



COMPREHENSIVE ANNUAL FINANCIAL REPORT

*City of Leavenworth, Kansas
For the Year Ended December 31, 2012*

City of Leavenworth, Kansas

Comprehensive Annual Financial Report

Fiscal Year Ended
December 31, 2012

Prepared by:

Daniel L. Williamson
Director of Finance

City of Leavenworth, Kansas
 Comprehensive Annual Financial Report
 Year Ended December 31, 2012

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Introductory Section



June 13, 2013

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of Leavenworth, Kansas (the City) for the year ended December 31, 2012. Kansas statutes require the City to issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. The CAFR is prepared in accordance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), accounting principles generally accepted (GAAP) in the United States of America, and audited in accordance with auditing standards generally accepted (GAAS) in the United States of America.

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

The City's financial statements have been audited by Berberich Trahan & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the City's financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Leavenworth, Kansas was established in 1854 and incorporated by the first Kansas territorial legislature in 1855. The City is a legally constituted city of the First Class and the county seat of Leavenworth County. It sits on the west bank of the Missouri River approximately 28 miles northwest of Kansas City, Missouri and 45 miles northeast of Topeka, Kansas. The City has a population of 35,675 and covers an area of approximately 23.5 square miles.

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

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

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

The City provides a full range of services, including:

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

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

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

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

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

Factors Affecting Financial Condition

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

Local economy

The City of Leavenworth is known nationally as the home of the Leavenworth Federal Penitentiary. Several other federal institutions, including Fort Leavenworth, the Command and General Staff College of the U.S. Army, and the U.S. Disciplinary Barracks make the City an important site for governmental and military purposes. These federal institutions provide employment for nearly 4,985 civilians. The Veterans Administration—which operates a full service medical center and employs approximately 600 civilians—is another federal agency that has a significant presence in the City. Also, a privately-owned corrections facility serving the federal Marshall's Service employs approximately 180 people.

The City enjoys a strong, almost recession-proof economy, and local indicators suggest continued stability. Over recent years, population and tax base trends indicate moderate but steady growth and the City's median family income and housing values remain above those of the state as a whole. This economic stability is primarily due to the presence of the federal institutions and several large private sector firms including Hallmark Cards (employing 320 people), Northrop Grumman, Cubic Defense Applications Group, and Armed Forces Insurance Corporation.

Long-term financial planning

The City Commission recently approved a five-year capital improvements program (2013 – 2017) that contains \$31.5 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	\$8,622,470
Bridges	1,011,460
Sidewalks, curbs, gutters	1,925,250
Sewer and stormwater	3,994,935
Economic development	1,583,600
Buildings & equipment	6,545,795
Parks	2,125,030
Other	5,724,600

To the extent possible, these projects are funded on a pay-as-you-go basis with City sales tax proceeds or other operating sources. In fact, approximately \$20,497,905, or 65%, of identified projects are funded in this manner. An additional \$1,827,375, or 6%, of identified projects are funded by federal and state grants for street and bridge construction.

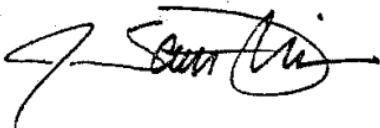
Finally, approximately \$9,207,860, or 29%, of identified projects are funded with long-term capital financing. It is expected that the debt service associated with bonds issued to finance these projects will have a minimal impact on the City's mill levy rates for the next five years.

Awards and Acknowledgements

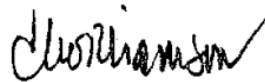
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leavenworth for its comprehensive annual financial report in the fiscal year ended December 31, 2011. This was the 18th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



J. Scott Miller
City Manager



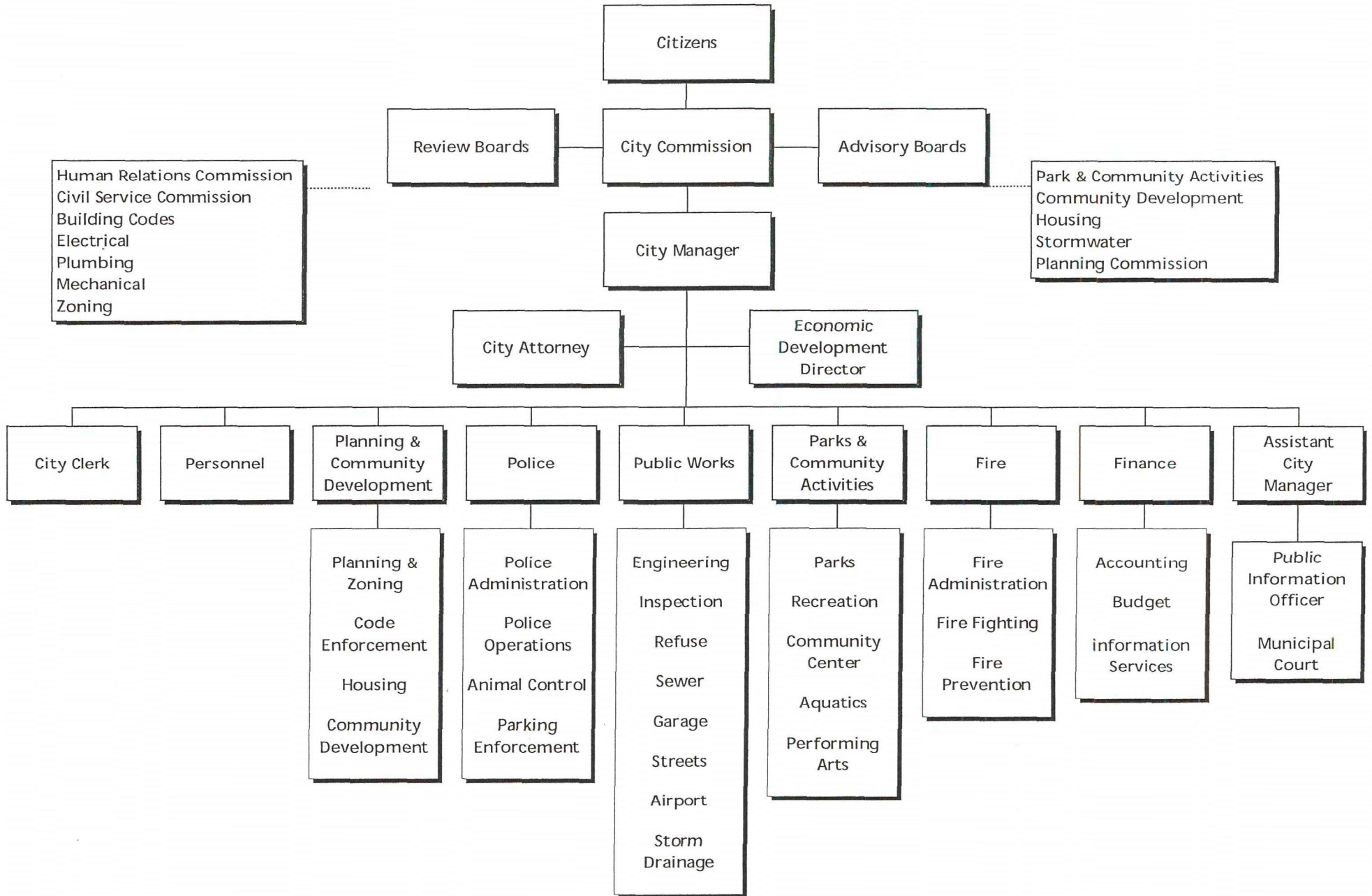
Daniel L. Williamson
Finance Director

City of Leavenworth, Kansas
 List of Elected and Appointed Officials
 December 31, 2012

Elected Officials	Position	Term Expires
Larry Dedeke	Mayor	2015
Laura Gasbarre	Mayor Pro Tem	2015
Davis Moulden	Commissioner	2013
Mark Preisinger	Commissioner	2013
Phil Urban	Commissioner	2013

Appointed Officials	Position	Length of Service
J. Scott Miller	City Manager	5 years
Thomas Dawson	City Attorney	4 years
Gary Bartek	Economic Development Administrator	2 year
Paul Kramer	Assistant to the City Manager	3 years
Melissa Bower	Public Information Officer	1 year
Lona Lanter	Human Resources Director	9 years
Karen Logan	City Clerk	7 years
Daniel Williamson	Finance Director	22 years
Julia Anderson	Director of Parks & Community Activities	5 years
Michael McDonald	Director of Public Works	24 years
Pat Kitchens	Police Chief	5 years
Mark Nietzsche	Fire Chief	1 year

City of Leavenworth



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leavenworth
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moivell

President

Jeffrey R. Enner

Executive Director

Financial Section



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

INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and City Commission
City of Leavenworth, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-15 and the Schedules of Employer Contributions and Funding Progress on pages 72-74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor fund financial statements and schedules, and single audit compliance schedules, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Berberich Trahan & Co., P.A.

June 13, 2013
Topeka, Kansas

Management's Discussion and Analysis

As management of the City of Leavenworth, Kansas, (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$55,614,887 (*net position*). Of this amount, \$4,493,523 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position declined \$1,650,667, or 2.9 percent, during the fiscal year.
- As of December 31, 2012, the City's governmental funds reported combined ending fund balances of \$8,084,393, an increase of \$249,294 over the prior year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$3,012,853, or 17.7 percent of total General Fund expenditures.
- The City's total bonded debt increased by \$2,835,000 (11 percent) during the current fiscal year. General obligation bonds totaling \$5,905,000 were issued for both governmental and business-type activities to provide permanent financing for general infrastructure and sewer plant improvements. However, \$3,205,000 of previously existing debt for governmental and business-type activities was retired during the year.

The City also issued \$3,560,000 of general obligation refunding bonds to redeem the principal balance of three issues amounting to \$3,425,000.

Overview of the Financial Statements

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

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

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

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

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

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

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

The government-wide financial statements can be found on pages 17 – 18 of this report.

Fund financial statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 19 – 22 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 23 – 25 of this report.

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

The basic fiduciary fund financial statements can be found on pages 26 – 27 of this report.

The **notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 – 70 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain **required supplementary information** concerning the City's progress in funding its obligations to provide pension and postemployment benefits to certain of its employees. Required supplementary information can be found on pages 71 – 74 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 75 – 92 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$55,614,887 at the close of the current fiscal year.

By far the largest portion of the City's net position (86 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Leavenworth's Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current and other assets	\$20,427,137	\$21,228,791	\$3,325,500	\$2,843,191	\$23,752,637	\$24,071,982
Capital assets	60,460,959	62,727,056	17,666,457	14,537,844	78,127,416	77,264,900
Total assets	80,888,096	83,955,847	20,991,957	17,381,035	101,880,053	101,336,882
Long-term liabilities						
outstanding	19,718,673	20,343,973	9,948,041	6,646,574	29,666,714	26,990,547
Other liabilities	15,268,107	16,305,980	1,330,345	774,801	16,598,452	17,080,781
Total liabilities	34,986,780	36,649,953	11,278,386	7,421,375	46,265,166	44,071,328
Net position:						
Net investment in capital assets	40,411,904	40,913,632	7,631,457	8,272,844	48,043,361	49,186,476
Restricted	3,078,003	3,527,423	0	0	3,078,003	3,527,423
Unrestricted	2,411,409	2,864,839	2,082,114	1,686,816	4,493,523	4,551,655
Total net position	\$45,901,316	\$47,305,894	\$9,713,571	\$9,959,660	\$55,614,887	\$57,265,554

An additional portion of the City's net position (\$3,078,003) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,493,523 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's overall net position declined \$1,650,667 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Governmental activities

Governmental activities decreased the City's net position \$1,404,578, thereby accounting for 85 percent of the total decline in net position of the City. However, this decline is less than the \$1,967,247 decrease experienced in the prior year. Key elements of the decline in the current year are as follows:

- Charges for services declined \$521,680 during the year due primarily to a \$286,760 decrease in revenue from the sale of rehabilitated homes in the Neighborhood Stabilization grant from the prior year.

Also, in the prior year, the City had received \$76,750 of proceeds from the sale of historic

tax credits related to a Community Center improvement project. Further, the City had received \$180,563 of insurance proceeds in the prior year to reimburse the City for expenses incurred at the animal control facility and the airport during a flood event.

- Operating grants and contributions declined \$504,464 (14 percent) during the year. The City received \$383,021 less federal financial assistance for Section 8 and the Veterans Affairs Supportive Housing (VASH) low income housing voucher programs and \$162,719 less federal financial assistance for the Planters II elderly facility than in the prior year.
- Capital grants and contributions declined \$652,161 (59 percent) during the year. The City received \$312,719 less federal financial assistance related to the Neighborhood Revitalization Grant program and \$131,851 less federal financial assistance for capital improvements to the Planters II elderly high-rise facility than in the prior year. Finally, the City received \$106,901 less donations of capital equipment from the Mid America Regional Council than in the prior year.
- Revenues from all taxes, including property taxes, remained essentially unchanged from the prior year. Total tax revenues increased by \$20,932, or 0.1%, over the prior year.
- Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Overall, expenses declined \$1,704,407, or about five percent from the prior year. General government expenses declined \$620,892, or about 14 percent, during the year due to a \$539,306 loss on the disposal of capital assets that had been recorded in the prior year.

Public works expenses declined \$369,783, or about eight percent, from the prior year due to a \$198,803 decrease in costs related to street maintenance. A lack of significant snow removal costs incurred during the year contributed to this decline. Also, personnel costs declined \$102,292 in the building inspection and garage activities from the prior year due to reductions in the workforce for those functions.

Housing and urban redevelopment expenses declined \$211,565, or about six percent, from the prior year. The City is required to remit to the State any proceeds from the sale of houses purchased and renovated under the Neighborhood Stabilization Grant program. This payment decreased \$286,760 from the prior year. Also, the City recorded a \$137,164 loss on the disposal of capital assets from the sale of the houses that were sold during the year.

Interest and fiscal charges on long term debt declined \$276,935, or about 26 percent, from the prior year due primarily to a \$191,798 decrease in interest payments on outstanding debt. This is a direct result of actions taken by the City to refund \$7,305,000 of outstanding bonds in the past two years to take advantage of lower interest rates. Finally, issuance costs declined \$65,305 from the prior year since the amount of bonds issued decreased significantly from the prior year.

City of Leavenworth's Changes in Net Position

	Governmental		Business-type		Total	
	Activities	Activities	Activities	Activities	2012	2011
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$5,135,165	\$5,656,845	\$5,329,651	\$5,046,539	\$10,464,816	\$10,703,384
Operating grants and contributions	3,116,968	3,621,432	0	35,831	3,116,968	3,657,263
Capital grants and contributions	448,448	1,100,609	0	0	448,448	1,100,609
General revenues:						
Property taxes	9,487,704	9,491,948	0	0	9,487,704	9,491,948
Other taxes	10,095,959	10,070,783	0	0	10,095,959	10,070,783
Grants and contributions not restricted to specific programs	88,957	87,420	0	0	88,957	87,420
Gain on sale of land	516,869	0	0	0	516,869	0
Unrestricted investment earnings	22,570	20,141	0	0	22,570	20,141
Total revenues	28,912,640	30,049,178	5,329,651	5,082,370	34,242,291	35,131,548
Expenses:						
General government	3,731,226	4,352,118	0	0	3,731,226	4,352,118
Public safety	11,882,932	12,008,431	0	0	11,882,932	12,008,431
Public works	4,073,389	4,443,172	0	0	4,073,389	4,443,172
Culture and recreation	3,226,421	3,238,794	0	0	3,226,421	3,238,794
Housing and urban redevelopment	3,096,295	3,307,860	0	0	3,096,295	3,307,860
Unallocated depreciation expense	3,506,457	3,593,817	0	0	3,506,457	3,593,817
Interest on long-term debt	800,498	1,077,433	0	0	800,498	1,077,433
Sewer	0	0	4,090,751	3,766,429	4,090,751	3,766,429
Refuse	0	0	1,484,989	1,710,490	1,484,989	1,710,490
Total expenses	30,317,218	32,021,625	5,575,740	5,476,919	35,892,958	37,498,544
Change in net position before transfers	(1,404,578)	(1,972,447)	(246,089)	(394,549)	(1,650,667)	(2,366,996)
Transfers	0	5,200	0	(5,200)	0	0
Change in net position	(1,404,578)	(1,967,247)	(246,089)	(399,749)	(1,650,667)	(2,366,996)
Net position – beginning	47,305,894	49,273,141	9,959,660	10,359,409	57,265,554	59,632,550
Net position – ending	\$45,901,316	\$47,305,894	\$9,713,571	\$9,959,660	\$55,614,887	\$57,265,554

Business-type activities

Business-type activities decreased the City's net position \$246,089, accounting for 15 percent of the total decline in the City's net position. Key elements of this decline are as follows:

- Sewer Fund revenues increased \$295,513, or about nine percent, over the prior year due to a \$132,252 increase in the sewer utility revenue from the federal installations (Fort Leavenworth, the U.S. Penitentiary, and the Veterans Administration). Further, the sewer utility revenue from residential and commercial customers increased \$92,225 over the prior year due to a 3.0% utility rate increase implemented at the beginning of the year.

Sewer Fund expenses increased \$324,322, or about nine percent, due partially to a sewer flow monitoring study conducted during the year at a cost of \$127,649. Also, creek bed stabilization costs increased \$34,616 during the year while costs for the replacement of activated carbon at the sewer plant increased \$50,498 during the year.

