND

For the Year Ended December 31, 2015

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget		
GENERAL FUND					
Departmental Expenditures					
Community Development					
Salaries and Benefits	\$ 138,209	\$ 139,057	\$ 144,102	\$ (5,045)	
Services and Supplies	9,435	14,006	9,650	4,356	
Economic Development	49,998	105,111	106,000	(889)	
Total	<u>\$ 197,642</u>	<u>\$ 258,174</u>	<u>\$ 259,752</u>	<u>\$ (1,578)</u>	
Inspection					
Salaries and Benefits	\$ 47,133	\$ 45,939	\$ 66,439	\$ (20,500)	
Contractual Services	4,820	260	5,000	(4,740)	
Services and Supplies	19,480	7,424	10,210	(2,786)	
Total	<u>\$ 71,433</u>	<u>\$ 53,623</u>	<u>\$ 81,649</u>	<u>\$ (28,026)</u>	
Municipal Court					
Salaries and Benefits	\$ 81,338	\$ 86,494	\$ 83,859	\$ 2,635	
Contractual Services	3,527	30,740	4,000	26,740	
Services and Supplies	56,593	47,715	57,325	(9,610)	
Total	<u>\$ 141,458</u>	<u>\$ 164,949</u>	<u>\$ 145,184</u>	<u>\$ 19,765</u>	
Senior Center and Transportation					
Salaries and Benefits	\$ 64,940	\$ 69,063	\$ 70,755	\$ (1,692)	
Contractual Services	7,200	6,600	7,200	(600)	
Services and Supplies	40,593	34,858	40,350	(5,492)	
Capital Outlay	10,727	53,962	12,000	41,962	
Total	<u>\$ 123,460</u>	<u>\$ 164,483</u>	<u>\$ 130,305</u>	<u>\$ 34,178</u>	
Civic Center					
Services and Supplies	\$ 31,088	\$ 30,508	\$ 30,775	\$ (267)	
Capital Outlay	4,620	1,921	1,000	921	
Total	<u>\$ 35,708</u>	<u>\$ 32,429</u>	<u>\$ 31,775</u>	<u>\$ 654</u>	
Other Expenditures					
Transfers To Other Funds	\$ 164,000	\$ 98,236	\$ 122,200	\$ (23,964)	
Balance reserve	-	-	1,423,435	(1,423,435)	
Total	<u>\$ 164,000</u>	<u>\$ 98,236</u>	<u>\$ 1,545,635</u>	<u>\$ (1,447,399)</u>	
Total Expenditures	<u>\$ 4,064,730</u>	<u>\$ 4,142,439</u>	<u>\$ 5,575,995</u>	<u>\$ (1,433,556)</u>	
Receipts Over (Under)					
Expenditures	\$ (208,182)	\$ 103,495			
Unencumbered Cash, January 1	1,492,286	1,284,604			
Prior Year Cancelled					
Encumbrances	500	-			
Unencumbered Cash, December 31	<u>\$ 1,284,604</u>	<u>\$ 1,388,099</u>			

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
AIRPORT FUND**

For the Year Ended December 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget		
AIRPORT FUND					
Receipts					
Taxes and Shared Revenue					
Ad Valorem Property Tax	\$ 57,929	\$ 61,354	\$ 59,304	\$ 2,050	
Delinquent Tax	2,023	1,648	500	1,148	
Motor Vehicle Tax	13,371	5,864	7,613	(1,749)	
Intergovernmental Revenue					
Grants - FAA	83,352	2,249,441	-	2,249,441	
Other Receipts					
Contract Payments	14,651	17,750	17,880	(130)	
Reimbursed Expenses	-	104	-	104	
Refunds Received	100	180	100	80	
Interest Income	49	42	30	12	
Total Receipts	\$ 171,475	\$ 2,336,383	\$ 85,427	\$ 2,250,956	
Expenditures					
Contractual Services	\$ 1,500	\$ -	\$ -	\$ -	
Services and Supplies	29,880	17,761	20,000	(2,239)	
Capital Outlay	1,691	2,493,156	2,722,500	(229,344)	
Qualifying budget credits	-	-	27,350	(27,350)	
Total Expenditures	\$ 33,071	\$ 2,510,917	\$ 2,769,850	\$ (258,933)	
Receipts Over (Under)					
Expenditures	\$ 138,404	\$ (174,534)			
Unencumbered Cash, January 1	71,915	210,319			
Unencumbered Cash, December 31	\$ 210,319	\$ 35,785			

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Regulatory Basis

For the Year Ended December 31, 2015

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
FIRE APPARATUS FUND				
Receipts				
Ad Valorem Property Tax	\$ 49,287	\$ 48,269	\$ 50,524	\$ (2,255)
Delinquent Tax	634	888	-	888
Motor Vehicle Tax	3,517	6,130	6,558	(428)
Interest Income	14	14	10	4
Sale of Excess Equipment	25,000	-	-	-
Total Receipts	\$ 78,452	\$ 55,301	\$ 57,092	\$ (1,791)
Expenditures				
Principal Payment on Bond	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Interest Payment on Bond	5,923	4,548	5,473	(925)
Commission and Postage	-	-	100	(100)
Capital Outlay/Special Projects	-	-	23,650	(23,650)
Total Expenditures	\$ 50,923	\$ 49,548	\$ 74,223	\$ (24,675)
Receipts Over (Under)	\$ 27,529	\$ 5,753		
Expenditures	\$ 27,529	\$ 5,753		
Unencumbered Cash, January 1	14,865	42,394		
Unencumbered Cash, December 31	<u>\$ 42,394</u>	<u>\$ 48,147</u>		
SPECIAL PARK AND RECREATION FUND				
Receipts				
Alcohol Tax	\$ 16,368	\$ 26,167	\$ 16,712	\$ 9,455
Interest Income	11	9	25	(16)
Sale of Property	5,485	-	-	-
Gifts and Donations	905	10,744	-	10,744
Total Receipts	\$ 22,769	\$ 36,920	\$ 16,737	\$ 20,183
Expenditures				
Capital Outlay	\$ 19,069	\$ 34,233	\$ 35,000	\$ (767)
Receipts Over (Under)	\$ 3,700	\$ 2,687		
Expenditures	\$ 3,700	\$ 2,687		
Unencumbered Cash, January 1	46,821	50,521		
Unencumbered Cash, December 31	<u>\$ 50,521</u>	<u>\$ 53,208</u>		

