



COMPREHENSIVE ANNUAL FINANCIAL REPORT

*City of Leavenworth, Kansas
For the Year Ended December 31, 2011*

City of Leavenworth, Kansas

Comprehensive Annual Financial Report

Fiscal Year Ended
December 31, 2011

Prepared by:

Daniel L. Williamson
Director of Finance

City of Leavenworth, Kansas
 Comprehensive Annual Financial Report
 Year Ended December 31, 2011

Table of Contents

	<u>Page</u>
 Introductory Section	
Letter of Transmittal	i
List of Elected and Appointed Officials	vi
Organizational Chart	vii
GFOA Certificate of Achievement	viii
 Financial Section	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	3
 Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund.....	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds.....	23
Statement of Cash Flows – Proprietary Funds.....	24
Statement of Fiduciary Net Assets – Fiduciary Funds.....	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	26
Notes to Basic Financial Statements.....	27

City of Leavenworth, Kansas
 Comprehensive Annual Financial Report
 Year Ended December 31, 2011

**Table of Contents
 (Continued)**

	<u>Page</u>
Required Supplementary Information	
Schedule of Employer Contributions – Police and Fire Pension Plan.....	72
Schedule of Funding Progress – Police and Fire Pension Plan	73
Schedule of Funding Progress – Other Postemployment Benefits	74
Supplementary Information	
Combining and Individual Fund Statements and Schedules.....	75
Combining Balance Sheet – Nonmajor Governmental Funds	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	82
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund.....	86
Recreation Fund	87
Special Fuel Fund	88
Countywide Sales Tax Fund	89
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	91
Statistical Section (Unaudited)	
Net Assets by Component.....	94
Changes in Net Assets	96
Fund Balances of Governmental Funds	100
Changes in Fund Balances of Governmental Funds	102
Tax Revenues of Governmental Funds by Source.....	104
Assessed Value and Estimated Actual Value of Taxable Property	106
Property Tax Rates Direct and Overlapping Governments	108
Principal Property Taxpayers.....	110
Property Tax Levies and Collections.....	111
Ratios of Outstanding Debt by Type	112
Ratios of General Bonded Debt Outstanding.....	113

City of Leavenworth, Kansas
Comprehensive Annual Financial Report
Year Ended December 31, 2011

**Table of Contents
(Continued)**

	<u>Page</u>
Direct and Overlapping Governmental Activities Debt.....	114
Legal Debt Margin Information.....	116
Demographic and Economic Statistics	118
Principal Employers.....	119
Full-time Equivalent City Government Employees by Function	120
Operating Indicators by Function	122
Capital Asset Statistics by Function	124
 Single Audit of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards.....	128
Notes to Schedule of Expenditures of Federal Awards	132
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 <i>Government Auditing Standards</i>	137
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	139
Schedule of Findings and Questioned Costs.....	141
Summary Schedule of Prior Audit Findings.....	143

Introductory Section



June 13, 2012

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, 2011. 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, 2011, 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 35,251 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 (2012 – 2016) that contains \$34.8 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	\$9,239,295
Bridges	1,207,600
Sidewalks, curbs, gutters	2,134,900
Sewer and stormwater	4,455,000
Economic development	1,968,450
Buildings & equipment	7,033,005
Parks	2,520,570
Other	6,210,015

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 \$21,668,350, or 63%, of identified projects are funded in this manner. An additional \$3,267,645, or 9%, of identified projects are funded by federal and state grants for street and bridge construction.

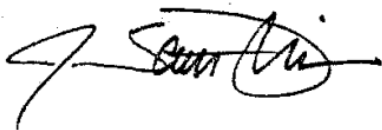
Finally, approximately \$9,832,860, or 28%, of identified projects are funded with long-term capital financing. It is expected that the debt service associated with bonds issued to finance these projects will have a minimal impact on the City's mill levy rates for the next five years.