- Refuse Fund expenses declined \$225,501, or about 13 percent, due to an adjustment of the liability for accrued landfill closure/postclosure care costs during the year. Based upon updated estimates, the accrued liability was reduced by \$313,282 during the year with a corresponding reduction in expenses. However, vehicle maintenance and repair costs increased \$31,364 during the year while personnel costs increased \$21,928 during the year.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,084,393, an increase of \$249,294 over the prior year. Approximately 33 percent of this amount (\$2,640,634) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes (\$2,965,540), 2) committed for particular purposes (\$2,370,916), or 3) assigned for particular purposes (\$107,303).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$3,012,853. Approximately 88 percent of this amount (\$2,640,634) is designated as unassigned fund balance, which is available for spending at the City's discretion. \$5,208 of total fund balance is designed as restricted to reflect amounts restricted to specific purposes by external sources such as grantors and bondholders. \$367,011 of total fund balance is designated as either committed or assigned to reflect amounts either committed to or intended for specific purposes by the City Commission.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15.5 percent of total General Fund expenditures, while total fund balance represents 17.7 percent of total General Fund expenditures.

The fund balance of the City's General Fund declined \$16,030 to \$3,012,853 during the current fiscal year. However, this decline is significantly less than the \$702,418 decrease experienced in the prior year. Revenues from all sources increased \$54,639 over the prior year while total expenditures declined \$314,551 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds declined \$188,728 primarily due to a \$196,529 decrease in the transfer to the Streets fund to subsidize the operations of the Fund. Transfers from other funds also increased \$128,470 from the prior year.

The Debt Service Fund had a restricted fund balance of \$317,152 at the end of the current year, a decline of \$101,749 from the prior year. Revenues declined \$64,210 from the prior year while debt service expenditures declined \$545,570. However, other financing sources declined \$365,785 as transfers from other funds to support payments on specific bonds decreased for the current year. Other financing sources also declined \$190,000 due to the net effect of the issuance of refunding bonds during the year compared with the prior year.

At the end of the year, the fund balance of the Capital Projects Fund was \$2,032,216, an increase of \$716,517 over the prior year. However, this increase is significantly less than the \$2,740,432 increase experienced in the prior year. Several factors contributed to this increase:

- Total revenue declined \$316,234 during the year due primarily to a \$180,563 decrease in flood insurance proceeds that had been received in the prior year and to a \$76,750 decrease in revenue from the sale of historic tax credits related to Community Center improvements that had also been received in the prior year.
- Total expenditures declined \$955,369 primarily due to a decrease in capital outlay of \$938,495 during the year.
- Proceeds from general obligation bonds, capital leases, and the sale of land declined \$2,174,871 during the year while other net transfers in declined \$488,179 from the prior year.

Proprietary funds

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

Unrestricted net position of the Sewer Fund at the end of the year amounted to \$2,008,317, and for the Refuse Fund amounted to \$73,797. In comparison with the prior year, unrestricted net position for the Sewer Fund declined \$35,274 while unrestricted net position for the Refuse Fund increased \$430,572. Factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's final General Fund budget did not differ from the original budget since the budget was not amended during fiscal year 2012.

During the year, revenues were \$326,933, or nearly two percent, greater than budgetary estimates due to:

- Sales tax, delinquent property tax, and franchise tax revenues exceeded budgetary expectations by \$186,724, \$95,580, and \$30,989, respectively. However, motor vehicle tax revenues were \$73,798 below expectations.

- Revenues from intergovernmental sources were \$74,729 over budgetary expectations due to a \$53,243 surplus in transient guest tax revenues. Also, an unanticipated \$24,462 of Federal grants was received in support of Police programs.
- Revenues from fines and forfeitures were \$63,145 below budgetary expectations due a decrease in revenues from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.
- Revenues from investment earnings were \$69,940 less than budgetary expectations since interest rates remained at nearly 0% during the year.
- Miscellaneous revenues were \$126,881 over budgetary expectations due primarily to unanticipated premium reimbursements of \$59,142 received from the City's workers compensation insurance carrier. Further, the City also received \$55,650 more 911 telephone fees than were anticipated.

During the year, expenditures were \$481,676, or nearly three percent, less than budgetary estimates due to:

- Public safety expenditures were \$397,307, or nearly four percent, below budgetary expectations due to savings of \$357,320 in Police and Fire Department personnel costs resulting from position vacancies throughout the year. Also, costs for Police prisoner boarding were below expectations by \$25,390.
- Public works expenditures were \$50,758, or two percent, below budgetary expectations due to savings of \$77,278 in Garage personnel costs resulting from position vacancies throughout the year. However, costs for vehicle maintenance and repair activities at the Garage exceeded budgetary expectations by \$31,836.
- Culture and recreation expenditures were \$22,139, or three percent, below budgetary expectations due to savings of \$33,411 in Parks personnel costs resulting from position vacancies throughout the year.
- Transfers to other funds were \$39,582 below budgetary expectations during the year. The budgeted transfer to the Special Fuel Fund was \$131,365 below expectations due to a reduced need to subsidize that Fund. However, the one-half cent sales tax dedicated to capital projects generated more revenue than was anticipated during the year; accordingly, the budgeted transfer to the Capital Projects Fund was \$91,782 higher than anticipated.

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

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$78,127,416 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, streets, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.1 percent (a 3.6 percent decline for governmental funds and a 21.5 percent increase for business-type activities).

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

- Several land purchases were completed during the year, including \$315,492 for properties to be used for economic development activities, and \$100,619 for a parcel to be used for a detention basin and for park land.
- Numerous street projects were completed at a cost of \$1,102,456. A variety of street and bridge reconstruction projects continued; construction in progress for such projects as of the close of the fiscal year had reached \$664,786.
- A variety of building purchases and improvements were completed during the fiscal year at a cost of \$723,590, including purchases of \$104,086 for low-income housing related to a Neighborhood Stabilization grant, \$291,964 for improvements to the Community Center, and \$161,618 for a park bathhouse facility.
- Several sidewalk and parks projects were completed at a cost of \$425,112 and \$255,816, respectively, during the fiscal year.
- Equipment for \$567,931 was purchased during the fiscal year, including \$247,764 for the replacement of various cars and trucks. A project to replace the City's telephone system was completed at a cost of \$194,424.
- In the business-type activities, a boiler was replaced at the sewer plant at a cost of \$73,350. A major sewer plant improvement project continued during the year and construction in progress as of the close of the fiscal year had reached \$4,048,972. Finally, a project to build a detention pond was initiated during the year; construction in progress as of the close of the fiscal year had reached \$187,994.

City of Leavenworth's Capital Assets

(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Land	\$3,624,225	\$3,208,114	\$58,634	\$58,634	\$3,682,859	\$3,266,748
Buildings	11,374,197	11,862,556	4,656,834	5,198,963	16,031,031	17,061,519
Improvements other than buildings	8,273,544	8,601,041	7,452,527	7,852,176	15,726,071	16,453,217
Machinery and equipment	3,670,805	3,808,628	741,661	908,236	4,412,466	4,716,864
Infrastructure	32,352,282	34,336,847	0	0	32,352,282	34,336,847
Construction in progress	1,165,906	909,870	4,756,801	519,835	5,922,707	1,429,705
Total	\$60,460,959	\$62,727,056	\$17,666,457	\$14,537,844	\$78,127,416	\$77,264,900

Additional information on the City of Leavenworth's capital assets can be found in note 4.B on pages 45 – 47 of this report.

Long-term debt

At the end of the year, the City had total bonded debt outstanding of \$27,840,000, all of which is debt backed by the full faith and credit of the City. Of this amount, \$17,725,000 relates to governmental activities while \$10,115,000 relates to business-type activities.

The City's total bonded debt increased by \$2,835,000 (11 percent) during the current fiscal year. General obligation bonds totaling \$5,905,000 were issued for both governmental and business-type activities to provide permanent financing for general infrastructure (\$1,740,000) and sewer plant improvements (\$4,165,000). However, \$3,205,000 of previously existing debt for governmental and business-type activities was retired during the year.

During the year, the City also issued \$3,560,000 of general obligation refunding bonds to redeem, in advance of their stated maturities, the principal balance of three issues amounting to \$3,425,000. The transaction will result in an aggregate reduction of debt service payments of approximately \$252,686 and will provide an economic gain of approximately \$244,122.

The City maintains an "A1" rating from Moody's for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 30 percent of its total equalized assessed valuation. The current debt limit for the City is \$67,244,547, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 4.D on pages 49 – 56 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2013 operating budget has been prepared with the assumption that progress toward economic recovery will be slow and fitful for the next several years. Although the City is somewhat insulated from significant economic swings due to the presence of the federal entities (Fort Leavenworth, the U.S. Penitentiary, and the VA), the sluggish economic recovery continues to have a negative impact on the City's financial position.

For example, consider:

- The rate of interest earnings remains at an all-time low. Currently, the City is earning an annual rate of approximately 0.15% (compared to a rate of about 4.5% at the end of 2007). In 2007, General Fund interest earnings were \$779,945; in 2012, however, revenue was only about \$20,000. These low rates will likely continue through 2014.
- Data provided by the County Clerk indicates that 2013 assessed valuation declined by 1.1% from the prior year. This decline results in the need for the City to reduce its 2013 property tax requirement by \$110,075 to avoid increasing the 51.868 mills the City levied in 2012. In fact, since 2009, the City's assessed valuation has declined by 2.7%.
- In 2004, revenue from various building permit fees was \$496,760. However, due to the economic decline and the corresponding housing slump, building permit fees have declined in every year since 2004 to a projected level of \$253,700 in 2012.
- In recent years, the State of Kansas has reduced transfers of motor fuel taxes that are used to finance the City's Streets Fund. In 2007, for example, State motor vehicle fuel revenue was \$1,031,966 whereas in 2009 revenue was only \$876,620. These losses necessitated that the General Fund subsidize the Streets Fund in order to maintain current service levels. In 2013, it is projected that motor fuel tax revenue will remain at a level of \$930,000 and the Fund will require a \$192,035 General Fund subsidy.

An important source of support for an operating budget is the fund balance remaining from the prior year. When the prior year's financial performance results in a surplus, then the fund balance increases, the funds available to support the next year's budget increase, and the need for property taxes is diminished. Conversely, when the prior year's performance results in a deficit, then the fund balance declines, the funds available to support the next year's budget decline, and the need for property taxes is correspondingly increased.

In recent years, the City has enjoyed substantial fund balances in the General Fund that have allowed the City to absorb the deficit spending caused by the economic downturn without adversely affecting the ability of the City to deliver services to its citizens, to avoid property tax increases, and to maintain financial stability. The General Fund balance at the end of 2009 was \$4,456,121. Recently, due to the recession and its aftermath, the General Fund incurred deficits of \$724,820 in 2010 and \$702,418 in 2011 which significantly eroded the City's financial position. In 2012, however, the General Fund incurred a deficit of only \$16,030 reflecting the City's determination to eliminate the deficit spending that occurred in prior years.

These challenging economic conditions may persist for several years and it is imperative that the City's remaining fund balance position be stabilized by assuring that the deficit spending does not reoccur. The most important step, therefore, is to control spending in all budgets. The 2013 budget:

- Reduces total expenses in the operating budget for the Tax and Library Funds by \$58,850, or 0.2%, from the 2012 budget.
- While the 2012 budget included no salary increases for employees, the 2013 operating budget does include an average salary increase of 2.2% for employees in the form of a performance recognition increase on the anniversary date of employment or promotion. This level of raise is consistent with that being provided by most municipalities in the region.
- Includes no Supplemental Requests.
- Freezes several vacant positions and realigns staffing to generate \$245,775 in total salary and fringe benefit savings through 2013. This is in addition to the \$473,870 of savings realized from similar actions taken in preparing the 2012 operating budget.
- Maintains the City's non-appropriated General Fund reserve position at \$342,400.

In summary, the 2013 operating budget represents an appropriate and responsible budget in response to difficult economic circumstances. The budget maintains the ability of the City to deliver essential municipal services, maintains an appropriate General Fund non-appropriated reserve position, and does not raise property taxes. The recommended 2013 City operating budget does not raise the mill levy. The 2013 City mill levy remains unchanged at 51.865.

Requests for Information

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

Basic Financial Statements

City of Leavenworth, Kansas

Statement of Net Position

December 31, 2012

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Library
ASSETS				
Cash and cash equivalents	\$ 9,182,276	\$ 2,742,513	\$ 11,924,789	\$ 784,806
Deposits restricted for tenant deposit refunds	28,876	-	28,876	-
Deposits in escrow	2,317	-	2,317	-
Receivables (net of uncollectibles)				
Property tax	9,070,265	-	9,070,265	900,470
Special assessment tax	256,790	-	256,790	-
Sales tax	1,143,591	-	1,143,591	-
Due from other governments	37,410	-	37,410	-
Accounts receivable	705,612	582,987	1,288,599	-
Capital assets (net of accumulated depreciation)				
Land	3,624,225	58,634	3,682,859	-
Buildings and systems	11,374,197	4,656,834	16,031,031	-
Improvements other than buildings	8,273,544	7,452,527	15,726,071	-
Machinery and equipment	3,670,805	741,661	4,412,466	751,411
Infrastructure	32,352,282	-	32,352,282	-
Construction in progress	1,165,906	4,756,801	5,922,707	-
Total assets	80,888,096	20,991,957	101,880,053	2,436,687
LIABILITIES				
Accounts payable	293,058	487,409	780,467	-
Accrued compensation	458,755	43,377	502,132	-
Accrued interest payable	144,327	116,727	261,054	-
Tenant deposits	28,876	-	28,876	-
Unearned revenue	9,070,265	-	9,070,265	900,470
Bond anticipation notes payable	2,235,000	-	2,235,000	-
Long-term liabilities				
Due within one year	3,037,826	682,832	3,720,658	4,235
Due in more than one year	19,718,673	9,948,041	29,666,714	2,729
Total liabilities	34,986,780	11,278,386	46,265,166	907,434
NET POSITION				
Net investment in capital assets	40,411,904	7,631,457	48,043,361	744,447
Restricted for:				
General government	1,610,086	-	1,610,086	-
Public safety	319,368	-	319,368	-
Public works	1,383	-	1,383	-
Culture and recreation	35,916	-	35,916	-
Housing and urban redevelopment	681,635	-	681,635	-
Debt service	429,615	-	429,615	-
Unrestricted	2,411,409	2,082,114	4,493,523	784,806
Total net position	\$ 45,901,316	\$ 9,713,571	\$ 55,614,887	\$ 1,529,253

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Activities
For the Year Ended December 31, 2012

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit Library
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,731,226	\$ 1,929,579	\$ 267,285	\$ 214,331	\$ (1,320,031)	\$ -	\$ (1,320,031)	\$ -
Public safety	11,882,932	702,342	125,064	19,659	(11,035,867)	-	(11,035,867)	-
Public works	4,073,389	1,311,654	1,094,173	98,123	(1,569,439)	-	(1,569,439)	-
Culture and recreation	3,226,421	644,688	58,502	-	(2,523,231)	-	(2,523,231)	-
Housing and urban redevelopment	3,096,295	546,902	1,571,944	116,335	(861,114)	-	(861,114)	-
Unallocated depreciation expense	3,506,457	-	-	-	(3,506,457)	-	(3,506,457)	-
Interest on long term debt	800,498	-	-	-	(800,498)	-	(800,498)	-
Total governmental activities	<u>30,317,218</u>	<u>5,135,165</u>	<u>3,116,968</u>	<u>448,448</u>	<u>(21,616,637)</u>	<u>-</u>	<u>(21,616,637)</u>	<u>-</u>
Business-type activities:								
Sewer	4,090,751	3,507,038	-	-	-	(583,713)	(583,713)	-
Refuse	1,484,989	1,822,613	-	-	-	337,624	337,624	-
Total business-type activities	<u>5,575,740</u>	<u>5,329,651</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,089)</u>	<u>(246,089)</u>	<u>-</u>
Total primary government	<u>\$ 35,892,958</u>	<u>\$ 10,464,816</u>	<u>\$ 3,116,968</u>	<u>\$ 448,448</u>	<u>(21,616,637)</u>	<u>(246,089)</u>	<u>(21,862,726)</u>	<u>-</u>
Component unit:								
Library	\$ 1,072,271	\$ 37,985	\$ 16,496	\$ -				(1,017,790)
Total component unit								
General revenues:								
Taxes:								
Property taxes					9,487,704	-	9,487,704	1,029,362
Sales taxes					5,721,451	-	5,721,451	-
Tax increment sales taxes					207,204	-	207,204	-
Compensating use taxes					708,861	-	708,861	-
Franchise taxes					2,540,990	-	2,540,990	-
Motor vehicle taxes					917,453	-	917,453	-
Intergovernmental revenue not restricted to specific programs					88,957	-	88,957	45,388
Gain on sale of land					516,869	-	516,869	-
Miscellaneous					-	-	-	7,656
Unrestricted investment earnings					22,570	-	22,570	3,905
Total general revenues					<u>20,212,059</u>	<u>-</u>	<u>20,212,059</u>	<u>1,086,311</u>
Change in net position					(1,404,578)	(246,089)	(1,650,667)	68,521
Total net position - beginning					<u>47,305,894</u>	<u>9,959,660</u>	<u>57,265,554</u>	<u>1,460,732</u>
Total net position - ending					<u>\$ 45,901,316</u>	<u>\$ 9,713,571</u>	<u>\$ 55,614,887</u>	<u>\$ 1,529,253</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Balance Sheet