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis**

For the Year Ended December 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget		
SPECIAL ALCOHOL AND DRUG FUND					
Receipts					
Alcohol Tax	\$ 12,716	\$ 25,413	\$ 16,712	\$ 8,701	
Interest Income	14	15	10	5	
Total Receipts	\$ 12,730	\$ 25,428	\$ 16,722	\$ 8,706	
Expenditures					
Awards and Contributions	\$ 1,500	\$ 6,500	\$ 1,500	\$ 5,000	
D.A.R.E Activities	6,000	-	6,000	(6,000)	
Services and Supplies	-	-	5,500	(5,500)	
Total Expenditures	\$ 7,500	\$ 6,500	\$ 13,000	\$ (6,500)	
Receipts Over (Under)					
Expenditures	\$ 5,230	\$ 18,928			
Unencumbered Cash, January 1	50,037	55,267			
Unencumbered Cash, December 31	\$ 55,267	\$ 74,195			
LIBRARY FUND					
Receipts					
Ad Valorem Property Tax	\$ 310,947	\$ 304,659	\$ 328,625	\$ (23,966)	
Delinquent Tax	5,804	15,848	-	15,848	
Motor Vehicle Tax	34,189	43,116	41,382	1,734	
Transfer from General Fund	-	44	-	44	
Total Receipts	\$ 350,940	\$ 363,667	\$ 370,007	\$ (6,384)	
Expenditures					
Appropriation to Library	\$ 350,940	\$ 363,667	\$ 370,007	\$ (6,340)	
Receipts Over (Under)					
Expenditures	\$ -	\$ -			
Unencumbered Cash, January 1	-	-			
Unencumbered Cash, December 31	\$ -	\$ -			

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Regulatory Basis

For the Year Ended December 31, 2015

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget		
TOURISM AND CONVENTION FUND					
Receipts					
Transient Guest Tax	\$ 131,758	\$ 183,570	\$ 130,000	\$ 53,570	
Charges for Services	24,229	23,392	24,641	(1,249)	
Gifts and Donations	-	-	50	(50)	
Interest Income	12	12	10	2	
Reimbursed Expenses	29,514	35,211	55,000	(19,789)	
Refunds Received	40	329	-	329	
Miscellaneous Revenue	34,234	24,874	94,500	(69,626)	
Transfer from General	-	25,000	25,000	-	
Total Receipts	\$ 219,787	\$ 292,388	\$ 329,201	\$ (36,813)	
Expenditures					
Salaries and Benefits	\$ 121,611	\$ 131,092	\$ 147,023	\$ (15,931)	
Services and Supplies	95,022	113,513	166,800	(53,287)	
Capital Outlay	2,377	1,655	3,000	(1,345)	
Trolley Expenses	6,484	7,315	8,620	(1,305)	
Total Expenditures	\$ 225,494	\$ 253,575	\$ 325,443	\$ (71,868)	
Receipts Over (Under)					
Expenditures	\$ (5,707)	\$ 38,813			
Unencumbered Cash, January 1	40,955	35,248			
Unencumbered Cash, December 31	\$ 35,248	\$ 74,061			
SPECIAL STREET FUND					
Receipts					
Fuel Tax	\$ 173,862	\$ 174,073	\$ 174,130	\$ (57)	
KDOT Funds	-	116,892	200,000	(83,108)	
Interest Income	993	820	1,200	(380)	
Reimbursed Expenses	-	2,677	65,000	(62,323)	
Total Receipts	\$ 174,855	\$ 294,462	\$ 440,330	\$ (145,868)	
Expenditures					
Services and Supplies	\$ 22,227	\$ 24,191	\$ 26,500	\$ (2,309)	
Capital Outlay	306,739	238,638	387,000	(148,362)	
Total Expenditures	\$ 328,966	\$ 262,829	\$ 413,500	\$ (150,671)	
Receipts Over (Under)					
Expenditures	\$ (154,111)	\$ 31,633			
Unencumbered Cash, January 1	118,513	(31,537)			
Prior year cancelled encumbrances	4,061	-			
Unencumbered Cash, December 31	\$ (31,537)	\$ 96			

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
RECREATION COMMISSION FUND
For the Year Ended December 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)**

RECREATION COMMISSION FUND	2014		2015		Variance Over (Under)
	Actual	Actual	Budget		
Receipts					
Contract Payments	\$ 234,874	\$ 258,261	\$ 256,317	\$ 1,944	
Fees	180,868	201,381	193,650	7,731	
Interest Income	60	60	100	(40)	
Grants	-	1,296	11,000	(9,704)	
Total Receipts	\$ 415,802	\$ 460,998	\$ 461,067	\$ (69)	
Expenditures					
Administration					
Salaries and Benefits	\$ 160,225	\$ 170,235	\$ 176,153	\$ (5,918)	
Contractual Services	3,100	3,050	3,250	(200)	
Services and Supplies	26,395	23,746	28,750	(5,004)	
Capital Outlay	429	278	6,000	(5,722)	
Aquatics					
Salaries and Benefits	61,750	57,394	71,578	(14,184)	
Services and Supplied	12,546	15,371	23,000	(7,629)	
Athletics					
Salaries and Benefits	16,249	17,666	22,195	(4,529)	
Services and Supplies	50,539	58,032	63,000	(4,968)	
Community Education					
Salaries and Benefits	2,616	13,261	5,549	7,712	
Services and Supplies	2,636	3,871	7,900	(4,029)	
Community Center					
Salaries and Benefits	6,201	246	-	246	
Contractual Services	-	-	22,000	(22,000)	
Services and Supplies	45,748	48,109	54,665	(6,556)	
Special Projects	3,105	-	75,027	(75,027)	
Total Expenditures	\$ 391,539	\$ 411,259	\$ 559,067	\$ (147,808)	
Receipts Over (Under)					
Expenditures	\$ 24,263	\$ 49,739			
Unencumbered Cash, January 1	144,964	169,226			
Unencumbered Cash, December 31	\$ 169,227	\$ 218,965			

Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
 Regulatory Basis
CAPITAL IMPROVEMENT FUND
 For the Year Ended December 31, 2015
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
CAPITAL IMPROVEMENT FUND				
Receipts				
Ad Valorem Property Tax	\$ -	\$ 1,042	\$ -	\$ 1,042
Delinquent Tax	484	244	200	44
Motor Vehicle Tax	2,925	25	-	25
Interest Income	137	106	150	(44)
Total Receipts	<u>\$ 3,546</u>	<u>\$ 1,417</u>	<u>\$ 350</u>	<u>\$ 1,067</u>
Expenditures				
Special Projects	\$ -	\$ -	\$ 400,000	\$ (400,000)
Transfer to General Fund	-	6,057	-	6,057
Total Expenditures	<u>\$ -</u>	<u>\$ 6,057</u>	<u>\$ 400,000</u>	<u>\$ (393,943)</u>
Receipts Over (Under)				
Expenditures	\$ 3,546	\$ (4,640)		
Unencumbered Cash, January 1	480,919	484,465		
Unencumbered Cash, December 31	<u>\$ 484,465</u>	<u>\$ 479,825</u>		

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Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)**

	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
EQUIPMENT RESERVE FUND				
Receipts				
Interest Income	\$ 18	\$ 18	\$ 70	\$ (52)
Sale of Equipment	12,180	-	-	-
Transfer from General	164,000	73,192	95,000	(21,808)
Total Receipts	\$ 176,198	\$ 73,210	\$ 95,070	\$ (21,860)
Expenditures				
Capital Outlay	\$ 160,478	\$ 73,192	\$ 115,000	\$ (41,808)
Receipts Over (Under)				
Expenditures	\$ 15,720	\$ 18		
Unencumbered Cash, January 1	147,859	163,579		
Unencumbered Cash, December 31	<u>\$ 163,579</u>	<u>\$ 163,597</u>		
COMMUNITY CENTER FUND				
Receipts				
Interest Income	\$ 44	\$ 33	\$ 60	\$ (27)
Expenditures				
Capital Outlay	\$ -	\$ -	\$ -	\$ -
Receipts Over (Under)				
Expenditures	\$ 44	\$ 33		
Unencumbered Cash, January 1	153,847	153,891		
Unencumbered Cash, December 31	<u>\$ 153,891</u>	<u>\$ 153,924</u>		
LIBRARY/POOL RENOVATION FUND				
Receipts				
Sales Tax Distribution	\$ 458,555	\$ 480,197	\$ 458,611	\$ 21,586
Bond Issuance Costs	-	19,432	-	19,432
Interest Income	55	49	100	(51)
Total Receipts	\$ 458,610	\$ 499,678	\$ 458,711	\$ 40,967
Expenditures				
Bond Principal	\$ 370,000	\$ 395,000	\$ 395,000	\$ -
Bond Interest	72,625	36,921	59,225	(22,304)
Bond Issuance Costs	-	17,842	100	17,742
Total Expenditures	\$ 442,625	\$ 449,763	\$ 454,325	\$ (4,562)
Receipts Over (Under)				
Expenditures	\$ 15,985	\$ 49,915		
Unencumbered Cash, January 1	281,818	297,803		
Unencumbered Cash, December 31	<u>\$ 297,803</u>	<u>\$ 347,718</u>		

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Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
SALES TAX STREET FUND
 For the Year Ended December 31, 2015
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
SALES TAX STREET FUND				
Receipts				
Sales Tax	\$ 327,559	\$ 343,019	\$ 325,000	\$ 18,019
Interest Income	69	63	25	38
Total Receipts	<u>\$ 327,628</u>	<u>\$ 343,082</u>	<u>\$ 325,025</u>	<u>\$ 18,057</u>
Expenditures				
Capital Outlay	\$ 370,642	\$ 296,636	\$ 300,000	\$ (3,364)
Receipts Over (Under)				
Expenditures	\$ (43,014)	\$ 46,446		
Unencumbered Cash, January 1	189,715	146,701		
Unencumbered Cash, December 31	<u>\$ 146,701</u>	<u>\$ 193,147</u>		

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Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
BOND AND INTEREST FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
BOND AND INTEREST FUND
 For the Year Ended December 31, 2015
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget	Budget	
BOND AND INTEREST FUND					
Receipts					
Ad Valorem Property Tax	\$ 420,217	\$ 478,560	\$ 519,674	\$ (41,114)	
Delinquent Tax	6,988	8,403	4,000	4,403	
Motor Vehicle Tax	44,110	75,468	56,040	19,428	
Special Assessments	179,608	298,273	196,816	101,457	
Interest Income	1,368	1,540	1,500	40	
Total Receipts	<u>\$ 652,291</u>	<u>\$ 862,244</u>	<u>\$ 778,030</u>	<u>\$ 84,214</u>	
Expenditures					
Bond Principal	\$ 545,000	\$ 540,000	\$ 593,248	\$ (53,248)	
Bond Interest	249,764	238,830	185,581	53,249	
Commission and Postage	-	-	42,158	(42,158)	
Total Expenditures	<u>\$ 794,764</u>	<u>\$ 778,830</u>	<u>\$ 820,987</u>	<u>\$ (42,157)</u>	
Receipts Over (Under)					
Expenditures	\$ (142,473)	\$ 83,414			
Unencumbered Cash, January 1	101,218	(41,255)			
Unencumbered Cash, December 31	<u>\$ (41,255)</u>	<u>\$ 42,159</u>			

Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
CAPITAL PROJECT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
DAWSON COTTAGE ADDITION FUND
 For the Year Ended December 31, 2015
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014 Actual	2015 Actual
DAWSON COTTAGE ADDITION FUND		
Receipts		
Interest Income	\$ 9	\$ 2
Transfers in	-	48,721
Total Receipts	\$ 9	\$ 48,723
Expenditures		
Administrative Fees	\$ -	\$ 327
Note Interest	3,772	1,710
Issuance Costs Series 2015A/B	-	153,166
Total Expenditures	\$ 3,772	\$ 155,203
Receipts Over (Under)		
Expenditures	\$ (3,763)	\$ (106,480)
Unencumbered Cash, January 1	35,419	31,656
Unencumbered Cash, December 31	\$ 31,656	\$ (74,824)

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Regulatory-Required Supplemental Information

SCHEDULE 2-12

CITY OF ABILENE, KANSAS
BUSINESS FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
WATER UTILITY FUND
 For the Year Ended December 31, 2015
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