Awards and Acknowledgements

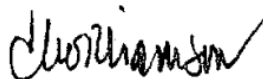
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leavenworth for its comprehensive annual financial report in the fiscal year ended December 31, 2010. This was the 17th consecutive 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



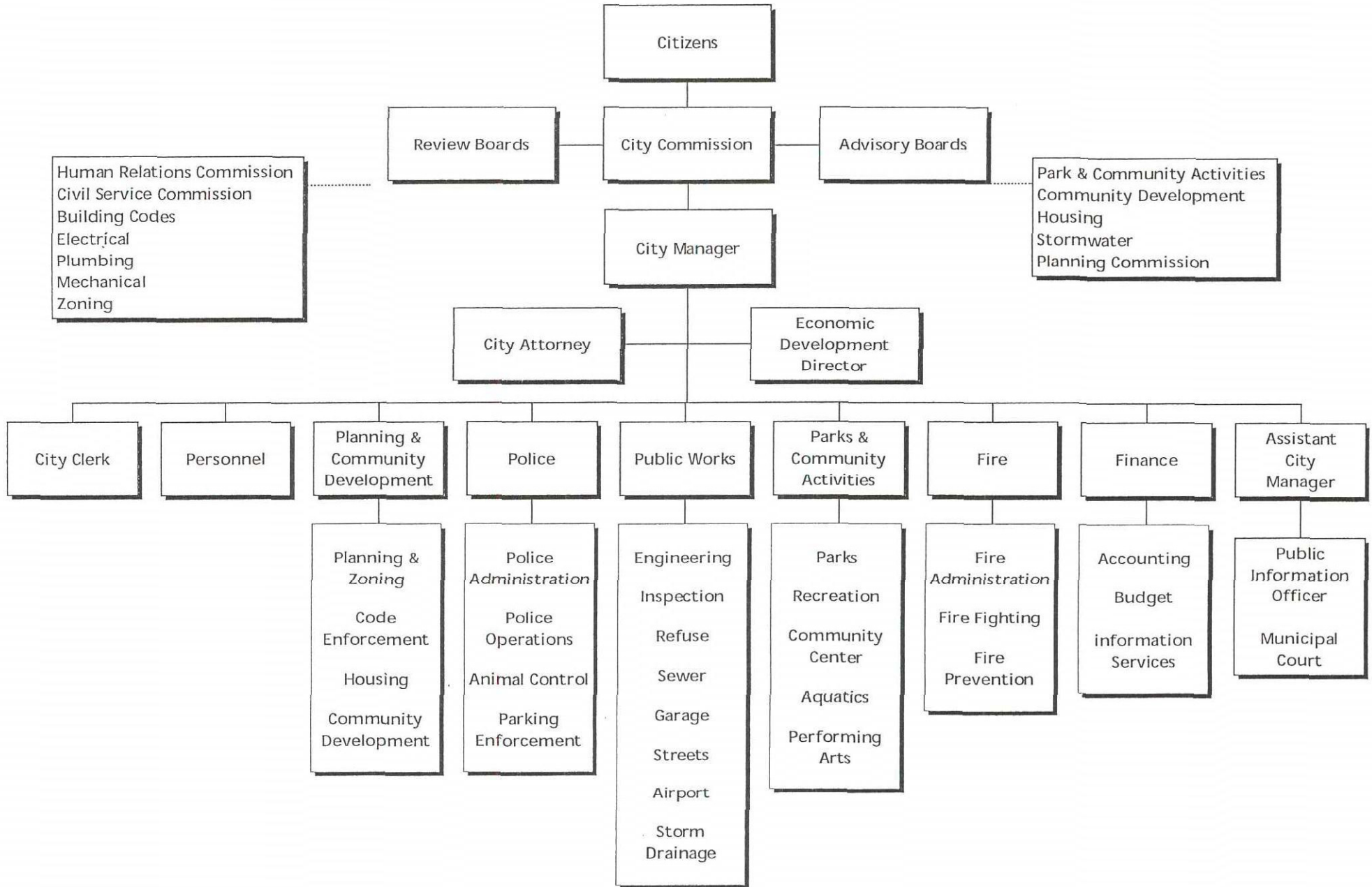
Daniel L. Williamson
Finance Director

City of Leavenworth, Kansas
 List of Elected and Appointed Officials
 December 31, 2011

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

Appointed Officials	Position	Length of Service
J. Scott Miller	City Manager	4 years
Thomas Dawson	City Attorney	3 years
Gary Bartek	Economic Development Administrator	1 year
Paul Kramer	Assistant to the City Manager	2 years
Sara Wright	Public Information Officer	2 years
Lona Lanter	Human Resources Director	8 years
Karen Logan	City Clerk	6 years
Daniel Williamson	Finance Director	21 years
Julia Anderson	Director of Parks & Community Activities	4 years
Michael McDonald	Director of Public Works	23 years
Pat Kitchens	Police Chief	4 years
Mark DeMaranville	Fire Chief	3 years

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, 2010

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.