Governmental Funds

December 31, 2012

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,101,679	\$ 319,652	\$ 4,406,025	\$ 2,354,920	\$ 9,182,276
Deposits restricted for tenant deposit refunds	-	-	-	28,876	28,876
Deposits in escrow	-	-	2,317	-	2,317
Receivables (net of uncollectibles)					
Special assessments	155,321	101,469	-	-	256,790
Property tax	7,243,610	1,442,065	-	384,590	9,070,265
Sales tax	686,127	-	-	457,464	1,143,591
Due from other governments	13,925	-	-	23,485	37,410
Due from other funds	18,689	-	-	-	18,689
Accounts receivable	705,612	-	-	-	705,612
Total assets	<u>\$ 10,924,963</u>	<u>\$ 1,863,186</u>	<u>\$ 4,408,342</u>	<u>\$ 3,249,335</u>	<u>\$ 20,445,826</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 116,242	\$ 2,500	\$ 141,126	\$ 33,190	\$ 293,058
Accrued compensation	396,937	-	-	61,818	458,755
Due to other funds	-	-	-	18,689	18,689
Bond anticipation notes payable	-	-	2,235,000	-	2,235,000
Tenant deposits	-	-	-	28,876	28,876
Deferred revenue	7,398,931	1,543,534	-	384,590	9,327,055
Total liabilities	<u>7,912,110</u>	<u>1,546,034</u>	<u>2,376,126</u>	<u>527,163</u>	<u>12,361,433</u>
Fund balances:					
Restricted	5,208	317,152	-	2,643,180	2,965,540
Committed	357,962	-	2,012,954	-	2,370,916
Assigned	9,049	-	19,262	78,992	107,303
Unassigned	2,640,634	-	-	-	2,640,634
Total fund balances	<u>3,012,853</u>	<u>317,152</u>	<u>2,032,216</u>	<u>2,722,172</u>	<u>8,084,393</u>
Total liabilities and fund balances	<u>\$ 10,924,963</u>	<u>\$ 1,863,186</u>	<u>\$ 4,408,342</u>	<u>\$ 3,249,335</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 60,460,959

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds 256,790

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (22,900,826)

Net position of governmental activities \$ 45,901,316

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

December 31, 2012

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,664,529	\$ 1,945,153	\$ -	\$ 3,276,333	\$ 19,886,015
Intergovernmental	345,229	-	277,966	2,797,188	3,420,383
Licenses and permits	420,084	-	-	-	420,084
Charges for services	2,074,230	-	264	990,079	3,064,573
Fines and forfeitures	1,036,855	-	-	64,678	1,101,533
Investment earnings	21,595	-	15	960	22,570
Miscellaneous	198,136	30,935	106,892	173,577	509,540
Total revenues	<u>18,760,658</u>	<u>1,976,088</u>	<u>385,137</u>	<u>7,302,815</u>	<u>28,424,698</u>
EXPENDITURES					
Current:					
General government	3,270,208	-	360,078	-	3,630,286
Public safety	10,637,505	-	77,627	83,887	10,799,019
Public works	2,356,866	-	173,860	1,129,128	3,659,854
Culture and recreation	768,446	-	40,234	1,495,174	2,303,854
Housing and urban redevelopment	-	-	24,721	2,619,787	2,644,508
Debt service:					
Principal retirement	-	2,680,000	190,705	-	2,870,705
Interest and fiscal charges	-	562,903	54,428	229,324	846,655
Capital outlay	6,635	-	3,587,592	133,165	3,727,392
Total expenditures	<u>17,039,660</u>	<u>3,242,903</u>	<u>4,509,245</u>	<u>5,690,465</u>	<u>30,482,273</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,720,998</u>	<u>(1,266,815)</u>	<u>(4,124,108)</u>	<u>1,612,350</u>	<u>(2,057,575)</u>
OTHER FINANCING SOURCES (USES)					
Sale of land	-	-	516,869	-	516,869
General obligation bonds issued	-	-	1,740,000	-	1,740,000
General obligation refunding bonds issued	-	1,825,000	-	-	1,825,000
Payment to bond escrow agent	-	(1,775,000)	-	-	(1,775,000)
Transfers in	128,470	1,115,066	3,348,730	390,819	4,983,085
Transfers out	(1,865,498)	-	(764,974)	(2,352,613)	(4,983,085)
Total - other financing sources (uses)	<u>(1,737,028)</u>	<u>1,165,066</u>	<u>4,840,625</u>	<u>(1,961,794)</u>	<u>2,306,869</u>
Net change in fund balances	(16,030)	(101,749)	716,517	(349,444)	249,294
Fund balances - beginning	<u>3,028,883</u>	<u>418,901</u>	<u>1,315,699</u>	<u>3,071,616</u>	<u>7,835,099</u>
Fund balances - ending	<u>\$ 3,012,853</u>	<u>\$ 317,152</u>	<u>\$ 2,032,216</u>	<u>\$ 2,722,172</u>	<u>\$ 8,084,393</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

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

For the Year Ended December 31, 2012

Amounts reported for governmental activities (page 18) are different because:

Net change in fund balances - total governmental funds (page 20)	\$ 249,294
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(2,145,697)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(120,400)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(48,586)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,080,705
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(419,894)</u>
Change in net position of governmental activities (page 18)	<u><u>\$ (1,404,578)</u></u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

General Fund

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

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 14,398,350	\$ 14,398,350	\$ 14,664,529	\$ 266,179
Intergovernmental	270,500	270,500	345,229	74,729
Licenses and permits	409,700	409,700	420,084	10,384
Charges for services	2,092,385	2,092,385	2,074,230	(18,155)
Fines and forfeitures	1,100,000	1,100,000	1,036,855	(63,145)
Investment earnings	91,535	91,535	21,595	(69,940)
Miscellaneous	71,255	71,255	198,136	126,881
Total revenues	<u>18,433,725</u>	<u>18,433,725</u>	<u>18,760,658</u>	<u>326,933</u>
EXPENDITURES				
Current:				
General government	3,288,315	3,288,315	3,270,208	18,107
Public safety	11,042,270	11,042,270	10,644,963	397,307
Public works	2,409,215	2,409,215	2,358,457	50,758
Culture and recreation	790,585	790,585	768,446	22,139
Capital outlay	-	-	6,635	(6,635)
Total expenditures	<u>17,530,385</u>	<u>17,530,385</u>	<u>17,048,709</u>	<u>481,676</u>
Excess of revenues over expenditures	<u>903,340</u>	<u>903,340</u>	<u>1,711,949</u>	<u>808,609</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	128,470	128,470
Transfers out	(1,905,080)	(1,905,080)	(1,865,498)	39,582
Total - other financing sources (uses)	<u>(1,905,080)</u>	<u>(1,905,080)</u>	<u>(1,737,028)</u>	<u>168,052</u>
Net change in fund balances	(1,001,740)	(1,001,740)	(25,079)	976,661
Fund balances - beginning	1,344,140	1,344,140	3,026,067	1,681,927
Prior year encumbrances relieved	-	-	2,816	2,816
Fund balances - ending	<u>\$ 342,400</u>	<u>\$ 342,400</u>	<u>\$ 3,003,804</u>	<u>\$ 2,661,404</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Proprietary Funds

December 31, 2012

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 2,276,664	\$ 465,849	\$ 2,742,513
Accounts receivable	441,302	141,685	582,987
Total current assets	<u>2,717,966</u>	<u>607,534</u>	<u>3,325,500</u>
Noncurrent assets:			
Capital assets:			
Land	14,000	44,634	58,634
Buildings and system	12,433,069	24,751	12,457,820
Improvements other than buildings	11,302,360	37,440	11,339,800
Machinery and equipment	2,299,258	1,094,121	3,393,379
Construction in progress	4,756,801	-	4,756,801
Less accumulated depreciation	<u>(13,655,006)</u>	<u>(684,971)</u>	<u>(14,339,977)</u>
Total capital assets (net of accumulated depreciation)	<u>17,150,482</u>	<u>515,975</u>	<u>17,666,457</u>
Total noncurrent assets	<u>17,150,482</u>	<u>515,975</u>	<u>17,666,457</u>
Total assets	<u>19,868,448</u>	<u>1,123,509</u>	<u>20,991,957</u>
LIABILITIES			
Current liabilities:			
Accounts payable	461,339	26,070	487,409
Accrued compensation	24,565	18,812	43,377
Accrued compensated absences	7,529	5,303	12,832
Bonds payable	615,000	40,000	655,000
Accrued interest payable	115,644	1,083	116,727
Accrued landfill closure/postclosure care costs	-	15,000	15,000
Total current liabilities	<u>1,224,077</u>	<u>106,268</u>	<u>1,330,345</u>
Noncurrent liabilities:			
Accrued compensated absences	59,815	42,129	101,944
Other post-employment benefits	40,757	35,340	76,097
Bonds payable	9,420,000	40,000	9,460,000
Accrued landfill closure/postclosure care costs	-	310,000	310,000
Total noncurrent liabilities	<u>9,520,572</u>	<u>427,469</u>	<u>9,948,041</u>
Total liabilities	<u>10,744,649</u>	<u>533,737</u>	<u>11,278,386</u>
NET POSITION			
Net investment in capital assets	7,115,482	515,975	7,631,457
Unrestricted	2,008,317	73,797	2,082,114
Total net position	<u>\$ 9,123,799</u>	<u>\$ 589,772</u>	<u>\$ 9,713,571</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

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

Proprietary Funds

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
Operating revenues:			
Charges for services	\$ 3,432,619	\$ 1,822,305	\$ 5,254,924
Miscellaneous	74,419	308	74,727
Total operating revenues	<u>3,507,038</u>	<u>1,822,613</u>	<u>5,329,651</u>
Operating expenses:			
Personal services	920,499	660,557	1,581,056
Contractual services	1,485,483	513,022	1,998,505
Commodities	238,279	208,360	446,639
Depreciation	1,098,288	98,672	1,196,960
Total operating expenses	<u>3,742,549</u>	<u>1,480,611</u>	<u>5,223,160</u>
Operating income (loss)	<u>(235,511)</u>	<u>342,002</u>	<u>106,491</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges	<u>(348,202)</u>	<u>(4,378)</u>	<u>(352,580)</u>
Changes in net position	(583,713)	337,624	(246,089)
Total net position - beginning	<u>9,707,512</u>	<u>252,148</u>	<u>9,959,660</u>
Total net position - ending	<u>\$ 9,123,799</u>	<u>\$ 589,772</u>	<u>\$ 9,713,571</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,604,532	\$ 1,820,577	\$ 5,425,109
Payments to suppliers	(1,342,557)	(1,050,293)	(2,392,850)
Payments to employees	(906,130)	(641,675)	(1,547,805)
Net cash provided by operating activities	<u>1,355,845</u>	<u>128,609</u>	<u>1,484,454</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of capital debt	5,900,000	-	5,900,000
Purchases of capital assets	(4,319,849)	(5,724)	(4,325,573)
Principal paid on capital debt	(2,130,000)	(45,000)	(2,175,000)
Interest paid on capital debt	(301,165)	(4,949)	(306,114)
Net cash used by capital and related financing activities	<u>(851,014)</u>	<u>(55,673)</u>	<u>(906,687)</u>
Net increase in cash and cash equivalents	504,831	72,936	577,767
Cash and cash equivalents, January 1	<u>1,771,833</u>	<u>392,913</u>	<u>2,164,746</u>
Cash and cash equivalents, December 31	<u>\$ 2,276,664</u>	<u>\$ 465,849</u>	<u>\$ 2,742,513</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (235,511)	\$ 342,002	\$ 106,491
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,098,288	98,672	1,196,960
(Increase) decrease in receivables	97,494	(2,036)	95,458
Increase (decrease) in accounts payable	381,205	(8,386)	372,819
Increase (decrease) in accrued compensation	6,077	4,390	10,467
Increase (decrease) in compensated absences	1,305	3,212	4,517
Increase (decrease) in postemployment benefits	6,987	11,280	18,267
Increase (decrease) in accrued landfill closure/postclosure care costs	-	(320,525)	(320,525)
Net cash provided by operating activities	<u>\$ 1,355,845</u>	<u>\$ 128,609</u>	<u>\$ 1,484,454</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Fiduciary Funds

December 31, 2012

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 537,814	\$ -
Property tax receivable	164,985	900,470
Total assets	<u>702,799</u>	<u>900,470</u>
LIABILITIES		
Accounts payable	44	-
Deferred revenue	164,985	-
Amounts due other parties	-	900,470
Total liabilities	<u>165,029</u>	<u>900,470</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$ 537,770</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2012

	<u>Pension Trust</u>
ADDITIONS	
Employer contributions	\$ 180,610
Interest	852
Total additions	<u>181,462</u>
 DEDUCTIONS	
Benefits	<u>184,021</u>
Total deductions	<u>184,021</u>
Changes in net position	(2,559)
Net position - beginning	<u>540,329</u>
Net position - ending	<u><u>\$ 537,770</u></u>

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2012

1. Summary of significant accounting policies

A. Reporting entity

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

Discretely presented component unit

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

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

B. Government-wide and fund financial statements

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

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

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

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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

1. Summary of significant accounting policies (continued)

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

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

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

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

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

D. Deposits and investments

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

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

1. Summary of significant accounting policies (continued)

D. Deposits and investments (continued)

According to the City's formal investment policy adopted by the governing body, the City may pool idle cash from all funds for the purpose of increasing income through temporary investment activities. During the year, idle cash was invested in certificates of deposit, repurchase agreements, and the Kansas Municipal Investment Pool (MIP) which is overseen by the State of Kansas. The fair value of the City's position in the MIP is the same as the pool value of the shares. Certificates of deposit are carried at cost because they are not affected by market rate changes. The repurchase agreements are stated at cost because they are not negotiable or transferable and are not affected by market fluctuations.

Investment earnings are allocated to the funds required to accumulate interest. Other investment earnings are allocated based on management discretion based on the average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2012, investment earnings allocated to the various funds were approximately \$23,722.

E. Property taxes and other receivables

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one half or the full balance of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing the taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due until the ensuing year. At December 31, 2012, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of \$304,072, with a corresponding amount recorded as deferred revenue on the balance sheets of the appropriate funds. Delinquent taxes held by the County Treasurer at December 31, 2012 are not significant.

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

1. Summary of significant accounting policies (continued)

F. Special assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Special assessments received prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Special assessments and related interest received after the issuance of the general obligation bonds are recorded as revenue in the Debt Service Fund. Further, state statutes require levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's Debt Service Fund. Special assessments are levied over a 10- or 20-year period, and annual installments are due and payable with annual ad valorem taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, 2012, the special assessment taxes levied are a lien on the property and the amount due in 2012 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$15,220, in the Debt Service Fund with a corresponding amount recorded as deferred revenue.

State statutes and City ordinances allow special assessments to be levied against a property to reimburse the City for costs incurred for involuntary blight removal and lot clean-up. Such special assessments are levied over a one year period and are due and payable with annual ad valorem property taxes. At December 31, 2012, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$23,298, in the General Fund with a corresponding amount recorded as deferred revenue.

G. Restricted assets

Proceeds in the amount of \$2,317 from a lease/purchase agreement for the purchase and installation of a telephone system are classified as restricted assets on the balance sheet because they are held in an irrevocable trust with an escrow agent to provide payments to the vendor.

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

1. Summary of significant accounting policies (continued)

H. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

I. Compensated absences and other termination payments

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

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

1. Summary of significant accounting policies (continued)

I. Compensated absences and other termination payments (continued)

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

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

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

J. Long-term obligations

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

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

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

1. Summary of significant accounting policies (continued)

K. Use of estimates

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

L. Pending Governmental Accounting Standards Board statements

At December 31, 2012, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the City. The statements that might impact the City are as follows:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, was issued in November 2010. The objective of this statement is to improve financial reporting by modifying certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria and guidance for reporting component units as if they were part of the primary government (that is, blending). Additionally, this statement requires a primary government to report its equity interest in a component unit as an asset. The provisions of this statement are effective for periods beginning after June 15, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in March 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limits the use of the term *deferred* in financial statement presentations. In addition, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. Accounting changes adopted to conform to the provisions of the Statement should be applied retroactively by restating financial statements, if practical, for all periods presented.

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

1. Summary of significant accounting policies (continued)

L. Pending Governmental Accounting Standards Board statements (continued)

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, was issued in June 2012. The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and to enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement enhances decision-usefulness and accountability through new note disclosures and required supplementary information. This statement also improves the consistency and transparency of the information reported by employers and governmental nonemployer contributing entities about pension transactions. Additionally, this statement improves the comparability of reported pension information through changes related to the attribution method used to determine service cost and the total pension liability, requirements for immediate recognition in pension expense of certain items, and the establishment of standardized expense recognition periods for amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions. The provisions of this statement are effective for periods beginning after June 15, 2014.

2. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$22,900,826 difference are as follows:

Bonds payable	\$	17,725,000
Capital leases payable		473,874
Accrued interest payable		144,327
Accrued compensated absences		1,991,680
Other postemployment benefits		2,348,007
Net pension obligation		217,938
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>		\$ 22,900,826

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$2,145,697 difference are as follows:

Capital outlay	\$ 3,727,392
Depreciation expense	<u>(5,873,089)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (2,145,697)</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,080,705 difference are as follows:

Debt issued or incurred:	
Issuance of general obligations bonds	\$ (3,565,000)
Principal repayments:	
General obligation bonds	2,680,000
Capital leases	190,705
Payment to bond escrow agent	<u>1,775,000</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 1,080,705</u>

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

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$419,894 difference are as follows:

Accrued interest	\$ 46,157
Compensated absences	(7,552)
Other postemployment benefits	(476,143)
Net pension obligation – public safety	17,644
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (419,894)

3. Stewardship, compliance, and accountability

A. Budgetary information

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

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

- (a) Preparation of the budget for the succeeding calendar year on or before August 1 of each year.
- (b) Publication of proposed budget on or before August 15 of each year.

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

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

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

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

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

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

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

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

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

A reconciliation of the General Fund budgetary basis statement to the governmental fund statement as of December 31, 2012 is as follows:

	General Fund
Expenditures and other financing sources and uses and encumbrances (Basis of budgeting)	\$ 18,785,737
Add 2011 encumbrances	2,816
Less 2012 encumbrances	(9,049)
Less 2011 encumbrances relieved	(2,816)
Expenditures and other financing sources and uses (GAAP Basis)	\$ 18,776,688

4. Detailed notes on all funds

A. Deposits and investments

Deposits

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal depository policy, but Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts. At December 31, 2012, the City's carrying amount of deposits was \$1,791,476 and the bank balance was \$2,016,349. Of the bank balance, \$257,888 was covered by Federal depository insurance and \$1,758,461 was covered by collateral held by the City or its agent in the City's name.

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

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library’s deposits have a main or branch bank in the county in which the Library is located and the banks provide an acceptable rate of return on deposits. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit custodial credit risk. At December 31, 2012, the Library’s deposits were not exposed to custodial credit risk.

Investments

At December 31, 2012, the City had the following investments:

	Maturities		Fair Value
Repurchase agreements	1 – 89 days	\$	10,700,000
State investment pool	1 – 89 days		3
Deposits in escrow (invested in money market fund)	Not applicable		2,317
Total investments		\$	10,702,320

The investment in the state investment pool is in an external investment pool. The securities underlying the repurchase agreements are guaranteed by the U. S. Government and their fair value exceeds that of the repurchase agreements.

Credit risk

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

The City’s investments in the state investment pool were rated AA Af/S1+ by Standard & Poor’s. The City’s investment in the escrow money market fund is rated AA Am by Standard and Poor’s.

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

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Custodial credit risk

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

Interest rate risk

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

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

4. Detailed notes on all funds (continued)

B. Capital assets

Capital assets activity for the year ended December 31, 2012 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,208,114	\$ 416,111	\$ -	\$ 3,624,225
Construction in progress	909,870	830,081	(574,045)	1,165,906
Total capital assets, not being depreciated	4,117,984	1,246,192	(574,045)	4,790,131
Capital assets, being depreciated				
Buildings	28,967,370	723,590	(151,640)	29,539,320
Improvements other than buildings	14,733,364	255,816	-	14,989,180
Machinery and equipment	12,136,765	567,931	(286,724)	12,417,972
Infrastructure	77,582,900	1,527,567	-	79,110,467
Total capital assets, being depreciated	133,420,399	3,074,904	(438,364)	136,056,939
Less accumulated depreciation for:				
Buildings	17,104,814	1,074,785	(14,476)	18,165,123
Improvements other than buildings	6,132,323	583,313	-	6,715,636
Machinery and equipment	8,328,137	702,859	(283,829)	8,747,167
Infrastructure	43,246,053	3,512,132	-	46,758,185
Total accumulated depreciation	74,811,327	5,873,089	(298,305)	80,386,111
Total capital assets, being depreciated, net	58,609,072	(2,798,185)	(140,059)	55,670,828
Governmental activities capital assets, net	\$ 62,727,056	\$(1,551,993)	\$ (714,104)	\$ 60,460,959

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

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 58,634	\$ -	\$ -	\$ 58,634
Construction in progress	519,835	4,236,966	-	4,756,801
Total capital assets, not being depreciated	578,469	4,236,966	-	4,815,435
Capital assets, being depreciated				
Buildings	12,384,470	73,350	-	12,457,820
Improvements other than buildings	11,339,800	-	-	11,339,800
Machinery and equipment	3,379,701	15,257	(1,579)	3,393,379
Total capital assets, being depreciated	27,103,971	88,607	(1,579)	27,190,999
Less accumulated depreciation for:				
Buildings	7,185,507	615,479	-	7,800,986
Improvements other than buildings	3,487,624	399,649	-	3,887,273
Machinery and equipment	2,471,465	181,832	(1,579)	2,651,718
Total accumulated depreciation	13,144,596	1,196,960	(1,579)	14,339,977
Total capital assets, being depreciated, net	13,959,375	(1,108,353)	-	12,851,022
Business-type activities capital assets, net	\$ 14,537,844	\$ 3,128,613	\$ -	\$ 17,666,457

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

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

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

Governmental activities:		
General government	\$	122,545
Public safety		623,328
Public works		417,753
Culture and recreation		902,386
Housing and urban redevelopment		300,620
Unallocated depreciation expense (depreciation of infrastructure assets)		3,506,457
Total depreciation expense – governmental activities	\$	<u>5,873,089</u>
 Business-type activities:		
Sewer	\$	1,098,288
Refuse		98,672
Total depreciation expense – business-type activities	\$	<u>1,196,960</u>

Construction commitments

The City has active construction projects as of December 31, 2012. The projects include widening and improvements of streets and bridges, improvements of buildings, improvements of parks, and improvements of sewer system facilities. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitments
Street improvements	\$ 183,882	\$ 68,988
Building improvements	230,001	136,089
Bridge improvements	373,837	234,271
Sidewalk improvements	189,241	11,804
Stormwater improvements	227,317	120,709
Sewer improvements	261,012	178,770
Total	<u>\$ 1,465,290</u>	<u>\$ 750,631</u>

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

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

Discretely presented component unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Machinery and equipment	\$ 2,409,086	\$ 124,139	\$ (262,391)	\$ 2,270,834
Total capital assets, being depreciated	2,409,086	124,139	(262,391)	2,270,834
Less accumulated depreciation for:				
Machinery and equipment	1,631,084	150,668	(262,329)	1,519,423
Library capital assets, net	\$ 778,002	\$ (26,529)	\$ (62)	\$ 751,411

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2012, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$18,689

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

Interfund transfers for the year ended December 31, 2012, are as follows:

Interfund transfers:

Fund	Transfers In	Transfers Out
Major funds		
General Fund	\$ 128,470	\$ 1,865,498
Debt Service Fund	1,115,066	-
Capital Projects Fund	3,348,730	764,974
Nonmajor governmental funds	390,819	2,352,613
Total transfers	\$ 4,983,085	\$ 4,983,085

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

4. Detailed notes on all funds (continued)

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

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

In the year ended December 31, 2012, the City made the following one-time transfers:

A transfer for the first time of \$49,649 from the countywide sales tax funds accumulated in the Capital Projects Fund to the economic development activity in the General Fund to provide additional resources for that activity; and

Transfers of \$106,504 and \$66,691 to the Debt Service Fund and the General Fund, respectively, from the Capital Projects Fund to return residual balances of completed projects to their original source.

D. Long-term debt

General obligation bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During the year, general obligation bonds totaling \$5,905,000 were issued for both governmental and business-type activities to provide permanent financing for sewer plant improvements (\$4,165,000) and general infrastructure improvements (\$1,740,000).

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

On June 28, 2012, the City also issued \$3,560,000 in General Obligation Refunding Bonds, Series 2012B with coupon interest rates ranging between 1.10% and 2.30% and maturities from 2013 through 2025 to redeem, in advance of their stated maturities, the principal balance of three issues of general obligation bonds (refunded bonds) amounting to \$3,425,000. The refunded bonds consist of bonds maturing from September 1, 2013 through September 1, 2018 and carry coupon interest rates ranging from 3.125% to 4.25%. U.S. government securities in the amount of \$3,595,130 were placed in an irrevocable trust with an escrow agent to provide for all payments on the refunding bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the City's financial statements. The City was legally released from any further obligation under the refunded bonds. However, in the event the trustee escrow accounts are inadequate for the refunded bonds, the City remains contingently liable for the payment of approximately \$3,425,000 of outstanding bonds.

The transaction will result in an aggregate reduction of debt service payments of approximately \$252,686 and will provide an economic gain (measured as the difference between the net present values of the debt service payments on the old and the new debt) of approximately \$244,122.

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2012
Governmental activities				
GO Refunding & Internal Improvements	2003A	3.12% - 3.25%	09/01/13	\$ 115,000
GO Refunding & Internal Improvements	2004A	3.62% - 4.10%	09/01/14	215,000
Traffic & Internal Improvements	2005A	3.50% - 4.00%	09/01/13	290,000
Traffic & Internal Improvements	2006A	3.75% - 4.00%	09/01/16	610,000
Traffic & Internal Improvements	2008A	2.85% - 4.75%	09/01/13	150,000
Traffic & Internal Improvements	2009A	2.10% - 3.35%	09/01/19	1,415,000
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	2,045,000
Internal Improvements - Taxable	2010B	3.25% - 4.40%	09/01/16	530,000
Traffic & Internal Improvements	2011A	1.75% - 3.45%	09/01/26	3,960,000
GO Refunding	2011B	0.45% - 2.60%	09/01/22	4,830,000
GO Refunding & Internal Improvements	2012B	1.10% - 1.90%	09/01/22	3,565,000
				<u>17,725,000</u>
Business-type activities				
Sewer System Improvements	2003A	3.00% - 4.12%	09/01/13	140,000
Landfill Closure	2004A	3.50% - 4.10%	09/01/14	80,000
Sewer System Improvements	2005A	3.50% - 4.00%	09/01/13	105,000
Sewer System Improvements	2008A	2.85% - 4.75%	09/01/23	3,135,000
GO Refunding	2011B	0.45% - 2.60%	09/01/18	755,000
Sewer System Improvements	2012A	1.00% - 2.75%	09/01/32	4,165,000
GO Refunding & Sewer Improvements	2012B	1.00% - 2.30%	09/01/25	1,735,000
				<u>10,115,000</u>
Total				<u>\$ 27,840,000</u>

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

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

	Principal	Interest	Total
Governmental activities			
2013	\$ 2,685,000	\$ 377,472	\$ 3,062,472
2014	2,625,000	311,738	2,936,738
2015	2,570,000	263,780	2,833,780
2016	1,975,000	216,318	2,191,318
2017	1,630,000	173,570	1,803,570
2018 – 2022	5,430,000	446,431	5,876,431
2023 – 2027	810,000	68,265	878,265
	<u>17,725,000</u>	<u>1,857,574</u>	<u>19,582,574</u>
Business-type activities			
2013	655,000	299,179	954,179
2014	645,000	231,252	876,252
2015	725,000	216,975	941,975
2016	735,000	201,937	936,937
2017	745,000	185,940	930,940
2018 – 2022	3,425,000	670,587	4,095,587
2023 – 2027	1,940,000	265,790	2,205,790
2028 - 2032	1,245,000	99,005	1,344,005
	<u>10,115,000</u>	<u>2,170,665</u>	<u>12,285,665</u>
Total	<u>\$ 27,840,000</u>	<u>\$ 4,028,239</u>	<u>\$ 31,868,239</u>

At December 31, 2012, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is \$67,244,547 which, after reduction of outstanding debt of \$10,475,866, provides a debt margin of \$56,768,681. General obligation bonds of \$19,599,134 for trafficway, sewer and refuse improvements and refundings issued under K.S.A. 10-427 are exempt from this calculation.

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

Conduit Debt Obligations

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

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

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012 there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$2,215,429.

E. Capital leases

The City has entered into a lease agreement as lessee for financing of a telephone system. The City also has financed the acquisition of a fire truck by means of a lease. These lease agreement qualifies as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum payments as of the inception date.

Assets acquired as capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 809,208
Less: Accumulated depreciation	(111,660)
Total	\$ 697,548

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

4. Detailed notes on all funds (continued)

E. Capital leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2012, were as follows:

	Governmental Activities
Year Ending December 31:	
2013	\$ 203,527
2014	203,527
2015	39,348
2016	39,348
Total minimum lease payments	485,750
Less: amount representing interest	(11,876)
Present value of minimum lease payments	\$ 473,874

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

The Library has entered into a capital lease agreement effective June 15, 2009, with GreatAmerica Leasing Corporation to purchase three copy machines. The lease is payable with a down payment of \$3,830 and 60 monthly installments of \$406. At the end of the lease agreement, the lease provides for transfer of ownership for \$1.

The copy machines are being depreciated over their useful economic life and are included in depreciation expense for the year ended December 31, 2012.

Assets acquired as capital leases are as follows:

Asset:	
Equipment	\$ 21,710
Less: Accumulated depreciation	(15,197)
Total	\$ 6,513

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

4. Detailed notes on all funds (continued)

E. Capital leases (continued)

Future minimum lease payments under the capital lease are:

2013	\$	4,876
2014		2,844
Total minimum lease payments		7,720
Less: amount representing interest		(756)
Present value of minimum lease payments	\$	6,964

F. Bond anticipation notes

Kansas statutes permit the issuance of bond anticipation notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. During the year, bond anticipation notes totaling \$1,635,000 were issued for governmental activities to provide temporary financing for general capital improvements.

Bond anticipation notes issued for governmental activities for which all legal steps and the ability to consummate refinancing have not been met are reported as a fund liability in the fund receiving proceeds. The following bond anticipation notes are reported as fund liabilities at December 31, 2012:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2012
Governmental activities				
Internal Improvements	2010B	1.00%	12/31/13	\$ 600,000
Internal Improvements	2012A	0.80%	07/01/14	1,635,000
Total				\$ 2,235,000

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

4. Detailed notes on all funds (continued)

F. Bond anticipation notes (continued)

Short-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	\$ 2,870,000	\$ 1,635,000	\$ 2,270,000	\$ 2,235,000

G. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 18,615,000	\$ 3,565,000	\$ 4,455,000	\$ 17,725,000	\$ 2,685,000
Capital leases	664,579	-	190,705	473,874	195,249
Net pension obligation	235,582	-	17,644	217,938	-
Compensated absences	1,984,128	1,100,235	1,092,683	1,991,680	157,577
Other postemployment benefits	1,871,864	476,143	-	2,348,007	-
Total	<u>\$ 23,371,153</u>	<u>\$ 5,141,378</u>	<u>\$ 5,756,032</u>	<u>\$ 22,756,499</u>	<u>\$ 3,037,826</u>
Business-type activities					
General obligation bonds	\$ 6,390,000	\$ 5,900,000	\$ 2,175,000	\$ 10,115,000	\$ 655,000
Compensated absences	110,259	88,604	84,087	114,776	12,832
Other postemployment benefits	57,830	18,267	-	76,097	-
Accrued landfill closure postclosure care costs	645,525	-	320,525	325,000	15,000
Total	<u>\$ 7,203,614</u>	<u>\$ 6,006,871</u>	<u>\$ 2,579,612</u>	<u>\$ 10,630,873</u>	<u>\$ 682,832</u>
Component unit activities					
Capital leases	\$ 10,698	\$ -	\$ 3,734	\$ 6,964	\$ 4,235

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

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

4. Detailed notes on all funds (continued)

H. Fund balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2012, fund balances for governmental funds are made up of the following:

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

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

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

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

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the abovementioned classifications. Unassigned amounts are technically available for any purpose.

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

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

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

Fund balances for all the major and nonmajor governmental funds as of December 31, 2012 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital improvements	\$ -	\$ -	\$ -	\$ 1,522,577	\$ 1,522,577
Tax increment financing	-	-	-	82,301	82,301
Law enforcement	5,208	-	-	319,368	324,576
Street maintenance	-	-	-	1,383	1,383
Recreation programs	-	-	-	35,916	35,916
Housing services	-	-	-	658,488	658,488
Community redevelopment	-	-	-	23,147	23,147
General obligation debt	-	317,152	-	-	317,152
Subtotal	<u>5,208</u>	<u>317,152</u>	<u>-</u>	<u>2,643,180</u>	<u>2,965,540</u>
Committed to:					
Capital improvements	15,562	-	1,510,673	-	1,526,235
Revenue stabilization	342,400	-	-	-	342,400
Park land acquisition	-	-	144,710	-	144,710
Community redevelopment	-	-	103,504	-	103,504
Economic development	-	-	214,802	-	214,802
General obligation debt	-	-	39,265	-	39,265
Subtotal	<u>357,962</u>	<u>-</u>	<u>2,012,954</u>	<u>-</u>	<u>2,370,916</u>
Assigned to:					
Youth services	-	-	673	-	673
Training activities	-	-	18,199	-	18,199
Economic development	-	-	390	-	390
Recreation services	-	-	-	78,992	78,992
Purchases on order	9,049	-	-	-	9,049
Subtotal	<u>9,049</u>	<u>-</u>	<u>19,262</u>	<u>78,992</u>	<u>107,303</u>
Unassigned	<u>2,640,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,640,634</u>
Total fund balance	<u>\$3,012,853</u>	<u>\$ 317,152</u>	<u>\$ 2,032,216</u>	<u>\$ 2,722,172</u>	<u>\$ 8,084,393</u>

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

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

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

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

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

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

5. Other information

A. Risk management

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

For its workers compensation insurance, the City is a participant in the Kansas Eastern Regional Insurance Trust (KERIT), a not-for-profit public entity risk pool established by a group of city and county governmental entities in the eastern region of Kansas. As of December 31, 2012, the membership of KERIT included thirteen cities and two counties.