WATER UTILITY FUND	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
Receipts				
Charges for Services	\$ 1,531,334	\$ 1,425,899	\$ 1,594,300	\$ (168,401)
Sales Tax	169	8	800	(792)
Fines and Penalties	25,596	23,386	22,000	1,386
Reimbursed Expenses	2,040	2,043	2,000	43
Interest Income	4,418	5,143	4,000	1,143
Bond Proceeds	-	-	-	-
Antenna Fees	12,632	-	12,500	(12,500)
Miscellaneous Fees	16,738	31,532	6,700	24,832
Total Receipts	\$ 1,592,927	\$ 1,488,011	\$ 1,642,300	\$ (154,289)
Expenditures				
Wells Production and Water Treatment Plan				
Salaries and Benefits	\$ 159,966	\$ 184,856	\$ 193,888	\$ (9,032)
Contractual Services	4,850	-	-	-
Services and Supplies	278,337	239,437	277,600	(38,163)
Capital Outlay	40,578	-	-	-
Water Distribution				
Salaries and Benefits	179,482	211,087	217,448	(6,361)
Services and Supplies	231,460	294,832	274,550	20,282
Capital Outlay	54,601	57,951	61,500	(3,549)
Commercial				
Salaries and Benefits	111,516	117,856	126,843	(8,987)
Contractual Services	9,230	10,233	8,000	2,233
Services and Supplies	96,351	82,500	99,025	(16,525)
Capital Outlay	-	12,000	7,000	5,000
Debt Service				
Principal Payments	90,000	90,000	90,000	-
Interest Payments	5,068	3,693	4,168	(475)
Commissions and Postage	-	-	100	(100)
Lease Purchase	138,117	-	-	-
Transfer to General	-	125,242	125,300	(58)
Total Expenditures	1,399,556	1,429,687	1,485,422	(55,735)
Receipts Over (Under)				
Expenditures	\$ 193,371	\$ 58,324		
Unencumbered Cash, January 1	103,753	297,279		
Prior year cancelled encumbrances	155	-		
Unencumbered Cash, December 31	297,279	355,603		

Regulatory-Required Supplemental Information

CITY OF ABILENE, KANSAS
BUSINESS FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
SEWER UTILITY FUND
 For the Year Ended December 31, 2015
 (WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget	Budget	
SEWER UTILITY FUND					
Receipts					
Charges for Services	\$ 1,390,199	\$ 1,330,562	\$ 1,400,500		\$ (69,938)
Interest Income	2,714	2,672	7,200		(4,528)
Reimbursed Expenses	1,265	2,016	-		2,016
Refunds	4,231	7,127	-		7,127
Total Receipts	<u>\$ 1,398,409</u>	<u>\$ 1,342,377</u>	<u>\$ 1,407,700</u>		<u>\$ (65,323)</u>
Expenditures					
Collection					
Salaries and Benefits	\$ 81,423	\$ 89,893	\$ 116,291		\$ (26,398)
Services and Supplies	46,694	41,252	46,900		(5,648)
Capital Outlay	21,096	77,383	77,500		(117)
Wastewater Treatment Plant					
Salaries and Benefits	140,586	152,015	157,051		(5,036)
Services and Supplies	293,886	263,088	343,900		(80,812)
Capital Outlay	2,518	15,359	17,500		(2,141)
Commercial					
Salaries and Benefits	111,266	117,846	126,476		(8,630)
Contractual Services	9,230	10,233	8,000		2,233
Services and Supplies	57,452	50,791	61,025		(10,234)
Capital Outlay	-	15,000	14,000		1,000
Debt Service					
Principal Payments	423,400	433,355	433,356		(1)
Interest Payments	154,666	145,675	145,276		399
Commissions and Postage	16,376	15,416	15,416		-
Transfer to General	-	95,379	95,400		(21)
Total Expenditures	<u>\$ 1,358,593</u>	<u>\$ 1,522,685</u>	<u>\$ 1,658,091</u>		<u>\$ (135,406)</u>
Receipts Over (Under)					
Expenditures	\$ 39,816	\$ (180,308)			
Unencumbered Cash, January 1	1,300,462	1,340,278			
Unencumbered Cash, December 31	<u>\$ 1,340,278</u>	<u>\$ 1,159,970</u>			

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
SPECIAL PURPOSE FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)**

	2014		2015		Variance Over (Under)
	Actual	Actual	Budget	Actual	
EQUIPMENT RESERVE - WATER FUND					
Interest Income	\$ 46	\$ 37	\$ 100	\$ (63)	
Transfer from other funds	-	50,000	50,000	-	
	\$ 46	\$ 50,037	\$ 50,100	\$ (63)	
Expenditures					
Capital Outlay	\$ 1,481	\$ 5,096	\$ -	\$ 5,096	
Receipts Over (Under)					
Expenditures	\$ (1,435)	\$ 44,941			
Unencumbered Cash, January 1	163,971	162,536			
Unencumbered Cash, December 31	\$ 162,536	\$ 207,477			
EQUIPMENT RESERVE - SEWER					
Receipts					
Interest Income	\$ 179	\$ 138	\$ 250	\$ (112)	
Transfer from Sewer	-	25,000	25,000	-	
Total Receipts	\$ 179	\$ 25,138	\$ 25,250	\$ (112)	
Expenditures					
	\$ -	\$ -	\$ -	\$ -	
Receipts Over (Under)					
Expenditures	\$ 179	\$ 25,138			
Unencumbered Cash, January 1	630,781	630,960			
Unencumbered Cash, December 31	\$ 630,960	\$ 656,098			

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
BUSINESS FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2015
(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)**

	2014	2015		Variance Over (Under)
	Actual	Actual	Budget	
RECYCLING FUND				
Receipts				
Charges for Services	\$ 56,883	\$ 56,437	\$ 58,000	\$ (1,563)
Interest Income	80	51	125	(74)
Refunds Received	100	266	-	266
Reimbursed expenses	-	69,939	-	69,939
Miscellaneous Income	24,563	22,715	35,000	(12,285)
Total Receipts	\$ 81,626	\$ 149,408	\$ 93,125	\$ 56,283
Expenditures				
Salaries and Benefits	\$ 17,591	\$ 23,095	\$ 43,658	\$ (20,563)
Contractual Services	74,000	67,833	74,000	(6,167)
Services and Supplies	24,754	22,938	24,470	(1,532)
Capital Outlay	-	83,830	14,100	69,730
Transfer to General Fund	-	-	4,700	(4,700)
Total Expenditures	\$ 116,345	\$ 197,696	\$ 160,928	\$ 36,768
Receipts Over (Under)				
Expenditures	\$ (34,719)	\$ (48,288)		
Unencumbered Cash, January 1	284,188	249,469		
Unencumbered Cash, December 31	<u>\$ 249,469</u>	<u>\$ 201,181</u>		
STORM DRAIN FUND				
Receipts				
Charges for Services	\$ 68,879	\$ 67,717	\$ 130,500	\$ (62,783)
Reimbursed Expenses	791	1,583	-	1,583
Interest Income	90	86	100	(14)
Total Receipts	\$ 69,760	\$ 69,386	\$ 130,600	\$ (61,214)
Expenditures				
Contractual Services	\$ -	\$ -	\$ 75,000	\$ (75,000)
Capital Outlay	1,187	401	200,000	(199,599)
Transfer from General	-	6,375	6,375	-
Total Expenditures	\$ 1,187	\$ 6,776	\$ 281,375	\$ (274,599)
Receipts Over (Under)				
Expenditures	\$ 68,573	\$ 62,610		
Unencumbered Cash, January 1	292,266	360,839		
Unencumbered Cash, December 31	<u>\$ 360,839</u>	<u>\$ 423,449</u>		