Linda C. Davison

President

Jeffrey R. Emer

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:

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, 2011 which collectively comprise the City’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Leavenworth Public Library, is based on the report of the other auditors.

We conducted our audit in accordance with 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, and applicable provisions of the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provides a reasonable basis for our 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 4 to the financial statements, on January 1, 2011 the City changed its method of accounting to adopt Government Accounting Standards Board Statement No. 54: Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 and schedules of employer contributions and funding progress on pages 72 through 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.

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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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 it.

Berberich Trahan & Co., P.A.

June 13, 2012

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, 2011. 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 \$57,265,554 (*net assets*). Of this amount, \$4,551,655 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets declined \$2,366,996, or 4.0 percent from the prior year.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,835,099, an increase of \$1,355,942 over the prior year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$3,028,883, or 17.5 percent of total General Fund expenditures.
- The City's total bonded debt increased by \$1,125,000 (five percent) during the current fiscal year. General obligation bonds totaling \$4,235,000 were issued for governmental activities to provide permanent financing for general infrastructure improvements. However, \$3,420,000 of previously existing debt for governmental and business-type activities was retired during the year.

The City also issued \$6,250,000 of general obligation refunding bonds to redeem the principal balance of five issues amounting to \$5,940,000. The transaction will result in an aggregate reduction of debt service payments of approximately \$599,835 and will provide an economic gain of approximately \$555,492.

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 assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 16 – 17 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 18 – 21 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 22 – 24 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 25 – 26 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 27 – 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. Combining and individual fund statements and schedules can be found on pages 75 – 91 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$57,265,554 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (87 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 Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current and other assets	\$21,228,791	\$22,619,576	\$2,843,191	\$3,540,910	\$24,071,982	\$26,160,486
Capital assets	62,727,056	64,139,901	14,537,844	14,629,877	77,264,900	78,769,778
Total assets	83,955,847	86,759,477	17,381,035	18,170,787	101,336,882	104,930,264
Long-term liabilities						
outstanding	20,343,973	18,708,847	6,646,574	7,083,944	26,990,547	25,792,791
Other liabilities	16,305,980	18,777,489	774,801	727,434	17,080,781	19,504,923
Total liabilities	36,649,953	37,486,336	7,421,375	7,811,378	44,071,328	45,297,714
Net assets:						
Invested in capital assets,						
net of related debt	40,913,632	42,320,043	8,272,844	7,974,877	49,186,476	50,294,920
Restricted	3,527,423	-	-	-	3,527,423	-
Unrestricted	2,864,839	6,953,098	1,686,816	2,384,532	4,551,655	9,337,630
Total net assets	\$47,305,894	\$49,273,141	\$9,959,660	\$10,359,409	\$57,265,554	\$59,632,550

The balance of *unrestricted net assets* (\$4,551,655) 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 assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The City's net assets declined \$2,366,996 during the current fiscal year. The City's investment in capital assets net of related debt declined \$1,108,444, or approximately two percent. Unrestricted net assets declined \$4,785,975, or approximately fifty-one percent, resulting from operating expenses exceeding operating revenues on an ongoing basis and the reclassification of certain balances to restricted net assets. These unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors.

Governmental activities

Governmental activities decreased the City's net assets \$1,967,247, thereby accounting for 83 percent of the total decline in net assets of the City. Key elements of this decline are as follows:

- Charges for services increased \$341,149 (six percent) during the year. During the year, proceeds from the sale of rehabilitated homes in the Neighborhood Stabilization Grant program increased \$232,488 over the prior year. The City also received \$69,601 during the year from the sale of a property that had been purchased in conjunction with a major street construction project.

Also, the City received \$180,563 of insurance proceeds to reimburse the City for expenses incurred at the animal control facility and the airport during a recent flood event. In the prior year, the City had received \$148,299 of insurance proceeds related to damage incurred at the Community Center from a vehicular accident.

Revenues from the sale of gasoline and diesel fuel at the Garage increased \$150,061 over the prior year. However, Community Center program revenue declined \$77,020 from the prior year while revenue from subdivision inspection fees in Engineering declined \$63,964 due to a lack of building activity in the City.