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

5. Other information (continued)

A. Risk management (continued)

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

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

B. Pension plans

Kansas Public Employees Retirement System

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 K.S.A. 74-4901, *et seq.* KPERS and 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 a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

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

5. Other information (continued)

B. Pension plans (continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for all employees hired prior to July 1, 2009. K.S.A. 74-49,210 establishes the KPERS member's contribution rate of 6% for employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2012 was 8.12%. Employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$462,401, \$448,447, and \$416,808, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2012 was 17.56%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. Employer contributions to KP&F for the years ending December 31, 2012, 2011, and 2010 were \$1,000,202, \$951,340, and \$849,849, respectively, equal to the statutory required contributions for each year.

Police and Fire Pension Plan

As of December 31, 2012, no active City employees participate in the Police and Fire Pension Plan (the Local Plan), a single-employer defined benefit pension plan. In 1971, when the City affiliated with Kansas Police and Firemen (KP&F), all members were given the option of joining KP&F or remaining with the Local Plan. Separate financial reports are not prepared by the pension plan.

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Summary of significant accounting policies and plan asset matters

Basis of Accounting

The Local Plan is reported as a pension trust fund in the City's financial statements and uses the accrual basis of accounting. Employee and employer contributions are recognized when due, pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments

The Local Plan's cash and investments are pooled with the City of Leavenworth's cash and investments which consist of checking accounts, certificates of deposit, repurchase agreements, and the Kansas Municipal Investment Pool (MIP). Cost approximates market for the City's cash and investments.

Management of Plan Assets

The Local Plan assets are managed by the City of Leavenworth. Costs of administering the plan are absorbed by the General Fund of the City.

Reserves and Concentrations

There are no assets legally reserved for purposes other than the payment of the plan member benefits. The Local Plan held no individual investments whose market value exceeds five percent or more of net position available for benefits. There are no long-term contracts for contributions.

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Plan description

The Local Plan was established to provide retirement income benefits for all employees included in the plan. The Local Plan was established by City ordinance in 1945 and became closed to new entrants during 1971. Plan provisions may be amended by the City governing body. At December 31, 2012, the Local Plan's membership consisted of:

Current employees	
Vested	-
Nonvested	-
Total current employees	-
Retirees and beneficiaries currently receiving benefits	7
Terminated employees entitled to benefits but not yet receiving them	-
Total membership	7

Funding policy

The contribution requirements of plan members and the reporting entity are established by City ordinance and may be amended by the governing body. The City is required to contribute at an actuarially determined amount based on the latest actuarial report. The City provides for pension expenses by levying ad valorem property taxes each year.

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Funding policy (continued)

As of the latest actuarial study, no active City employees participated in the Local Plan. Therefore, there is no covered payroll for the Local Plan. Pursuant to legislation enacted in 1976 and 1977, the City is required to fund the Local Plan on an actuarial reserve basis. The City must make contributions to the Local Plan based on the results of actuarial valuations prepared every three years as required by Kansas statute. The most recent actuarial valuation was prepared as of January 1, 2010, and was based on the same assumptions as those used in the actuarial valuation of KP&F, including the entry age normal actuarial cost funding method, a 3% interest rate assumption, projected salary increases of 3.00%, an implicit inflation assumption rate of 3.00%, and the RP-2000 Healthy Annuitant Table. As of January 1, 2010, the most recent actuarial valuation date, the Local Plan was 19.5% funded. The Local Plan had a total actuarial liability of \$2,926,421, actuarially projected plan assets of \$571,841 (expected value plus 1/3 of difference between market and expected value) and an unfunded actuarial liability of \$2,354,580. The contribution requirement for retired employees is \$153,655 for 2010 through 2012 as calculated by the Local Plan's actuaries using the same actuarial assumptions used to compute the actuarial liability. The contributions are required due to amortization of the unfunded accrued actuarial liability of retired members. The unfunded actuarial liability is being amortized on an open basis over a period of not more than 20 years for retired members using the level percentage of payroll method. The City accounts for the Local Plan in the Pension Trust Fund. The actual employer contribution to the Local Plan during the year ended December 31, 2012 was \$180,610.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Funding policy (continued)

Annual pension cost is made up of the following for the year ended December 31, 2012:

Annual required contribution (ARC)	\$ 173,568 *
Interest on net pension obligation (NPO)	9,311
Adjustment to ARC	(19,913)
Annual pension cost	162,966
Contributions made	(180,610)
Decrease in NPO	(17,644)
NPO at beginning of year	235,582
NPO at end of year	\$ 217,938

* Includes the amortization of the cumulative difference between the annual pension cost and the employer's contribution.

Three year trend information:

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2010	\$ 161,222	111.9%	\$ 232,447
2011	160,646	97.0	235,582
2012	162,966	110.8	217,938

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

5. Other information (continued)

C. Other postemployment healthcare benefits

Description

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

Funding policy

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

The City provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2012, the City made contributions of \$88,817 to the plan. Plan members receiving benefits contributed \$149,083.

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

5. Other information (continued)

C. Other postemployment healthcare benefits (continued)

Annual OPEB cost and net OPEB obligation

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

Annual required contribution (ARC)	\$ 584,835
Interest on net OPEB obligation	62,715
Adjustment to ARC	(64,323)
Annual OPEB cost	583,227
Contributions made	(88,817)
Increase in net OPEB obligation	494,410
Net OPEB obligation at beginning of year	1,929,694
Net OPEB obligation at end of year	\$ 2,424,104

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010, 2011 and 2012 are as follows:

Fiscal Year Ending December 31	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 481,727	20.1%	\$ 1,508,274
2011	528,955	20.3	1,929,694
2012	583,227	15.2	2,424,104

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

5. Other information (continued)

C. Other postemployment healthcare benefits (continued)

Funded status and funding progress

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,354,507. The City's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,354,507. The covered payroll (annual payroll of active employees covered by the plan) was \$12,127,580, and the ratio of the UAAL to the covered payroll was 44.2%.

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

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based upon the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial methods and assumptions used includes a 3.25 percent inflation rate assumption and a 3.25 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the City's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 6.6 to 8.5 percent in the first five years and an ultimate averaging rate of 5.7 percent after five years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized on an open basis over a period of 30 years with the remaining amortization period of 29 years.

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

5. Other information (continued)

D. Closure and postclosure care costs

State and federal laws and regulations require the City's sanitary landfill to place a final cover on the landfill site and to perform certain maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs will be paid in future periods, the City reports these closure and postclosure care costs as an operating expense in each period based upon landfill capacity used as of the balance sheet date. The \$325,000 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2012 represents 100% of the estimated liability as the landfill is no longer accepting waste. The estimated liability is based upon what it would cost to perform all closure and postclosure care costs in 2012. Actual costs may be different than those estimated due to inflation, changes in technology or changes in regulations.

E. Commitments and contingencies

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

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

The City receives significant financial assistance from numerous Federal, state and local governmental agencies in the form of grants. Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position as of December 31, 2012.

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

5. Other information (continued)

E. Commitments and contingencies (continued)

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, committed, or assigned fund balance. At December 31, 2012, the City's recorded encumbrances in governmental funds were as follows:

General Fund	\$ 9,049
Capital Projects Fund	510,884
Other nonmajor governmental funds	
Special Fuel Fund	<u>1,383</u>
Total	<u>\$ 521,316</u>

Required Supplementary Information

City of Leavenworth, Kansas
 Police and Fire Pension Plan
 Schedule of Employer Contributions
 December 31, 2012

Historical trend information which shows the plan's progress in accumulating sufficient assets to pay benefits when due is as follows:

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution *	Percentage Contributed
12/31/95	\$ 152,065	100.0 %
12/31/96	235,487	59.1
12/31/97	243,574	65.1
12/31/98	250,687	68.7
12/31/99	278,398	54.2
12/31/00	204,968	94.4
12/31/01	205,827	91.6
12/31/02	207,176	92.4
12/31/03	208,383	89.1
12/31/04	210,180	96.2
12/31/05	175,220	122.5
12/31/06	171,797	118.2
12/31/07	169,065	118.9
12/31/08	163,406	115.6
12/31/09	161,182	96.4
12/31/10	153,655	116.6
12/31/11	153,655	100.9
12/31/12	173,568	104.1

* After adjustment for amortization of the cumulative difference between the annual pension cost and the employer's contribution.

City of Leavenworth, Kansas
 Police and Fire Pension Plan
 Schedule of Funding Progress
 December 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/89	\$ 530,700	\$ 1,464,500	\$ 933,800	36.20 %	\$ 77,100	1,211.2 %
01/01/92	533,600	1,471,900	938,300	36.30	64,664	1,451.0
01/01/95	544,326	1,588,386	1,044,060	34.30	73,694	1,416.8
01/01/98	668,199	2,368,143	1,699,944	28.20	33,251	5,112.5
01/01/04	692,010	2,212,019	1,520,009	31.30	-	NA
01/01/07	570,092	2,059,446	1,489,354	27.68	-	NA
01/01/10	571,841	2,926,421	2,354,580	19.54	-	NA

City of Leavenworth, Kansas
 Other Postemployment Benefits
 Schedule of Funding Progress
 December 31, 2012

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Percentage of Covered Payroll
12/31/08	\$ -	\$ 6,358,454	\$ 6,358,454	0.00 %	\$ 11,824,270	53.8 %
12/31/10	-	5,042,523	5,042,523	0.00	12,505,945	40.3
12/31/12	-	5,354,507	5,354,507	0.00	12,127,580	44.2

**Combining and Individual Fund
Statements and Schedules**

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2012

Special Revenue Funds

Fund Descriptions

Recreation Fund

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

Special Fuel Fund

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

Countywide Sales Tax Fund

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

Tax Increment Fund – Home Depot

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

Police Seizure Fund

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

Police Grants Fund

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

City of Leavenworth, Kansas

Nonmajor Governmental Funds
(Continued)

Fund Descriptions (continued)

Housing Fund

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

Community Development Fund

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

Earl R. Harmon Fund

To account for monies to be used for the construction and maintenance of a public memorial building which is to be in the nature of a rest station providing sanitary facilities for the public and to bear the name of the donor, Earl R. Harmon.

Special Park Gift Fund

To account for public contributions for improvements to city parks.

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City of Leavenworth, Kansas
 Combining Balance Sheet
 Nonmajor Governmental Funds
 December 31, 2012

	<u>Recreation</u>
ASSETS	
Cash and cash equivalents	\$ 118,095
Deposits restricted for tenant deposit refunds	-
Property tax receivable	384,590
Sales tax receivable	-
Due from other governments	-
Total assets	<u>\$ 502,685</u>
LIABILITIES	
Accounts payable	\$ 18,430
Accrued compensation	20,673
Due to other funds	-
Tenant deposits	-
Deferred revenue	384,590
Total liabilities	<u>423,693</u>
FUND BALANCES	
Restricted	-
Assigned	78,992
Total fund balances	<u>78,992</u>
Total liabilities and fund balances	<u>\$ 502,685</u>

Special Revenue

Special Fuel	Countywide Sales Tax	Tax Increment Home Depot	Police Seizure
\$ 36,893	\$ 1,071,949	\$ 50,100	\$ 317,007
-	-	-	-
-	-	-	-
-	425,263	32,201	-
-	-	-	-
\$ 36,893	\$ 1,497,212	\$ 82,301	\$ 317,007
\$ 4,777	\$ -	\$ -	\$ -
30,733	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
35,510	-	-	-
1,383	1,497,212	82,301	317,007
-	-	-	-
1,383	1,497,212	82,301	317,007
\$ 36,893	\$ 1,497,212	\$ 82,301	\$ 317,007

(continued)

City of Leavenworth, Kansas

Combining Balance Sheet
(Continued)

Nonmajor Governmental Funds

December 31, 2012

	Police Grants	Housing
ASSETS		
Cash and cash equivalents	\$ 679	\$ 675,324
Deposits restricted for tenant deposit refunds	-	28,876
Property tax receivable	-	-
Sales tax receivable	-	-
Due from other governments	1,682	-
Total assets	<u>\$ 2,361</u>	<u>\$ 704,200</u>
LIABILITIES		
Accounts payable	\$ -	\$ 8,835
Accrued compensation	-	8,001
Due to other funds	-	-
Tenant deposits	-	28,876
Deferred revenue	-	-
Total liabilities	<u>-</u>	<u>45,712</u>
FUND BALANCES		
Restricted	2,361	658,488
Assigned	-	-
Total fund balances	<u>2,361</u>	<u>658,488</u>
Total liabilities and fund balances	<u>\$ 2,361</u>	<u>\$ 704,200</u>

Special Revenue

Community Development		Earl R. Harmon		Special Park Gift		Total Nonmajor Governmental Funds	
\$	22,542	\$	25,365	\$	36,966	\$	2,354,920
	-		-		-		28,876
	-		-		-		384,590
	-		-		-		457,464
	21,803		-		-		23,485
\$	44,345	\$	25,365	\$	36,966	\$	3,249,335
\$	98	\$	-	\$	1,050		33,190
	2,411		-		-		61,818
	18,689		-		-		18,689
	-		-		-		28,876
	-		-		-		384,590
	21,198		-		1,050		527,163
	23,147		25,365		35,916		2,643,180
	-		-		-		78,992
	23,147		25,365		35,916		2,722,172
\$	44,345	\$	25,365	\$	36,966	\$	3,249,335

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2012

	<u>Recreation</u>
REVENUES	
Taxes	\$ 549,721
Intergovernmental	56,067
Charges for services	562,888
Fines and forfeitures	-
Investment earnings	-
Miscellaneous	11,618
Total revenues	<u>1,180,294</u>
EXPENDITURES	
Current:	
Public safety	-
Public works	-
Culture and recreation	1,458,068
Housing and urban redevelopment	-
Debt service	
Interest and fiscal charges	-
Capital outlay	-
Total expenditures	<u>1,458,068</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(277,774)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	280,390
Transfers out	<u>(8,276)</u>
Total - other financing sources (uses)	<u>272,114</u>
Net change in fund balances	(5,660)
Fund balances - beginning	<u>84,652</u>
Fund balances - ending	<u>\$ 78,992</u>

Special Revenue

Special Fuel	Countywide Sales Tax	Tax Increment Home Depot	Police Seizure
\$ -	\$ 2,519,408	\$ 207,204	\$ -
1,030,458	-	-	-
436	-	-	-
-	-	-	64,678
-	-	148	244
1,901	-	-	-
<u>1,032,795</u>	<u>2,519,408</u>	<u>207,352</u>	<u>64,922</u>
-	-	-	41,154
1,129,128	-	-	-
-	-	-	-
-	-	-	-
-	-	229,324	-
-	-	-	15,802
<u>1,129,128</u>	<u>-</u>	<u>229,324</u>	<u>56,956</u>
(96,333)	2,519,408	(21,972)	7,966
97,716	7,047	-	-
-	(2,326,817)	-	(12,130)
<u>97,716</u>	<u>(2,319,770)</u>	<u>-</u>	<u>(12,130)</u>
1,383	199,638	(21,972)	(4,164)
-	1,297,574	104,273	321,171
\$ 1,383	\$ 1,497,212	\$ 82,301	\$ 317,007

(continued)

City of Leavenworth, Kansas

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

Nonmajor Governmental Funds

For the Year Ended December 31, 2012

	Police Grants	Housing
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	42,733	1,188,836
Charges for services	-	405,858
Fines and forfeitures	-	-
Investment earnings	-	531
Miscellaneous	-	13,885
Total revenues	42,733	1,609,110
EXPENDITURES		
Current:		
Public safety	42,733	-
Public works	-	-
Culture and recreation	-	-
Housing and urban redevelopment	-	2,130,519
Debt service		
Interest and fiscal charges	-	-
Capital outlay	-	12,249
Total expenditures	42,733	2,142,768
Excess (deficiency) of revenues over (under) expenditures	-	(533,658)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total - other financing sources (uses)	-	-
Net change in fund balances	-	(533,658)
Fund balances - beginning	2,361	1,192,146
Fund balances - ending	\$ 2,361	\$ 658,488

Special Revenue

Community Development		Earl R. Harmon		Special Park Gift		Total Nonmajor Governmental Funds	
\$	-	\$	-	\$	-	\$	3,276,333
	479,094		-		-		2,797,188
	7,207		-		13,690		990,079
	-		-		-		64,678
	-		37		-		960
	116,762		-		29,411		173,577
	603,063		37		43,101		7,302,815
	-		-		-		83,887
	-		-		-		1,129,128
	-		-		37,106		1,495,174
	489,268		-		-		2,619,787
	-		-		-		229,324
	104,086		-		1,028		133,165
	593,354		-		38,134		5,690,465
	9,709		37		4,967		1,612,350
	-		-		5,666		390,819
	-		-		(5,390)		(2,352,613)
	-		-		276		(1,961,794)
	9,709		37		5,243		(349,444)
	13,438		25,328		30,673		3,071,616
\$	23,147	\$	25,365	\$	35,916	\$	2,722,172