Regulatory-Required Supplemental Information

**CITY OF ABILENE, KANSAS
 AGENCY FUNDS
 SUMMARY OF RECEIPTS AND DISBURSEMENTS
 Regulatory Basis
 For the Year Ended December 31, 2015**

FUND	Beginning Cash Balance	Receipts	Disbursements	Ending Cash Balance
Municipal Court	\$ 13,400	\$ 26,192	\$ 27,242	\$ 12,350
Payroll Clearing Funds	(3,899)	-	-	(3,899)
Total Agency Funds	\$ 9,501	\$ 26,192	\$ 27,242	\$ 8,451

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Regulatory-Required Supplemental Information

SCHEDULE 4

CITY OF ABILENE, KANSAS
 RELATED MUNICIPAL ENTITY
 PUBLIC BUILDING COMMISSION
 SCHEDULE OF RECEIPTS AND EXPENDITURES
 Regulatory Basis

For the Year Ended December 31, 2015

(WITH COMPARATIVE ACTUAL TOTALS FOR THE PRIOR YEAR ENDED DECEMBER 31, 2014)

PBC HOSPITAL PROJECT	<u>2014</u>	<u>2015</u>
Receipts		
Lease Payments	\$ 875,324	\$ 870,712
Reimbursements	3,180	-
Interest Income	386	36
Total Receipts	<u>\$ 878,890</u>	<u>\$ 870,748</u>
Expenditures		
Construction Costs	\$ 4,070,126	\$ 240,413
2011 Bond Principal	110,001	105,000
2011 Bond Interest	276,325	275,115
2012 Bond Interest	490,038	490,039
Services and Supplies	3,180	-
Total Expenditures	<u>\$ 4,949,670</u>	<u>\$ 1,110,567</u>
Receipts Over (Under) Expenditures	\$ (4,070,780)	\$ (239,819)
Unencumbered Cash, January 1	4,456,384	385,604
Unencumbered Cash, December 31	<u>\$ 385,604</u>	<u>\$ 145,785</u>

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Regulatory-Required Supplemental Information

Date

Mayor and City Council
City of Abilene, Kansas

**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***

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 statement of the City of Abilene, Kansas (the City), which is comprised of the summary statement of receipts, expenditures and unencumbered cash as of and for the year ended December 31, 2015, and the related notes to the financial statement and have issued our report thereon dated DATE.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statement, 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 opinion on the financial statement, 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitation, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Date
City of Abilene, Kansas
(Continued)

Compliance and Other Matters

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

Purpose of this Report

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

Certified Public Accountants
Manhattan, Kansas

DRAFT

Date

Mayor and City Council
City of Abilene, Kansas

**Independent Auditor's Report on Compliance for Each Major Federal Program
And Report on Internal Control Over Compliance
In Accordance with the Uniform Guidance**

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Abilene, Kansas (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are 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 the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of 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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (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 each 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 each of its major federal programs for the year ended December 31, 2015.

Date
City of Abilene, Kansas
(Continued)

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 each 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City'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 deficiencies, significant deficiencies, or material weaknesses. 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.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statement of the City as of and for the year ended December 31, 2015, and have issued our report thereon dated DATE, which contained an unqualified opinion on the financial statement. Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

Date
City of Abilene, Kansas
(Continued)

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

Certified Public Accountants
Manhattan, Kansas

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Independent Auditor's Report

CITY OF ABILENE, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

<u>Federal Grantor/Pass-through Grantor - Program Title</u>	<u>Grant No</u>	<u>Pass-Through No</u>	<u>Federal C.F.D.A. Number</u>	<u>Federal Expenditures</u>
US Department of Transportation				
Airport Improvement Program Passed through the Kansas Department of Transportation	3-20-0001-010-2014	NA	20.526	* \$ 2,475,000
Bus and Bus Facilities Formula Program	PT533915	KS34000200	20.106	<u>43,170</u>
Total Federal Expenditures				<u><u>\$ 2,518,170</u></u>

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A - BASIS OF PRESENTATION

This schedule is prepared on a basis of accounting which demonstrates compliance with the cash basis. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable and encumbrances.

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NOTE B - OTHER EXPENDITURES

The City did not received any federal awards in the form of noncash assistance, insurance, loans, or loan guarantees and incurred no expenditures in relation thereof for the year ended December 31, 2015.

NOTE C - INDIRECT COST RATE

The City does not allocate indirect costs to its federal award program. Accordingly, use of the 10% de minimis indirect cost rate provisioned by the Uniform Guidance Section 414, is not applicable.

*Major Programs

CITY OF ABILENE, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal controls over major programs: Material weaknesses identified? ___ Yes X No

Significant deficiencies identified not considered to be material weaknesses? ___ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a)? ___ Yes X No

Identification of major programs:

	<u>CFDA Number</u>
Airport Improvement Program	20.526

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? ___ Yes X No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Quested Costs

No matters were reported.

CITY OF ABILENE, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2015

FINDINGS - FINANCIAL STATEMENTS AUDIT AND MAJOR FEDERAL AWARDS AUDIT

There were no findings or questioned costs for the year ended December 31, 2014.

DRAFT

805 N. 36th Street, Suite B
St. Joseph, Missouri 64506
p: 816.233.9300 f: 816.233.9399
e-mail: info@gga-pc.com
web: www.gga-pc.com

GOLDBERG GROUP ARCHITECTS, PC



July 27, 2016

Abilene City Commission
PO Box 519
419 N. Broadway Street
Abilene, KS 67410

Attn: Mr. David Dillner – City Manager

**Re: Dickinson County Jail and Justice Center
Study to Include Abilene Police Department**

Dear Commissioners:

As you are aware, Goldberg Group Architects, PC (GGA) has been retained to design Renovations and Improvements to the County Courthouse, including a new Jail and Justice expansion. We understand that the City of Abilene wishes to have GGA study the possibility of incorporating new Abilene Police Department offices and Municipal Court facilities into the proposed County project.