- Operating grants and contributions increased \$319,932 (10 percent) during the year. The City received \$252,872 more federal financial assistance for Section 8 and VASH low income housing vouchers and for the Planters II elderly facility than in the prior year. The City also received \$105,611 of FEMA reimbursements for expenses incurred during a recent flood event.
- Capital grants and contributions declined \$576,486 (34 percent) during the year.
- Revenues from property taxes increased \$154,679 (two percent) during the year. Although the mill levy and assessed valuation remained essentially unchanged from the prior year, a slightly higher collection rate for current property taxes and a \$56,333 increase in delinquent property taxes led to this increase in property taxes. Sales tax revenues also increased \$192,827, or three percent while motor vehicle taxes declined \$93,867, or nine percent, from the prior year.
- Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Overall, expenses increased \$1,577,728, or about five percent over the prior year. General government expenses increased \$321,950, or about eight percent, during the year due to a \$539,306 loss on the disposal of capital assets. Several properties purchased and renovated under the Neighborhood Revitalization Grant program were sold at significant losses. The loss was only \$195,358 in the prior year.

Public safety expenses increased \$164,686, or about one percent, due to a \$131,649 increase in Police and Fire personnel costs over the prior year. A flood event during the year caused \$63,622 in cleanup and repair costs at the Animal Control facility. Costs for fuel purchases were \$43,368 over the prior year although expenses in various Police grant programs declined \$30,304.

Public works expenses increased \$334,924, or about eight percent, due to a \$105,689 increase in personnel costs over the prior year. A flood event during the year caused \$53,704 in cleanup and repairs costs at various sites throughout the City. Also, Garage gasoline and diesel fuel purchases increased \$114,464 while vehicle maintenance and repair costs in the Streets Fund increased \$49,420 over the prior year.

Housing and urban redevelopment expenses increased \$408,973, or about 14 percent, due to increases of \$152,562 and \$51,439 in the federally-supported Section 8 and Veterans Affairs Supportive Housing (VASH) programs, respectively, over the prior year. Also, the City is required to remit to the State any proceeds from the sale of houses subsidized by the Neighborhood Stabilization Grant program. This payment increased \$232,489 over the prior year.

Interest on long term debt increased \$140,774, or about 15 percent, from the prior year. This increase is primarily due to a \$126,735 interest payment to the bond escrow agent in conjunction with the \$6,250,000 general obligation refunding bond issued during the year.

City of Leavenworth's Changes in Net Assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$5,656,845	\$5,315,696	\$5,046,539	\$5,068,320	\$10,703,384	\$10,384,016
Operating grants and contributions	3,621,432	3,301,500	35,831	0	3,657,263	3,301,500
Capital grants and contributions	1,100,609	1,677,095	0	0	1,100,609	1,677,095
General revenues:						
Property taxes	9,491,948	9,337,269	0	0	9,491,948	9,337,269
Other taxes	10,070,783	9,952,419	0	0	10,070,783	9,952,419
Grants and contributions not restricted to specific programs	87,420	88,794	0	0	87,420	88,794
Unrestricted investment earnings	20,141	22,309	0	0	20,141	22,309
Total revenues	30,049,178	29,695,082	5,082,370	5,068,320	35,131,548	34,763,402
Expenses:						
General government	4,352,118	4,030,168	0	0	4,352,118	4,030,168
Public safety	12,008,431	11,843,745	0	0	12,008,431	11,843,745
Public works	4,443,172	4,108,248	0	0	4,443,172	4,108,248
Culture and recreation	3,238,794	3,242,768	0	0	3,238,794	3,242,768
Housing and urban redevelopment	3,307,860	2,898,887	0	0	3,307,860	2,898,887
Unallocated depreciation expense	3,593,817	3,383,422	0	0	3,593,817	3,383,422
Interest on long-term debt	1,077,433	936,659	0	0	1,077,433	936,659
Sewer	0	0	3,766,429	3,776,559	3,766,429	3,776,559
Refuse	0	0	1,710,490	1,671,076	1,710,490	1,671,076
Total expenses	32,021,625	30,443,897	5,476,919	5,447,635	37,498,544	35,891,532
Change in net assets before transfers	(1,972,447)	(748,815)	(394,549)	(379,315)	(2,366,996)	(1,128,130)
Transfers	5,200	0	(5,200)	0	0	0
Change in net assets	(1,967,247)	(748,815)	(399,749)	(379,315)	(2,366,996)	(1,128,130)
Net assets – beginning	49,273,141	50,021,956	10,359,409	10,738,724	59,632,550	60,760,680
Net assets – ending	\$47,305,894	\$49,273,141	\$9,959,660	\$10,359,409	\$57,265,554	\$59,632,550

Business-type activities

Business-type activities decreased the City's net assets \$399,749, accounting for 17 percent of the total decline in the City's net assets. Key elements of this decline are as follows:

- Sewer Fund revenues declined \$60,151, or nearly two percent, from the prior year due to a \$60,180 decline in the sewer utility revenue from Fort Leavenworth.