City of Leavenworth, Kansas

Debt Service Fund

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

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,940,040	\$ 1,940,040	\$ 1,945,153	\$ 5,113
Investment earnings	5,000	5,000	-	(5,000)
Miscellaneous	-	-	30,935	30,935
Total revenues	<u>1,945,040</u>	<u>1,945,040</u>	<u>1,976,088</u>	<u>31,048</u>
EXPENDITURES				
Debt service:				
Principal retirement	2,560,000	4,501,015	4,455,000	46,015
Interest and fiscal charges	645,485	547,210	562,903	(15,693)
Total expenditures	<u>3,205,485</u>	<u>5,048,225</u>	<u>5,017,903</u>	<u>30,322</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,260,445)</u>	<u>(3,103,185)</u>	<u>(3,041,815)</u>	<u>61,370</u>
OTHER FINANCING SOURCES				
Sale of bonds	-	1,842,740	1,825,000	(17,740)
Transfers in	1,013,565	1,013,565	1,115,066	101,501
Total - other financing sources	<u>1,013,565</u>	<u>2,856,305</u>	<u>2,940,066</u>	<u>83,761</u>
Net change in fund balances	(246,880)	(246,880)	(101,749)	145,131
Fund balances - beginning	<u>246,880</u>	<u>246,880</u>	<u>418,901</u>	<u>172,021</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,152</u>	<u>\$ 317,152</u>

City of Leavenworth, Kansas

Recreation Fund

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

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 544,910	\$ 544,910	\$ 549,721	\$ 4,811
Intergovernmental	60,000	60,000	56,067	(3,933)
Charges for services	634,920	634,920	562,888	(72,032)
Miscellaneous	8,350	8,350	11,618	3,268
Total revenues	<u>1,248,180</u>	<u>1,248,180</u>	<u>1,180,294</u>	<u>(67,886)</u>
EXPENDITURES				
Current:				
Culture and recreation	<u>1,555,045</u>	<u>1,555,045</u>	<u>1,458,068</u>	<u>96,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(306,865)</u>	<u>(306,865)</u>	<u>(277,774)</u>	<u>29,091</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	250,000	280,390	30,390
Transfers out	-	-	(8,276)	(8,276)
Total - other financing sources (uses)	<u>250,000</u>	<u>250,000</u>	<u>272,114</u>	<u>22,114</u>
Net change in fund balances	(56,865)	(56,865)	(5,660)	51,205
Fund balances - beginning	56,865	56,865	84,528	27,663
Prior year encumbrances relieved	-	-	124	124
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,992</u>	<u>\$ 78,992</u>

City of Leavenworth, Kansas

Special Fuel Fund

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

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,030,000	\$ 1,030,000	\$ 1,030,458	\$ 458
Charges for services	-	-	436	436
Miscellaneous	1,250	1,250	1,901	651
Total revenues	<u>1,031,250</u>	<u>1,031,250</u>	<u>1,032,795</u>	<u>1,545</u>
EXPENDITURES				
Current:				
Public works	<u>1,260,330</u>	<u>1,260,330</u>	<u>1,129,128</u>	<u>131,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(229,080)</u>	<u>(229,080)</u>	<u>(96,333)</u>	<u>132,747</u>
OTHER FINANCING SOURCES				
Transfers in	<u>229,080</u>	<u>229,080</u>	<u>97,716</u>	<u>(131,364)</u>
Net change in fund balances	-	-	1,383	1,383
Fund balances - beginning	-	-	-	-
Prior year encumbrances relieved	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,383</u>	<u>\$ 1,383</u>

City of Leavenworth, Kansas

Countywide Sales Tax Fund

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

For the Year Ended December 31, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,613,000	\$ 2,613,000	\$ 2,519,408	\$ (93,592)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	7,047	7,047
Transfers out	(2,130,405)	(2,130,405)	(2,326,817)	(196,412)
Total - other financing sources (uses)	(2,130,405)	(2,130,405)	(2,319,770)	(189,365)
Net change in fund balances	482,595	482,595	199,638	(282,957)
Fund balances - beginning	741,245	741,245	1,297,574	556,329
Fund balances - ending	\$ 1,223,840	\$ 1,223,840	\$ 1,497,212	\$ 273,372

City of Leavenworth, Kansas

Agency Funds

December 31, 2011

Fund Description

Library Fund

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

City of Leavenworth, Kansas

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year Ended December 31, 2012

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
Library				
Assets				
Property tax receivable	\$ 908,740	\$ 900,470	\$ 908,740	\$ 900,470
Liabilities				
Amounts due other parties	\$ 908,740	\$ 900,470	\$ 908,740	\$ 900,470
Total - All Agency Funds				
Assets				
Property tax receivable	\$ 908,740	\$ 900,470	\$ 908,740	\$ 900,470
Liabilities				
Amounts due other parties	\$ 908,740	\$ 900,470	\$ 908,740	\$ 900,470

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Statistical Section

Statistical Section

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	95-106
Revenue Capacity <i>The schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	107-112
Debt Capacity <i>The schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	113-118
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.</i>	119-120
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.</i>	121-126

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Net investment in capital assets	\$ 29,470,266	\$ 33,347,461	\$ 33,814,164
Restricted	812,217	796,280	796,280
Unrestricted	5,235,807	5,087,110	5,611,510
Total governmental activities net position	<u>\$ 35,518,290</u>	<u>\$ 39,230,851</u>	<u>\$ 40,221,954</u>
Business-type activities			
Net investment in capital assets	\$ 4,454,010	\$ 6,464,661	\$ 6,430,044
Unrestricted	2,318,972	622,829	1,085,657
Total business-type activities net position	<u>\$ 6,772,982</u>	<u>\$ 7,087,490</u>	<u>\$ 7,515,701</u>
Primary government			
Net investment in capital assets	\$ 33,924,276	\$ 39,812,122	\$ 40,244,208
Restricted	812,217	796,280	796,280
Unrestricted	7,554,779	5,709,939	6,697,167
Total primary government net position	<u>\$ 42,291,272</u>	<u>\$ 46,318,341</u>	<u>\$ 47,737,655</u>

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 35,022,203	\$ 37,580,320	\$ 39,962,474	\$ 43,256,157	\$ 42,320,043	\$ 40,913,632	\$ 40,411,904
-	-	-	-	-	3,527,423	3,078,003
6,435,580	8,938,162	9,221,149	6,765,799	6,953,098	2,864,839	2,411,409
<u>\$ 41,457,783</u>	<u>\$ 46,518,482</u>	<u>\$ 49,183,623</u>	<u>\$ 50,021,956</u>	<u>\$ 49,273,141</u>	<u>\$ 47,305,894</u>	<u>\$ 45,901,316</u>
\$ 7,487,307	\$ 8,348,830	\$ 8,563,422	\$ 8,127,188	\$ 7,974,877	\$ 8,272,844	\$ 7,631,457
1,398,413	2,130,300	2,049,738	2,611,536	2,384,532	1,686,816	2,082,114
<u>\$ 8,885,720</u>	<u>\$ 10,479,130</u>	<u>\$ 10,613,160</u>	<u>\$ 10,738,724</u>	<u>\$ 10,359,409</u>	<u>\$ 9,959,660</u>	<u>\$ 9,713,571</u>
\$ 42,509,510	\$ 45,929,150	\$ 48,525,896	\$ 51,383,345	\$ 50,294,920	\$ 49,186,476	\$ 48,043,361
-	-	-	-	-	3,527,423	3,078,003
7,833,993	11,068,462	11,270,887	9,377,335	9,337,630	4,551,655	4,493,523
<u>\$ 50,343,503</u>	<u>\$ 56,997,612</u>	<u>\$ 59,796,783</u>	<u>\$ 60,760,680</u>	<u>\$ 59,632,550</u>	<u>\$ 57,265,554</u>	<u>\$ 55,614,887</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Expenses			
Governmental activities:			
General government	\$ 2,803,732	\$ 3,081,134	\$ 3,064,643
Public safety (1)	9,148,564	9,498,503	10,515,788
Public works (2)	2,139,482	3,236,720	3,627,520
Culture and recreation	2,379,113	2,385,130	2,424,044
Housing and urban redevelopment	2,910,846	3,001,656	2,838,976
Unallocated depreciation expense	2,580,925	2,637,731	2,706,754
Interest on long-term debt	1,397,414	1,213,381	1,108,752
Total governmental activities expenses	<u>23,360,076</u>	<u>25,054,255</u>	<u>26,286,477</u>
Business-type activities:			
Sewer	2,657,218	2,455,417	2,836,655
Refuse	1,286,440	1,640,207	1,396,448
Total business-type activities expenses	<u>3,943,658</u>	<u>4,095,624</u>	<u>4,233,103</u>
Total primary government expenses	<u>\$ 27,303,734</u>	<u>\$ 29,149,879</u>	<u>\$ 30,519,580</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 1,494,817	\$ 1,401,192	\$ 1,661,362
Public safety	149,855	185,183	483,197
Public works (2)	513,581	1,343,309	1,748,978
Culture and recreation	639,603	612,525	686,609
Housing and urban redevelopment	333,557	364,281	372,431
Operating grants and contributions	3,829,259	3,963,977	3,696,749
Capital grants and contributions (3)	560,503	1,742,753	672,930
Total governmental activities program revenues	<u>7,521,175</u>	<u>9,613,220</u>	<u>9,322,256</u>
Business-type activities:			
Charges for services:			
Sewer	2,911,941	2,949,999	3,051,462
Refuse	1,380,222	1,390,849	1,399,674
Operating grants and contributions	-	-	156,464
Capital grants and contributions	-	83,690	-
Total business-type activities program revenues	<u>4,292,163</u>	<u>4,424,538</u>	<u>4,607,600</u>
Total primary government program revenues	<u>\$ 11,813,338</u>	<u>\$ 14,037,758</u>	<u>\$ 13,929,856</u>
Net (Expense)/Revenue			
Governmental activities	\$ (15,838,901)	\$ (15,441,035)	\$ (16,964,221)
Business-type activities	348,505	328,914	374,497
Total primary government net expense	<u>\$ (15,490,396)</u>	<u>\$ (15,112,121)</u>	<u>\$ (16,589,724)</u>

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 2,943,306	\$ 3,175,737	\$ 3,321,308	\$ 3,752,966	\$ 4,030,168	\$ 4,352,118	\$ 3,731,226
10,913,892	10,601,555	11,469,502	11,631,240	11,843,745	12,008,431	11,882,932
3,900,142	3,913,371	4,162,190	4,036,853	4,108,248	4,443,172	4,073,389
2,512,337	2,577,644	2,616,612	2,985,096	3,242,768	3,238,794	3,226,421
2,356,794	2,403,603	3,245,216	3,121,926	2,898,887	3,307,860	3,096,295
2,740,749	3,109,795	3,159,401	3,418,630	3,383,422	3,593,817	3,506,457
1,029,015	954,888	1,033,025	978,152	936,659	1,077,433	800,498
26,396,235	26,736,593	29,007,254	29,924,863	30,443,897	32,021,625	30,317,218
3,080,666	2,969,198	3,506,033	3,470,050	3,776,559	3,766,429	4,090,751
1,441,822	1,529,887	1,594,748	1,636,297	1,671,076	1,710,490	1,484,989
4,522,488	4,499,085	5,100,781	5,106,347	5,447,635	5,476,919	5,575,740
\$ 30,918,723	\$ 31,235,678	\$ 34,108,035	\$ 35,031,210	\$ 35,891,532	\$ 37,498,544	\$ 35,892,958
\$ 1,766,943	\$ 1,600,425	\$ 1,974,587	\$ 1,893,375	\$ 1,919,296	\$ 1,889,468	\$ 1,929,579
535,029	626,349	638,907	634,969	634,801	726,273	702,342
1,417,151	1,306,315	1,477,331	1,266,949	1,273,124	1,529,150	1,311,654
713,869	664,638	760,694	791,542	910,377	735,381	644,688
386,405	428,240	390,632	396,551	578,098	776,573	546,902
3,422,505	3,536,854	3,835,416	4,134,068	3,301,500	3,621,432	3,116,968
308,930	4,059,674	2,954,685	1,673,619	1,677,095	1,100,609	448,448
8,550,832	12,222,495	12,032,252	10,791,073	10,294,291	10,378,886	8,700,581
3,255,250	3,338,972	3,347,631	3,447,930	3,271,676	3,211,525	3,507,038
1,519,204	1,597,067	1,666,071	1,783,981	1,796,644	1,835,014	1,822,613
168,498	106,054	13,375	-	-	35,831	-
884,555	1,050,402	432,393	-	-	-	-
5,827,507	6,092,495	5,459,470	5,231,911	5,068,320	5,082,370	5,329,651
\$ 14,378,339	\$ 18,314,990	\$ 17,491,722	\$ 16,022,984	\$ 15,362,611	\$ 15,461,256	\$ 14,030,232
\$(17,845,403)	\$(14,514,098)	\$(16,975,002)	\$(19,133,790)	\$(20,149,606)	\$(21,642,739)	\$(21,616,637)
1,305,019	1,593,410	358,689	125,564	(379,315)	(394,549)	(246,089)
\$ (16,540,384)	\$ (12,920,688)	\$ (16,616,313)	\$ (19,008,226)	\$ (20,528,921)	\$ (22,037,288)	\$ (21,862,726)

(continued)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes	\$ 7,335,681	\$ 7,985,127	\$ 8,281,990
Franchise taxes (4)	1,223,540	1,899,131	2,025,718
Sales taxes	5,360,058	5,521,270	5,432,164
Motor vehicle taxes	968,172	1,031,921	1,036,188
Other taxes	534,612	976,889	835,020
Intergovernmental revenue not restricted to specific programs	80,520	90,138	85,853
Gain on sale of land	-	-	-
Payments in lieu of property taxes	35,442	4,909	6,494
Investment earnings	180,653	147,539	305,611
Miscellaneous	737	-	-
Transfers	(301,948)	38,497	(53,714)
Total governmental activities	<u>15,417,467</u>	<u>17,695,421</u>	<u>17,955,324</u>
Business-type activities:			
Miscellaneous	34,403	24,091	-
Transfers	301,948	(38,497)	53,714
Total business-type activities	<u>336,351</u>	<u>(14,406)</u>	<u>53,714</u>
Total primary government	<u>\$ 15,753,818</u>	<u>\$ 17,681,015</u>	<u>\$ 18,009,038</u>
Change in Net Position			
Governmental activities	\$ (421,434)	\$ 2,254,386	\$ 991,103
Business-type activities	684,856	314,508	428,211
Total primary government	<u>\$ 263,422</u>	<u>\$ 2,568,894</u>	<u>\$ 1,419,314</u>

- (1) The increase in 2005 public safety expenses from the prior period was caused by a substantial increase in fire manpower costs incurred to provide fire protection services to the Veterans Administration campus under a new contract.
- (2) The increase in 2004 public works revenues and expenses from the prior period was caused by accounting for the central garage function in the General Fund in 2004 instead of as an internal service fund as was true in prior periods.
- (3) The increases in 2004 and 2007 capital grants and contributions from the prior period were caused by the receipt of substantial grants from the State of Kansas and Leavenworth County for road improvements.
- (4) The increase in 2004 franchise taxes from the prior period was caused by the implementation of significant increases in the tax rates for gas, electric and telephone franchises.