We understand that the Dickinson County Commission has agreed to this idea in principal with the understanding that the City of Abilene will pay for additional GGA study and preliminary design services, in order to assist the City to determine whether – and how it might best participate in this project.

We propose, that with agreement of all involved, that this study, and if approved, subsequent design and construction, of the City Police Headquarters and Municipal Court be appended to the existing Agreement for A&E Services between GGA and Dickinson County for the new Justice Center (copy attached), which was signed on March 24, 2016. This would be considered an increase in the project scope and budget, payment for which, would be made by the city under an intergovernmental agreement to be executed by both parties.

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The terms of the agreement remain the same as agreed to by the County:

1. **The Work:** Under this agreement, GGA agrees to furnish feasibility planning services to the City on a stipulated-sum basis of Nineteen-thousand, Six-hundred and no/100 Dollars (\$19,600.00), excluding customary reimbursable expenses as set forth below; such planning services should include, but are not limited to:
 - a. Space Programming
 - b. Concept / Plan Development
 - c. Site Planning
 - d. Budget Planning
 - e. Project Scheduling and Phasing
 - f. Presentation materials (color renderings, diagrams, site plans, etc.)
2. **Standard Reimbursable Expenses** shall include, but not be limited to: Mileage (based on the current IRS allowance), lodging, meals, rental cars, printing and shipping, billed at direct (100%) cost;
 - a. No single expense shall be charged to the project exceeding **Three-hundred Dollars (\$300.00)** without prior approval of the City Manager.
3. **Separation of Scope:** It is accepted and agreed that the services pertaining to portions of the Project which are entirely used/occupied by the County, are excluded from this Study and covered under the existing County agreement with GGA;
4. **Time is of the Essence:** We understand and accept that Time is of the essence in conducting the services covered in this study and estimate that it will take 60-90 days from the date of execution of this agreement;

If this Agreement meet with your approval, please execute four (4) copies and return one (1) to our offices, provide one (1) to the County Administrator, and retain two (2) for your records.

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GOLDBERG GROUP ARCHITECTS, PC



We appreciate this opportunity to be of service and look forward to providing the City of Abilene with the substantive basis for participating in this important project.

Accepted and Agreed:
Goldberg Group Architects, PC

Accepted and Agreed:
City of Abilene, KS

Lawrence Goldberg, AIA, NCARB, ASC
President

David Dillner
City Manager

Attested:

Cc: Brad Homman, County Administrator
Doug Thompson, County Counselor



DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS, KANSAS CITY DISTRICT
635 FEDERAL BUILDING
601 EAST 12TH STREET
KANSAS CITY MISSOURI 64106-2824

JUL 20 2016

Geotechnical Design and Dam Safety Section
Geotechnical Branch

Mr. Lon Schrader
Public Works Director
City of Abilene
P.O. Box 519
Abilene, Kansas 67410

Dear Mr. Schrader:

An inspection was conducted on June 14, 2016 of the Abilene, Kansas, Flood Protection Project (Left and Right Banks). An inspection rating of MINIMALLY ACCEPTABLE has been assigned based on the findings of the inspection. The inspection report is enclosed with this letter.

The inspection report identifies deficiencies that should be corrected in order to ensure the continued performance of this project. The inspection report should be referenced in order to determine the full list of deficiencies and maintenance items. Priority should be placed on addressing the most critical deficiencies, which are noted below. These same critical deficiencies were identified in the 2012 Periodic Inspection and the last several routine inspection reports. While some pipe inspections have been completed and a number of encroachments have been resolved, there has been little progress overall on these issues for the last few years. The U.S. Army Corps of Engineers (USACE) requests that the City provide a written plan for USACE review within one month after transmittal of this inspection report. The written plan should include a timeline for addressing these critical issues during this calendar year. Failure to address these issues may result in loss of levee eligibility in the Rehabilitation Program.

a. Document Buried Utility Encroachments: Buried utilities passing through the levee or near the levee toe are the most critical encroachments requiring documentation. The City should contact the utility company, owner, or developer to obtain plans or documentation showing the utility alignment, depth of the utility line below the levee, and backfill or installation method. Corrective measures may be necessary based on the results of the documentation. Please submit this information to the USACE project engineer. The following buried utilities should be addressed as soon as possible:

1. Station 59+90L to 60+40L: Buried communications line parallel to levee slope.

2. Station 5+00R: Buried communications lines (Southwestern Bell & ATT&T) within 15 feet of landward levee toe.

3. Station 58+00R: Buried communication line through levee slope and crown, upstream of NW 3rd Street Bridge.

4. Station 67+00R: Buried communication line through levee slope and crown, downstream of UPRR Bridge.

b. Document Other Encroachments: The large number of undocumented encroachments on both the Left and Right Bank Levees distracts from other issues during levee inspections and increases the risk of poor levee performance. Fences can impede flood monitoring and flood fighting efforts. Structures constructed near or on the levee may lead to vulnerable areas that require increase surveillance during high loading events. Areas that may require increased surveillance should be documented and added to the O&M Manual. Many of the overhead utility lines and other encroachments may be documented relatively easily and removed from the list. A form has been provided by the levee inspector for documenting these encroachments. Please coordinate with the USACE project engineer.

c. Complete Pipe Inspections on the Left and Right Bank Main Levees: Pipe inspections should be completed in accordance with Corps guidance, which has been previously provided. The City of Abilene should perform remote video camera inspections or walk-through pipe inspections with photo documentation. The City should note areas of damage or concern with approximate location (including approximate distance from the end of the pipe). The City should also rate each individual pipe as A, M, or U in accordance with Corps' guidance. All pipes should be inspected once every five years. Effort should be made to also include video inspection of third party pipes that are within the levee right of way, as these will affect levee performance. The pipes in the main levee units that require inspection as soon as possible are listed below. Provide the results of the pipe inspections to the USACE project engineer.

1. Station 68+45L: Camera inspection in 2009 was stopped by debris. Clean out pipe and complete inspection.

2. Station 17+10R: Pipe has not been inspected.

3. Station 54+12R: 2015 camera inspection incomplete. Offset joint at 110.8 feet could not be passed. City indicated to inspector that they would like to remove pipe. Coordinate with USACE project engineer.