Sewer Fund expenses declined \$55,904, or about two percent, due partially to the elimination of \$160,000 of expenses incurred in the prior year for a Sewer Master Plan update. Expenses related to storm sewer repairs declined \$66,242 while expenses for sewer line repairs declined \$37,779. However, non-personnel sewer plant expenses increased \$121,438. Fund expenses for personal services increased \$48,078 while depreciation expense increased \$24,270.

- Refuse Fund revenues from charges for services increased \$40,470, or about two percent, due to a two percent increase in the refuse utility rate over the prior year. Refuse Fund expenses increased \$40,714, or about two percent, due to inflationary factors.

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 \$7,835,099, an increase of \$1,355,942 over the prior year.

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 \$3,028,883. Approximately 87% of this amount (\$2,632,344) is designated as unassigned fund balance, which is available for spending at the City's discretion. \$6,666 of total fund balance is designed as restricted to reflect amounts restricted to specific purposes by external sources such as grantors and bondholders. \$389,873 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 15.2 percent of total General Fund expenditures, while total fund balance represents 17.5 percent of total General Fund expenditures.

The fund balance of the City's General Fund declined \$702,418 during the current fiscal year. Revenues from all sources increased \$368,115 over the prior year while total expenses increased \$61,106 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds increased \$262,298 primarily due to a \$180,897 increase in the transfer to the Streets fund to subsidize the operations of the Fund.

The Debt Service Fund had a restricted fund balance of \$418,901 at the end of the current year, a decline of \$27,324 from the prior year. Other financing sources increased \$887,238 over the prior year as transfers from other funds to support payments on specific bonds increased for the current year. Other financing sources also increased \$240,000 due to the net effect of the issuance of refunding bonds during the year. However, principal retirement also increased \$1,020,000 over the prior year while interest expenditures increased \$231,702.

At the end of the year, the fund balance of the Capital Projects Fund was \$1,315,699, an increase of \$2,740,432 over the prior year. Several factors contributed to this decline:

- Total revenue increased \$129,176 during the year due primarily to a \$577,043 increase in miscellaneous income resulting from the sale of land for \$69,601 and from the sale of historic tax credits related to Community Center improvements for \$76,750.
- Capital outlay decreased \$1,495,348 during the year.
- Proceeds from general obligation bonds and capital leases increased \$566,956 during the year while net transfers in increased \$596,635 over 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 assets of the Sewer Fund at the end of the year amounted to \$2,043,591, and those for the Refuse Fund amounted to \$(356,775). In comparison with the prior year, unrestricted net assets for the Sewer Fund declined \$762,903 while unrestricted net assets for the Refuse Fund increased \$65,187. 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 2011.

During the year, revenues were \$674,139, or nearly four percent, greater than budgetary estimates due to:

- Sales tax, franchise tax, and delinquent property tax revenues exceeded budgetary expectations by \$295,928, \$148,088, and \$59,745, respectively. However, compensating use tax revenues were below expectations by \$36,332 while motor vehicle tax revenues were \$49,289 below expectations.
- Revenues from investment earnings were \$71,395 less than budgetary expectations since interest rates remained at nearly 0% during the year.
- Revenues from licenses and permits were \$43,194 over budgetary expectations as residential remodeling permits and business licenses exceeded expectations by \$14,289 and \$21,704, respectively.
- Revenues from fines and forfeitures were \$47,142 over budgetary expectations due to an increase in revenues from Municipal Court fines.

- Revenues from intergovernmental sources were \$26,552 less than budgetary expectations due to a \$44,706 shortfall in transient guest tax revenues. However, an unanticipated \$18,258 of Federal grants was received in support of Police programs.
- Miscellaneous revenues were \$124,783 over budgetary expectations due primarily to unanticipated premium reimbursements of \$66,674 received from the City's workers compensation insurance carrier. Further, the City also received \$31,226 more 911 telephone fees than were anticipated.