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 8,621,790	\$ 9,167,590	\$ 9,581,568	\$ 9,643,197	\$ 9,337,269	\$ 9,491,948	\$ 9,487,704
2,155,674	2,146,956	2,379,715	2,395,005	2,502,959	2,565,587	2,540,990
5,586,237	5,469,786	5,629,107	5,334,666	5,519,376	5,712,203	5,721,451
1,029,514	1,017,082	1,013,203	1,000,334	1,016,050	922,183	917,453
936,532	910,323	937,141	996,700	914,034	870,810	916,065
83,461	79,947	85,902	87,643	88,794	87,420	88,957
-	-	-	-	-	-	516,869
13,450	3,169	3,143	-	-	-	-
654,574	779,944	491,027	52,722	22,309	20,141	22,570
-	-	-	-	-	-	-
-	-	156,796	-	-	5,200	-
19,081,232	19,574,797	20,277,602	19,510,267	19,400,791	19,675,492	20,212,059
-	-	-	-	-	-	-
-	-	(156,796)	-	-	(5,200)	-
-	-	(156,796)	-	-	(5,200)	-
\$ 19,081,232	\$ 19,574,797	\$ 20,120,806	\$ 19,510,267	\$ 19,400,791	\$ 19,670,292	\$ 20,212,059
\$ 1,235,829	\$ 5,060,699	\$ 3,302,600	\$ 376,477	\$ (748,815)	\$ (1,967,247)	\$ (1,404,578)
1,305,019	1,593,410	201,893	125,564	(379,315)	(399,749)	(246,089)
\$ 2,540,848	\$ 6,654,109	\$ 3,504,493	\$ 502,041	\$ (1,128,130)	\$ (2,366,996)	\$ (1,650,667)

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Fund			
Reserved	\$ 7,635	\$ 29,353	\$ 9,007
Unreserved	1,553,261	2,163,605	2,756,068
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	<u>\$ 1,560,896</u>	<u>\$ 2,192,958</u>	<u>\$ 2,765,075</u>
All Other Governmental Funds			
Reserved	\$ 2,932,082	\$ 992,413	\$ 1,996,622
Unreserved, reported in:			
Special revenue funds	3,309,399	2,799,445	1,837,331
Capital projects funds (1)	(1,888,625)	(882,418)	152,889
Debt service funds	648,162	743,251	568,866
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and urban redevelopment	-	-	-
Debt service	-	-	-
Committed for:			
General government	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and urban redevelopment	-	-	-
Assigned to:			
General government	-	-	-
Culture and recreation	-	-	-
Total all other governmental funds	<u>\$ 5,001,018</u>	<u>\$ 3,652,691</u>	<u>\$ 4,555,708</u>

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

2006	2007	2008	2009	2010	2011	2012
\$ 27,319	\$ 65,534	\$ 12,774	\$ 28,440	\$ 35,387	\$ -	\$ -
3,397,067	3,705,627	4,484,097	4,427,681	3,695,914	-	-
-	-	-	-	-	6,666	5,208
-	-	-	-	-	387,057	357,962
-	-	-	-	-	2,816	9,049
-	-	-	-	-	2,632,344	2,640,634
<u>\$ 3,424,386</u>	<u>\$ 3,771,161</u>	<u>\$ 4,496,871</u>	<u>\$ 4,456,121</u>	<u>\$ 3,731,301</u>	<u>\$ 3,028,883</u>	<u>\$ 3,012,853</u>

\$ 918,331	\$ 1,598,989	\$ 4,711,605	\$ 1,257,599	\$ 2,006,141	\$ -	\$ -
2,336,612	2,965,968	2,037,060	2,810,245	3,412,515	-	-
133,179	3,575,315	(763,434)	(2,594,109)	(3,117,025)	-	-
426,404	254,675	176,421	433,524	446,225	-	-
-	-	-	-	-	1,427,175	1,604,878
-	-	-	-	-	323,532	319,368
-	-	-	-	-	-	1,383
-	-	-	-	-	30,673	35,916
-	-	-	-	-	1,205,584	681,635
-	-	-	-	-	418,901	317,152
-	-	-	-	-	604,280	1,114,249
-	-	-	-	-	472,904	485,212
-	-	-	-	-	147,130	309,989
-	-	-	-	-	71,916	103,504
-	-	-	-	-	19,469	19,262
-	-	-	-	-	84,652	78,992
<u>\$ 3,814,526</u>	<u>\$ 8,394,947</u>	<u>\$ 6,161,652</u>	<u>\$ 1,907,259</u>	<u>\$ 2,747,856</u>	<u>\$ 4,806,216</u>	<u>\$ 5,071,540</u>

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

	2003	2004	2005
Revenues			
Taxes	\$ 15,782,105	\$ 17,716,880	\$ 17,933,007
Intergovernmental	4,203,198	5,083,803	3,909,915
Licenses and permits	476,196	586,980	527,553
Charges for services	1,395,731	2,096,031	3,090,801
Fines and forfeitures	968,552	904,031	1,143,927
Investment earnings	194,293	178,371	329,482
Other revenues	253,327	281,293	202,732
Total revenues	<u>23,273,402</u>	<u>26,847,389</u>	<u>27,137,417</u>
Expenditures			
General government	2,528,289	2,861,869	2,894,791
Public safety	8,567,322	8,918,650	9,894,743
Public works	1,849,544	2,997,078	3,214,075
Culture and recreation	1,749,401	1,737,654	1,912,708
Housing and urban redevelopment	2,693,281	2,735,746	2,590,039
Capital outlay	5,057,933	4,729,921	3,223,693
Debt service			
Principal	3,667,426	3,668,430	3,496,040
Interest	1,552,229	1,258,121	1,092,909
Total expenditures	<u>27,665,425</u>	<u>28,907,469</u>	<u>28,318,998</u>
Excess of revenues over (under) expenditures	(4,392,023)	(2,060,080)	(1,181,581)
Other Financing Sources (Uses)			
Bonds issued	1,165,000	985,000	2,625,000
Refunding bonds issued	1,080,000	500,000	-
Bond anticipation notes issued	-	-	-
Capital leases	217,240	158,977	-
Sale of capital assets	-	-	85,000
Sale of land	-	-	-
Payments to escrow agent	(1,075,000)	(495,000)	-
Transfers in	4,110,365	4,934,221	4,524,279
Transfers out	(4,028,145)	(4,739,383)	(4,577,564)
Total other financing sources (uses)	<u>1,469,460</u>	<u>1,343,815</u>	<u>2,656,715</u>
Net change in fund balances	<u>\$ (2,922,563)</u>	<u>\$ (716,265)</u>	<u>\$ 1,475,134</u>
Debt service as a percentage of noncapital expenditures	23.1%	20.4%	18.3%

	2006	2007	2008	2009	2010	2011	2012
\$	18,615,349	\$ 18,999,001	\$ 19,811,174	\$ 19,621,593	\$ 19,635,158	\$ 19,868,108	\$ 19,886,015
	3,545,613	3,632,276	6,479,625	5,284,788	4,781,818	4,383,780	3,420,383
	531,983	435,025	456,263	389,583	398,837	409,844	420,084
	2,786,286	2,723,551	2,956,536	2,873,306	2,984,685	2,996,210	3,064,573
	1,209,261	1,071,822	1,144,436	1,092,079	1,139,945	1,115,114	1,101,533
	724,375	830,294	515,785	55,217	40,303	46,502	22,570
	214,767	315,380	820,871	803,890	717,577	1,059,723	509,540
	27,627,634	28,007,349	32,184,690	30,120,456	29,698,323	29,879,281	28,424,698
	2,883,680	3,121,850	3,310,150	3,648,781	3,715,791	3,664,873	3,630,286
	10,395,531	10,019,964	10,321,518	10,481,825	10,900,873	11,022,513	10,799,019
	3,505,401	3,507,529	3,685,294	3,562,664	3,647,884	3,972,206	3,659,854
	1,989,408	2,052,195	2,008,807	2,203,936	2,294,126	2,192,258	2,303,854
	2,089,383	2,148,664	2,975,920	2,857,240	2,608,889	3,007,367	2,644,508
	2,702,015	2,189,180	8,012,788	10,282,578	7,225,679	5,124,530	3,727,392
	4,406,747	2,380,000	4,091,314	2,359,951	1,998,982	3,066,945	2,870,705
	1,077,340	956,018	973,280	948,624	1,055,106	1,149,587	846,655
	29,049,505	26,375,400	35,379,071	36,345,599	33,447,330	33,200,279	30,482,273
	(1,421,871)	1,631,949	(3,194,381)	(6,225,143)	(3,749,007)	(3,320,998)	(2,057,575)
	1,340,000	1,530,000	1,530,000	1,930,000	3,250,000	3,465,000	1,740,000
	-	-	-	-	-	6,250,000	1,825,000
	-	1,480,000	-	-	4,905,000	-	-
	-	285,247	-	-	614,784	196,740	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	516,869
	-	-	-	-	-	(5,240,000)	(1,775,000)
	3,784,498	4,265,690	6,134,458	5,419,899	3,600,395	6,138,173	4,983,085
	(3,784,498)	(4,265,690)	(5,977,662)	(5,419,899)	(3,600,395)	(6,132,973)	(4,983,085)
	1,340,000	3,295,247	1,686,796	1,930,000	8,769,784	4,676,940	2,306,869
\$	(81,871)	\$ 4,927,196	\$ (1,507,585)	\$ (4,295,143)	\$ 5,020,777	\$ 1,355,942	\$ 249,294

20.8% 13.8% 18.5% 12.7% 11.6% 15.0% 13.9%

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

Fiscal Year	Property Tax	Tax Increment Property Tax	Sales Tax	Compensating Use Tax
2003	\$ 7,335,680	\$ 174,490	\$ 5,157,376	\$ 400,455
2004	7,985,127	168,796	5,521,270	628,767
2005	8,281,990	-	5,432,164	653,637
2006	8,621,790	-	5,586,237	744,886
2007	9,167,590	-	5,469,786	725,640
2008	9,581,568	-	5,629,107	737,883
2009	9,643,197	-	5,334,666	798,374
2010	9,337,269	-	5,519,376	716,724
2011	9,491,948	-	5,712,203	685,653
2012	9,487,704	-	5,721,451	708,861
Change 2003 - 2012	29.3%	0.0%	10.9%	77.0%

Tax Increment Sales Tax	Franchise Tax	Motor Vehicle Tax	Special Assessment Tax	Other Tax	Total
\$ 162,349	\$ 1,223,540	\$ 968,172	\$ 324,600	\$ 35,443	\$ 15,782,105
179,326	1,899,131	1,031,921	297,633	4,909	17,716,880
181,383	2,025,718	1,036,188	315,433	6,494	17,933,007
191,646	2,155,674	1,029,514	272,152	13,450	18,615,349
184,683	2,146,956	1,017,082	284,095	3,169	18,999,001
199,258	2,379,715	1,013,203	267,297	3,143	19,811,174
198,326	2,395,005	1,000,334	251,691	-	19,621,593
197,310	2,502,959	1,016,050	345,470	-	19,635,158
185,157	2,565,587	922,183	305,377	-	19,868,108
207,204	2,540,990	917,453	302,352	-	19,886,015
27.6%	107.7%	-5.2%	-6.9%	-100.0%	26.0%

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

Fiscal Year Ended December 31	Real Property			Personal Property
	Residential Property	Commercial Property	Total	
2003	NA	NA	\$ 125,487,888	\$ 12,879,381
2004	NA	NA	137,425,121	14,521,867
2005	NA	NA	146,532,015	14,394,330
2006	\$ 114,378,605	\$ 45,658,394	160,036,999	14,048,912
2007	122,445,583	48,878,622	171,324,205	14,604,867
2008	128,198,925	51,175,279	179,374,204	12,235,178
2009	132,784,625	53,005,829	185,790,454	10,613,929
2010	133,077,189	53,122,616	186,199,805	8,200,207
2011	133,998,063	53,490,216	187,488,279	7,347,200
2012	133,128,072	53,142,928	186,271,000	7,141,023

Source: Leavenworth County Clerk

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

State Assessed Utilities	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 9,246,306	NA	\$ 147,613,575	\$ 55.075	\$ 999,078,788	14.8 %
9,413,202	NA	161,360,190	54.534	1,096,734,705	14.7
9,934,571	NA	170,860,916	54.316	1,165,146,650	14.7
10,383,269	NA	184,469,180	52.245	1,231,393,004	15.0
9,780,603	NA	195,709,675	52.178	1,364,032,161	14.3
10,989,672	NA	202,599,054	52.067	1,422,246,581	14.2
10,296,290	NA	206,700,673	51.921	1,450,794,335	14.2
9,692,087	NA	204,092,099	51.922	1,437,966,087	14.2
9,853,412	NA	204,688,891	51.883	1,433,229,801	14.3
10,048,621	NA	203,460,644	51.865	1,393,132,353	14.6

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

Fiscal Year	City of Leavenworth			Leavenworth	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage
2003	42.113	12.962	55.075	38.174	1.963
2004	43.500	11.034	54.534	38.681	2.341
2005	44.482	9.834	54.316	37.667	1.201
2006	43.196	9.049	52.245	33.989	1.962
2007	43.290	8.888	52.178	26.509	1.672
2008	43.665	8.402	52.067	26.548	1.573
2009	44.330	7.591	51.921	30.519	1.041
2010	44.541	7.381	51.922	30.735	1.317
2011	43.993	7.890	51.883	31.809	1.276
2012	44.394	7.471	51.865	35.348	0.165

Source: Leavenworth County Clerk

Overlapping Rates

County	School District				Total Direct & Overlapping Rates
Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
40.137	43.174	7.059	50.233	1.500	146.945
41.022	41.177	7.113	48.290	1.500	145.346
38.868	42.921	6.111	49.032	1.500	143.716
35.951	44.958	5.836	50.794	1.500	140.490
28.181	44.692	6.089	50.781	1.500	132.640
28.121	44.794	5.976	50.770	1.500	132.458
31.560	44.805	5.876	50.681	1.500	135.662
32.052	40.840	22.350	63.190	1.500	148.664
33.085	39.880	23.296	63.176	1.500	149.644
35.513	41.447	21.719	63.166	1.500	152.044

City of Leavenworth, Kansas
Principal Property Taxpayers
December 31, 2012

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corrections Corporation of America	\$ 9,083,675	1	4.5 %	\$ 4,875,001	3	3.30 %
Westar Energy	4,945,856	2	2.4	6,666,476	1	4.50
Hallmark Cards	3,683,439	3	1.8	5,841,216	2	4.00
Wal-Mart	3,513,863	4	1.7	-	-	-
Development, Inc	2,707,403	5	1.3	-	-	-
Kansas Gas Service	1,872,891	6	0.9	1,733,805	5	1.20
Leavenworth - Jefferson	1,514,699	7	0.7	-	-	-
Southwestern Bell Telephone	1,420,166	8	0.7	4,104,476	4	2.80
Greenamyre Rentals	1,392,445	9	0.7	1,619,145	7	1.10
Home Depot	1,284,903	10	0.6	1,638,975	6	-
Select Products	-	-	-	1,405,891	8	1.00
Leavenworth Plaza	-	-	-	1,365,711	9	0.90
	<u>\$ 31,419,340</u>		<u>15.40 %</u>	<u>\$ 29,250,696</u>		<u>19.80 %</u>

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

<u>Fiscal Year</u>	<u>Total Tax Levy For Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2003	\$ 8,120,972	\$7,872,891	96.9 %	\$ 177,516	\$8,050,407	99.1 %
2004	8,754,437	8,565,356	97.8	186,724	8,752,080	100.0
2005	9,236,854	8,959,592	97.0	156,804	9,116,396	98.7
2006	9,589,814	9,344,658	97.4	192,898	9,537,556	99.5
2007	10,235,584	9,955,759	97.3	193,527	10,149,286	99.2
2008	10,400,895	10,244,413	98.5	191,782	10,436,195	100.3
2009	10,710,730	10,423,269	97.3	236,716	10,659,985	99.5
2010	10,575,737	10,216,927	96.6	244,652	10,461,579	98.9
2011	10,619,874	10,297,377	97.0	157,026	10,454,403	98.4
2012	10,552,486	10,265,866	97.3	33,033	10,298,899	97.6

Source: Leavenworth County Treasurer

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

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds			
2003	\$ 27,120,000	\$ 217,240	\$ 2,890,000	\$30,227,240	3.1 %	\$ 852
2004	24,320,000	307,787	2,365,000	26,992,787	2.7	765
2005	22,080,000	156,747	4,570,000	26,806,747	2.6	761
2006	19,270,000	-	8,120,000	27,390,000	2.5	778
2007	18,900,000	285,247	7,855,000	27,040,247	2.4	773
2008	21,345,000	193,933	7,720,000	29,258,933	2.4	841
2009	20,615,000	98,982	7,300,000	28,013,982	2.4	807
2010	22,825,000	614,784	6,820,000	30,259,784	2.6	858
2011	21,485,000	664,579	6,390,000	28,539,579	2.3	800
2012	19,960,000	473,874	10,115,000	30,548,874	2.4	856

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

(1) See the schedule of Demographic and Economic Statistics on page 119 for personal income and population data.

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

Fiscal Year	General Obligation Bonds		Less: Amounts Available in Debt Service Fund	Total Primary Government	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	Governmental Activities	Business-type Activities				
2003	\$27,120,000	\$ 2,890,000	\$ 1,460,379	\$28,549,621	2.9 %	805
2004	24,320,000	2,365,000	1,539,531	25,145,469	2.3	713
2005	22,080,000	4,570,000	1,365,146	25,284,854	2.2	718
2006	19,270,000	8,120,000	426,404	26,963,596	2.2	766
2007	18,900,000	7,855,000	254,675	26,500,325	1.9	757
2008	21,345,000	7,720,000	176,421	28,888,579	2.0	830
2009	20,615,000	7,300,000	433,524	27,481,476	1.9	791
2010	22,825,000	6,820,000	446,225	29,198,775	2.0	828
2011	21,485,000	6,390,000	418,901	27,456,099	1.9	770
2012	19,960,000	10,115,000	317,152	29,757,848	2.1	834

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

(1) See the schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) See the schedule of Demographic and Economic Statistics on page 119 for population data.