4. Station 58+55R: Camera inspection in 2009 was stopped by debris. Pipe could not be located in the field during 2016 inspection, possibly removed for construction of NW 3rd Street Bridge. Verify removal or provide inspection. In addition, it is noted that a few pipes which were inspected in 2012 will be due for another inspection before next year's routine levee inspection.

d. Survey the Lower Reaches of the Left and Right Bank Main Levees: The downstream end of the left bank levee from Station 82+50L to Station 92+43L has been farmed over and is indistinguishable from the surrounding terrain. Similarly, the downstream end of the right bank levee alignment from Station 75+00R to Station 86+16R has been lost due to grading and development near the City Material Storage Area. The City should lay out the levee alignment in both areas based on the project Record Drawings and survey the top of levee elevations. This information should be provided to USACE. After this information is obtained, USACE will discuss with the City of Abilene what steps are needed, if any, to restore the functionality of the levees in these areas.

e. Develop a system-specific emergency preparedness plan for the project. The sponsor should coordinate with local communities and emergency management officials on developing the plan. An example plan will be provided by USACE. Please inform this office once the system-specific emergency preparedness plan has been developed.

Based on information provided during the routine inspection, a few undocumented encroachments have been resolved and are summarized in the table below for your records. Please see the enclosed routine inspection report for details on the resolved encroachments.

Resolved Encroachment	Levee Station
Fiber Optic Line	66+50L
Kansas Gas Service Gas Line	4+60R

As noted in previous inspections, the left and right bank spoil levees require significant maintenance work. There are a number of missing pipe inspections, encroachments, and areas where the levees are indistinguishable from the surrounding terrain. The spoil bank levees will not be eligible for federal assistance under Public Law 84-99 until the existing inspection deficiencies have been addressed. The status of the spoil bank levees, however, will not affect the eligibility status of the left bank and right bank main levee systems.

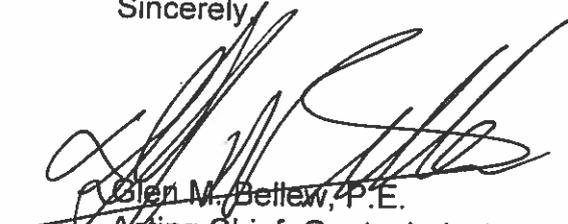
Please continue to submit documentation for any new development within 500 feet of the levees for USACE review and approval.

You will be asked to submit a Pre-inspection Form approximately one month before the 2017 routine inspection. On this form you will document the efforts and progress made towards addressing the deficiencies identified in this inspection. That information will be used by this office in evaluating the effectiveness of your operations and maintenance program.

The effort and progress you have made in correcting past inspection deficiencies is appreciated. The Resolved Items Report documents that progress. However, the outstanding deficiencies present an increased risk to the overall project and should be corrected as soon as possible.

If you have any questions regarding this letter or our inspection, please call Derek Jenson at 816-389-2323.

Sincerely



Glen M. Bellew, P.E.
Acting Chief, Geotechnical Branch

Enclosures

1. System Eligibility Form, Left Bank
2. Inspection Report, Left Bank
3. System Eligibility Form, Right Bank
4. Inspection Report, Right Bank

TO: City Commission
FROM: David Dillner, City Manager
SUBJ: Dawson Water Meter Request
DATE: July 29, 2016

In 2013, Scott and Maureen Dawson paid for twenty-five new water services at a cost of \$17,615. At that time, the City had been in a Water Warning for over one hundred days and was contemplating the need to declare a Water Emergency. The City Manager developed a plan to be implemented in the event of a declared Water Emergency that called for a suspension of new water services.

Scott and Maureen Dawson paid for the water services to avoid any potential suspension of new water services that may arise from an impending Water Emergency. With the adoption of Resolution No. 042213-5, the City Commission declared a Water Emergency and authorized the City Manager to implement mandatory conservation measures as provided in Chapter 7, Article 10 of the City Code, so as to reduce or eliminate non-essential uses of water.

The Water Emergency ended on July 22, 2013 when the City Commission adopted Resolution No. 072213-5 declaring a Water Warning. Only three water services paid for by the Dawsons were actually installed during the effective period of the Water Emergency. Water services are installed by the City upon request and payment by a private party. In this case, the Dawsons did not request any of the additional meters to be installed by the City.

The Dawsons have requested the City reimburse \$15,536 for the twenty-two water services that have not been installed. The City Manager is requesting direction from the City Commission on this request due to its unprecedented nature. It is appropriate to provide a reimbursement due to the fact that the City has not used the funds to acquire meter equipment needed for new water services for residential development by the Dawsons.

The Water Fund is projected to end the year with a cash balance of \$293,066, so it has sufficient resources for the reimbursement; the request will not place an undue burden on the Water Fund. It should also be noted that staff is in the process of reviewing various fees, to include water connection fees, and may recommend increasing such fees in the near future.



Abilene City Commission Minutes
Abilene Public Library
July 25, 2016 @ 4:00 p.m.
Abilene, Kansas

1. Call to Order

2. Roll Call – City Commission Present: Vice-Mayor Shafer, Commissioners Dale, Payne and Weishaar.
Absent: Mayor Marshall.

Staff Present: City Manager Dillner, Human Resources Director/City Clerk Soukup, City Attorney Martin, Finance Director Rothchild, Parks & Recreation Director Foltz and Community Development Director Shea.

Others Present: Mike Heronemus, Wendy Moulton and Bob Morando.

3. Pledge of Allegiance – Vice-Mayor Shafer led the Pledge of Allegiance.

Consent Agenda

4. Agenda Approval for the July 25, 2016 City Commission Meeting

5. Meeting Minutes: July 11, 2016, Regular Meeting

6. Acceptance of unaudited 2Q, 2016 Financial Report of the City of Abilene, Kansas

7. Appointment of Amanda Cormack to the Library Board of the City of Abilene, Kansas to fill an unexpired term ending April 2019.

Motion by Commissioner Weishaar, seconded by Commissioner Dale to approve the Consent Agenda as presented. Motion carried unanimously 4-0.

Public Comments and Communications

8. Public Comments. Persons who wish to address the City Commission regarding items not on the agenda and that are under the jurisdiction of the City Commission may do so when called upon by the Mayor. Comments on personnel matters and matters pending before court are not permitted. Speakers are limited to three (3) minutes. Any presentation is for informational purposes only. No action will be taken.

Vice-Mayor Shafer asked for any comments or communications from the public that are not on the agenda.

There were no public comments or communications.

9. Declaration. At this time City Commissioners may declare any conflict or communication they have had that might influence their ability to impartially consider today's issues.

There were no declarations.

Proclamations and Recognition

10. Introduction of Bob Morando as the Executive Director of the Dickinson County Economic Development Corporation.

City Manager Dillner introduced Bob Morando as the new Executive Director of the Dickinson County Economic Development Corporation.

Bob Morando gave a background on himself.

Public Hearings

11. There were no public hearings.

Old Business

12. There was no old business.

New Business

13. Consideration of an Ordinance amending Article 12 of the City Code of the City of Abilene, Kansas, concerning Insurance Proceeds Funds.

City Manager Dillner explained the current policy regarding the placement of a lien on the payment of insurance proceeds for properties damaged by fire, wind or explosion. The proposed ordinance would amend the code to include additional means of damage to property, including damage by earthquakes. The adoption of this ordinance will put the City Code in alignment with what the State Legislature already has in place.

Motion by Commissioner Payne seconded by Commissioner Weishaar to adopt Ordinance No. 3301 **AN ORDINANCE AMENDING CHAPTER 2, ARTICLE 12 OF THE CITY CODE OF THE CITY OF ABILENE, KANSAS, CONCERNING PAYMENT OF INSURANCE PROCEEDS AND REPEALING ORDINANCE NO. 3106.** Motion carried unanimously 4-0.

14. Consideration of a motion approving a Letter of Support for the Domestic Violence Association of Central Kansas Teen Dating Violence Prevention Program.

City Manager Dillner explained a letter of support from the City of Abilene has been requested by Sheila Beeson from the Domestic Violence Association of Central Kansas for the Teen Dating Violence Prevention Program.

Motion by Commissioner Payne, seconded by Commissioner Dale to approve a letter of support for the Domestic Violence Association of Central Kansas for the Teen Dating Violence Prevention Program. Motion carried unanimously 4-0.

Reports

15. City Manager's Report

Staff has received a draft for the hotel/conference center study. It will be presented at the August 2nd study session.

Staff has received a draft of the 2015 City Audit which will be discussed at the August 2nd study session as well.

All paperwork had been received and approved for the beer garden for the events at the Central Kansas Free Fair.

At the August 8th meeting we will discuss the land bank and consider a resolution to terminate the Highlands covenants and restrictions.

16. Consideration of a motion to adjourn the July 25, 2016 City Commission meeting.

Motion by Commissioner Weishaar, seconded by Commissioner Payne to adjourn at 4:17 p.m. Motion carried unanimously 4-0.

(Seal)

Tim Shafer, Vice-Mayor

ATTEST:

Penny L. Soukup, CMC
City Clerk

ORDINANCE NO. 3303

AN ORDINANCE REGULATING VEHICLES UPON THE STREETS AND HIGHWAYS WITHIN THE CITY OF ABILENE, KANSAS; INCORPORATING BY REFERENCE THE STANDARD TRAFFIC ORDINANCE FOR KANSAS CITIES, EDITION OF 2016

WHEREAS, the City of Abilene wishes to adopt by reference, under the provisions of K.S.A. 12-3009 through 12-3012, and K.S.A. 12-3301 and 12-3302, the Standard Traffic Ordinance for Kansas Cities, Edition of 2015.

THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF ABILENE, KANSAS:

SECTION ONE. Standard Traffic Ordinance; Incorporated. There is hereby incorporated by reference for the purpose of regulating vehicles upon the streets and highways within the corporate limits of the City of Abilene, Kansas, that certain code known as the Standard Traffic Ordinance, Edition of 2016, prepared and published in book form by the League of Kansas Municipalities, Topeka, Kansas. One official copy of said Standard Traffic Ordinance shall be marked or stamped "Official Copy as Adopted by Ordinance No. 3303," and to which shall be attached a copy of this Ordinance, and filed with the City Clerk to be open to inspection and available to the public at all reasonable hours.

SECTION TWO. Repeal. Ordinance No. 3283 is hereby repealed in its entirety.

SECTION THREE. Effective Date. This Ordinance shall become effective and in full force from and after its passage, adoption and publication in the official City newspaper.

PASSED AND APPROVED by the Governing Body of the City of Abilene, Kansas this 8th day of August, 2016.

CITY OF ABILENE, KANSAS

By: _____
Dec Marshall, Mayor

ATTEST:

Penny Soukup, CMC
City Clerk

APPROVED AS TO FORM:

Aaron O. Martin, City Attorney

ORDINANCE NO. 3302

AN ORDINANCE REGULATING PUBLIC OFFENSES WITHIN THE CITY OF ABILENE, KANSAS; INCORPORATING BY REFERENCE THE UNIFORM PUBLIC OFFENSE CODE FOR KANSAS CITIES, EDITION OF 2016

WHEREAS, the City of Abilene wishes to adopt by reference, under the provisions of K.S.A. 12-3009 through 12-3012, and K.S.A. 12-3301 and 12-3302, the Uniform Public Offense Code for Kansas Cities, Edition of 2016.

THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF ABILENE, KANSAS:

SECTION ONE. Uniform Public Offense Code: Incorporated. There is hereby incorporated by reference for the purpose of regulating public offenses within the corporate limits of the City of Abilene, Kansas, that certain code known as the Uniform Public Offense Code, Edition of 2016, prepared and published in book form by the League of Kansas Municipalities, Topeka, Kansas. One official copy of said Uniform Public Offense Code shall be marked or stamped "Official Copy as Adopted by Ordinance No. 3302," and to which shall be attached a copy of this Ordinance, and filed with the City Clerk to be open to inspection and available to the public at all reasonable hours.

SECTION TWO. Repeal. Ordinance No. 3282 is hereby repealed in its entirety.

SECTION THREE. Effective Date. This Ordinance shall become effective and in full force from and after its passage, adoption and publication in the official City newspaper.

PASSED AND APPROVED by the Governing Body of the City of Abilene, Kansas this 8th day of August, 2016.

CITY OF ABILENE, KANSAS

By: _____
Dee Marshall, Mayor

ATTEST:

Penny Soukup, CMC
City Clerk

APPROVED AS TO FORM:

Aaron O. Martin, City Attorney