City of Leavenworth, Kansas
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2012

Governmental Unit	Total Debt Outstanding	Net Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes				
School District #453	\$ 65,928,205	\$ 44,171,897	93.0 %	\$ 41,079,864
Leavenworth County	12,765,000	12,765,000	35.0	<u>4,467,750</u>
Subtotal, overlapping debt				45,547,614
City direct debt				<u>30,548,874</u>
Total direct and overlapping debt				<u><u>\$ 76,096,488</u></u>

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

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

- (1) A portion of Unified School District 453's overlapping debt will be paid by the State of Kansas pursuant to current percentages for Bond and Interest Fund State Aid Payments. The current percentage for reimbursement for the Unified School District 453 is 33% for bonds issued after July 1, 2002.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt Limit	\$ 51,212,002	\$ 55,512,597	\$ 58,805,063
Total net debt applicable to limit	<u>16,414,323</u>	<u>15,930,811</u>	<u>15,388,144</u>
Legal debt margin	<u>\$ 34,797,679</u>	<u>\$ 39,581,786</u>	<u>\$ 43,416,919</u>
 Total net debt applicable to the limit as a percentage of debt limit	 32.1%	 28.7%	 26.2%

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

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$ 64,387,542	\$ 68,435,717	\$ 69,672,253	\$ 69,380,778	\$ 68,465,048	\$ 67,999,247	\$ 67,244,547
14,969,146	15,442,547	18,997,507	16,017,666	18,551,322	12,849,782	10,475,866
<u>\$ 49,418,396</u>	<u>\$ 52,993,170</u>	<u>\$ 50,674,746</u>	<u>\$ 53,363,112</u>	<u>\$ 49,913,726</u>	<u>\$ 55,149,465</u>	<u>\$ 56,768,681</u>
23.2%	22.6%	27.3%	23.1%	27.1%	18.9%	15.6%

Legal Debt Margin Calculation for Fiscal Year 2012

Adjusted equalized assessed valuation	\$224,148,490
Debt limit (30% of total equalized assessed value)	67,244,547
Debt applicable to limit	<u>10,475,866</u>
Legal debt margin	\$ 56,768,681

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

Fiscal Year	Population (1)	Personal Income	Per Capita Income (2)	School Enrollment (3)			Unemployment Rate (4)
				Public	Private	Total	
2003	35,473	\$ 990,902,782	\$ 27,934	4,252	553	4,805	6.2 %
2004	35,285	1,009,433,280	28,608	4,170	528	4,698	6.5
2005	35,213	1,036,353,803	29,431	4,147	528	4,675	6.2
2006	35,213	1,100,969,658	31,266	4,166	521	4,687	5.6
2007	34,993	1,138,882,178	32,546	4,201	439	4,640	5.2
2008	34,787	1,196,011,847	34,381	4,069	477	4,546	5.6
2009	34,729	1,168,353,018	33,642	4,075	481	4,556	8.4
2010	35,251	1,177,277,647	33,397	3,707	484	4,191	8.3
2011	35,675	1,225,793,000	34,360	3,755	476	4,231	8.3
2012	35,675	1,248,161,225	34,987	3,866	429	4,295	6.3

(1) Kansas Statistical Abstract

(2) U.S. Bureau of Economic Analysis; 2012 estimated by management

(3) Kansas Department of Education

(4) U.S. Bureau of Labor Statistics

City of Leavenworth, Kansas
Principal Employers
December 31, 2012

<u>Taxpayer</u>	<u>2012</u>			<u>2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fort Leavenworth	5,601	1	34.4 %	3,144	1	18.3 %
U.S.D. 453	996	2	6.1	825	4	4.8
Northrop Grumman	700	3	4.3			
Veterans Administration	600	4	3.7	1,143	2	6.7
Leavenworth Federal Penitentiary	390	5	2.4	560	5	63.3
Cubic Defense Applications Group	390	6	2.4			
Leavenworth County	370	7	2.3	342	6	2.0
Hallmark Cards, Inc.	320	8	2.0	850	3	5.0
Cushing Memorial Hospital	310	9	1.9	300	8	1.7
VA Condolidated Mail Pharmacy	260	10	1.6			
Capital Electric	-			326	7	1.9
St. John Hospital	-			280	9	1.6
	<u>9,937</u>		<u>61.1 %</u>	<u>7,770</u>		<u>45.3 %</u>

Source: Kansas Statistical Abstract
Leavenworth County Development Corporation

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

Function	2003	2004	2005
General government	26	27	27
Public safety			
Police	88	88	89
Fire	51	51	57
Public works	33	31	32
Culture and recreation	33	33	34
Housing and urban redevelopment	9	9	9
Sewer	18	20	20
Refuse	13	13	13
 Total	 271	 272	 281

Source: City of Leavenworth Human Resources Department

Full-time Equivalent Employees as of December 31

2006	2007	2008	2009	2010	2011	2012
28	28	29	29	30	28	26
88	91	91	93	93	93	89
57	57	57	57	57	57	57
32	32	33	33	31	30	29
33	33	33	35	35	34	34
7	7	7	7	7	7	7
20	20	20	19	19	19	19
13	13	13	14	14	14	14
278	281	283	287	286	282	275

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

Function/Program	2003	2004	2005
Public safety			
Police			
Physical arrests	2,698	2,520	3,263
Traffic violations	7,742	7,062	10,278
Parking violations	822	808	809
Fire			
Calls answered	831	1,068	1,121
Inspections conducted	915	900	900
Housing and urban redevelopment			
Certificates/vouchers for low-income rental assistance	339	339	339
Sewer			
Daily average treatment (thousands of gallons)	3,166	3,180	3,548
Refuse			
Refuse disposed (tons)	12,393	12,877	12,710

Sources: Various city departments

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

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
3,191	2,945	2,868	2,545	2,374	2,475	2,544
10,313	7,963	8,555	7,377	8,698	10,403	9,148
630	588	740	558	672	604	272
1,676	1,957	2,037	1,969	1,914	2,378	2,353
917	901	959	771	814	795	854
339	339	444	444	444	444	444
3,039	3,757	4,912	4,289	5,156	6,423	3,325
12,379	12,001	12,110	12,561	11,508	11,026	10,967

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

Function/Program	2003	2004	2005
Public safety			
Police			
Stations	1	1	1
Fire			
Stations	3	3	3
Public works			
Miles of street:			
Improved	151.7	151.7	151.7
Unimproved	0.4	0.4	0.4
Controlled intersections	41	41	41
Culture and recreation			
Community centers	1	1	1
Parks	21	21	21
Park acreage	424	424	424
Swimming pools	2	2	2
Tennis courts	11	11	8
Baseball fields	9	9	9
Housing and urban redevelopment			
Elderly high-rise occupancy (units)	105	105	105
Sewer			
Sanitary sewer (miles)	130	130	130
Treatment plants	1	1	1
Treatment capacity (thousands of gallons)	6,880	6,880	6,880

Sources: Various city departments

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

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
1	1	1	1	1	1	1
3	3	3	3	3	3	3
151.7	151.7	151.7	151.7	156.6	156.6	156.6
0.4	0.4	0.4	0.4	0.4	0.4	0.4
41	41	41	41	43	43	43
1	1	1	1	1	1	1
21	21	21	21	21	21	22
424	424	424	424	424	424	441
2	2	2	2	2	2	2
8	8	8	8	8	8	8
9	9	9	9	9	9	10
105	105	105	105	105	105	105
130	130	130	130	130	130	130
1	1	1	1	1	1	1
6,880	6,880	6,880	6,880	6,880	6,880	6,880

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Single Audit of
Federal Financial Assistance

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City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2012

(With Unaudited Cumulative Totals from Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number
U.S. Department of Housing and Urban Development	
Lower-Income Housing Assistance Program	
Section 8 - Housing Choice Vouchers	14.871
Section 8 - Housing Choice Vouchers	14.871
Section 8 - Housing Choice Vouchers - VASH	14.871
Community Development Block Grant	
Community Development Block Grant:	
2008 Community Development Block Grant-Entitlement	14.218
2009 Community Development Block Grant-Entitlement	14.218
2010 Community Development Block Grant-Entitlement	14.218
2011 Community Development Block Grant-Entitlement	14.218
2012 Community Development Block Grant-Entitlement	14.218
Passed through the Kansas Department of Commerce:	
Neighborhood Stabilization Program	14.228
Homeless Grant	
Passed through the Kansas Housing Resources Corporation:	
2011 Emergency Shelter Grant	14.231
2012 Emergency Shelter Grant	14.231
Low-Income Housing Assistance Program	
Public Housing	14.850
Capital Fund Program	14.872
Capital Fund Program	14.872
Total U.S. Department of Housing and Urban Development	
Office of National Drug Control Policy	
Passed through the Kansas Bureau of Investigation:	
High Intensity Drug Trafficking Area Grant	95.001
High Intensity Drug Trafficking Area Grant	95.001

*Award amended.

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures			
	Cumulative Awards Through December 31, 2012 (Unaudited)	Cumulative Through December 31, 2011 (Unaudited)	Total for the Year ended December 31, 2012	Cumulative Through December 31, 2012
	\$ 1,014,508	\$ -	\$ 1,010,211	\$ 1,010,211
	1,220,159	949,947	270,212	1,220,159
	1,204,979	834,636	370,343	1,204,979
	<u>3,439,646</u>	<u>1,784,583</u>	<u>1,650,766</u>	<u>3,435,349</u>
	579,065 *	578,151	318	578,469
	336,978 *	332,949	-	332,949
	382,145 *	242,144	124,386	366,530
	182,716 *	67,272	115,444	182,716
	529,544 *	-	108,052	108,052
09-NSP-011	<u>1,966,311</u>	<u>1,357,854</u>	<u>130,890</u>	<u>1,488,744</u>
	3,976,759	2,578,370	479,090	3,057,460
ESG-FFY2011	37,563	11,941	20,350	32,291
ESG-FFY2012	41,094	-	-	-
	<u>78,657</u>	<u>11,941</u>	<u>20,350</u>	<u>32,291</u>
	103,958	-	103,958	103,958
KS16P06850110	108,871	13,206	12,249	25,455
KS16P06850111	89,888	-	-	-
	<u>302,717</u>	<u>13,206</u>	<u>116,207</u>	<u>129,413</u>
	7,797,779	4,388,100	2,266,413	6,654,513
G11MW0003A	57,700	39,655	18,045	57,700
G12MW0003A	57,700	-	46,265	46,265
	<u>\$ 115,400</u>	<u>\$ 39,655</u>	<u>\$ 64,310</u>	<u>\$ 103,965</u>

(continued)

City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards
(Continued)

Year Ended December 31, 2012
(With Unaudited Cumulative Totals from Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number
U.S. Department of Justice	
Bulletproof Vest Partnership Program - 2011	16.607
Bulletproof Vest Partnership Program - 2012	16.607
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804
U.S. Department of Transportation	
Passed through the Kansas Department of Transportation:	
Safe Routes to School	20.205
State and Community Highway Safety	20.600
State and Community Highway Safety	20.600
State and Community Highway Safety	20.600
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601
Occupant Protection Incentive Grants (B) (Nighttime Seatbelt Enf)	20.602
U.S. Small Business Administration	
Technology and Research Park	59.059
Department of Homeland Security	
Passed through the Kansas Division of Emergency Management:	
Disaster Grants - Public Assistance	97.036
Sub-recipient of the Mid-America Regional Council:	
Urban Areas Security Initiative	97.067
Urban Areas Security Initiative	97.067
Total expenditures of federal awards	

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures			
	Cumulative Awards Through December 31, 2012 (Unaudited)	Cumulative Through December 31, 2011 (Unaudited)	Total for the Year ended December 31, 2012	Cumulative Through December 31, 2012
	\$ 3,775	\$ 2,826	\$ 949	\$ 3,775
	2,650	-	1,703	1,703
2010DJBX0119	49,355	23,974	-	23,974
2011DJBX2648	39,210	-	-	-
2009SBB91816	263,200	232,180	31,020	263,200
	<u>358,190</u>	<u>258,980</u>	<u>33,672</u>	<u>292,652</u>
52-U-2120-01	250,000	13,000	-	13,000
OP-1008-12	7,500	-	5,567	5,567
OP-1008-13	7,500	-	-	-
	4,500	-	4,500	4,500
AL-9100-12	5,823	-	4,464	4,464
AL-9100-13	5,823	-	-	-
OP-1459-13	5,744	-	1,682	1,682
	<u>286,890</u>	<u>13,000</u>	<u>16,213</u>	<u>29,213</u>
SBAHQ-10-I-0222	300,000	2,576	108,099	110,675
	205,193	93,272	111,921	205,193
(UASI)FY2009	17,781	-	17,781	17,781
(UASI)FY2010	1,878	-	1,878	1,878
	<u>224,852</u>	<u>93,272</u>	<u>131,580</u>	<u>224,852</u>
	<u>\$ 9,083,111</u>	<u>\$ 4,795,583</u>	<u>\$ 2,620,287</u>	<u>\$ 7,415,870</u>

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards

December 31, 2012

1. Organization and basis of presentation

Organization

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

Basis of presentation

Federal award expenditures are presented on a modified accrual basis, whereby expenditures are recognized in the accounting period in which the liability is incurred, if measurable. For reimbursement-type grants, only the reimbursable expenditures are shown as federal expenditures. The basis of presentation is the same as that for the basic financial statements; however, expenditures are classified in a different manner.

2. Purposes of Federal programs

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

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

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

Veterans Affairs Supportive Housing (HUD-VASH) Program – Section 8 – Housing Choice Vouchers

The purpose of this program is to provide rental assistance under a supportive housing program for homeless veterans. This program combines Housing Choice Voucher rental assistance for homeless veterans with case management and clinical services provided by the Department of Veterans Affairs at its medical centers and in the community.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Community Development Block Grant

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

Neighborhood Stabilization Program

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

Homeless Grant – Emergency Shelter Grant

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

Public Housing

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

Capital Fund Program

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

High Intensity Drug Trafficking Area Grant (HIDTA)

The purpose of this grant is to reduce the amount of illegal drugs imported, manufactured and consumed in the State of Kansas through a coordinated strategy involving aggressive enforcement, prosecution and demand reduction programs.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Bulletproof Vest Partnership Program

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

Edward Byrne Memorial Justice Assistance Grant Program

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

Safe Routes to School

The purpose of this program is to make walking and bicycling to school safe and more appealing, as well as to facilitate the planning, development and implementation of projects that will improve safety, and reduce traffic, fuel consumption and air pollution in the vicinity of schools.

State and Community Highway Safety

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

Alcohol Impaired Driving Countermeasures Incentive Grants

The purpose of this grant is to encourage States to implement programs to effectively reduce crashes resulting from persons driving while under the influence of alcohol.

Occupant Protection Incentive Grants

The purpose of this program is to encourage States to adopt programs that will help reduce highway deaths and injuries resulting from individuals riding unrestrained or improperly restrained in motor vehicles.

Technology and Research Park

The purpose of this program is to provide funding for small business development and entrepreneurship initiatives, to include programmatic and construction activities.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Department of Homeland Security Grants

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

3. Local government contributions

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

4. Additional audits

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2012.

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 13, 2013. Our report includes a reference to other auditors who audited the financial statements of the Leavenworth Public Library, as described in our report on the City's financial statements. The financial statements of the Leavenworth Public Library discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Berberich Trahan & Co., P.A.

June 13, 2013
Topeka, Kansas



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

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control Over Compliance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Leavenworth, Kansas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2012. The City's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1. Our opinion on the major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-1, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berberich Trahan & Co., P.A.

Topeka, Kansas
June 13, 2013

City of Leavenworth, Kansas
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2012

Section I – Summary of Independent Auditor’s Results

Financial Statements

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

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	2012-1
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	2012-1

Identification of major program:

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

(continued)

City of Leavenworth, Kansas

Schedule of Findings and Questioned Costs
(Continued)

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee:	Yes

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

Finding 2012-1 – Significant Deficiency

Federal Program – Section 8 – Housing Choice Vouchers – VASH (CFDA No. 14.871), United States Department of Housing and Urban Development, Grant Award period December 31, 2012

Compliance Requirements – Eligibility, Special Reporting, Special Test – Reasonable Rent, Special Test – Utility Allowance Schedule, Special Test – Housing Quality Standards Inspections, Special Test – HQS Enforcement, and Special Test – Housing Assistance Payment

Condition – One of the forty tenant files selected for testing could not be found by the City, and, as such, testing could not be performed for the compliance requirements listed above.

Criteria – The City must maintain complete tenant files as evidence of compliance.

Cause – The City took the missing file out of storage to discuss with the recipient and, subsequent to that meeting, could not locate the file. The City did not perform alternative procedures such as documenting the circumstances in writing and reproducing available documents for the file.

Effect – Without the file, the City is unable to support the eligibility determination made by the City and that the special reporting and special testing were completed by the City.

Questioned Costs – \$ 2,208. This is the amount of Housing Assistance Payments made on behalf of the one tenant for whom the City could not locate the file.

City of Leavenworth, Kansas

Schedule of Findings and Questioned Costs
(Continued)

Recommendation – We recommend that the City implement a process to ensure that folders are checked back in at the end of the day and implement a process for alternative procedures in the case of a missing file.

Management's Response (Unaudited) – Management understands the seriousness of the matter and the issues that arise from a missing tenant file. The circumstances surrounding the lost file were reviewed and a procedural change related to the security of original files was made immediately. Although management believes this was an isolated incident, it agrees that a change in routine is warranted.

Corrective Action Plan (Unaudited) – Patrick Tooley, Leavenworth Section 8 coordinator has already implemented the plan that in the future any participants that wish to see paperwork from their file will receive a copy of the documentation and the original file will be kept intact in the file drawer. No persons will handle the original files except the Leavenworth Housing personnel.

City of Leavenworth, Kansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2012

None.