During the year, expenditures were \$489,443, or nearly three percent, less than budgetary estimates due to:

- General government expenditures were \$215,211, or six percent, below budgetary expectations primarily due to position vacancies that generated savings of approximately \$165,500. Also, since transient guest tax revenues were below budgeted expectations by \$44,706, the payment to the Convention and Visitor's Bureau was below expectations by that amount.
- Public safety expenditures were \$369,763, or three percent, below budgetary expectations due to savings of \$327,821 in Police and Fire Department personnel costs resulting from position vacancies throughout the year. Also, costs for Police prisoner boarding were below expectations by \$54,347.
- Public works expenditures exceeded budgetary expectations by \$170,330, or seven percent, since Garage gasoline and diesel fuel purchases exceeded budget by \$124,889 during the year. Also, costs for vehicle maintenance and repair activities at the Garage exceeded budgetary expectations by \$85,332. However, personnel costs were \$40,955 below expectations due to position vacancies throughout the year.
- Culture and recreation expenditures were \$84,521, or eleven percent, below budgetary expectations due to savings of \$59,812 in Parks personnel costs resulting from position vacancies throughout the year. Also, park maintenance costs were below expectations by \$25,152.
- Transfers to other funds exceeded budgetary expectations by \$193,381 during the year. The one-half cent sales tax dedicated to capital projects generated substantially more revenue than was anticipated during the year; accordingly, the budgeted transfer to the Capital Projects Fund was \$133,982 higher than anticipated. The budgeted transfer to the Special Fuel Fund also exceeded expectations by \$59,400 due to a need to further subsidize that Fund.

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, 2011, amounts to \$77,264,900 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, streets, and bridges. The total decline in the City's investment in capital assets for the current fiscal year was 1.9 percent (a 2.2 percent decline for governmental funds and a 0.6 percent decline for business-type activities).

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

- A major renovation of the City’s baseball field complex was completed during the year at a cost of \$2,395,197. Several smaller parks projects were also completed at a cost of \$134,966.
- Numerous street projects were completed at a cost of \$4,741,515. 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 \$245,907.
- A variety of building purchases and improvements were completed during the fiscal year at a cost of \$1,022,120, including purchases of \$416,805 for low-income housing related to a Neighborhood Stabilization grant and \$210,300 for a fire training facility. Several improvements to the Community Center were underway at year end; construction in progress for such projects as of the close of the fiscal year was \$340,561.
- Several sidewalk projects were completed at a cost of \$558,598 during the fiscal year.
- Equipment for \$630,856 was purchased during the fiscal year, including \$319,199 for the replacement of various cars and trucks. A project to replace the City’s telephone system was underway at year end; construction in progress was \$144,081 at the end of the fiscal year.
- In the business-type activities, several sewer line improvements were completed at a cost of \$309,806. A major sewer plant improvement project was initiated during the year and construction in progress as of the close of the fiscal year had reached \$519,835. Finally a Refuse truck for \$143,648 was also purchased during the fiscal year.

City of Leavenworth’s Capital Assets

(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$3,208,114	\$3,058,350	\$58,634	\$58,634	\$3,266,748	\$3,116,984
Buildings	11,862,556	12,507,240	5,198,963	5,837,712	17,061,519	18,344,952
Improvements other than buildings	8,601,041	6,757,911	7,852,176	7,939,330	16,453,217	14,697,241
Machinery and equipment	3,808,628	3,873,881	908,236	794,201	4,716,864	4,668,082
Infrastructure	34,336,847	32,271,022	0	0	34,336,847	32,271,022
Construction in progress	909,870	5,671,497	519,835	0	1,429,705	5,671,497
Total	\$62,727,056	\$64,139,901	\$14,537,844	\$14,629,877	\$77,264,900	\$78,769,778

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 \$25,005,000, all of which is debt backed by the full faith and credit of the City. Of this amount, \$18,615,000 relates to governmental activities while \$6,390,000 relates to business-type activities.

The City's total bonded debt increased by \$1,125,000 (five percent) during the current fiscal year. General obligation bonds totaling \$4,235,000 were issued for governmental activities to provide permanent financing for general infrastructure improvements. However, \$3,420,000 of previously existing debt for governmental and business-type activities was retired during the year.

During the year, the City also issued \$6,250,000 of general obligation refunding bonds to redeem, in advance of their stated maturities, the principal balance of five issues amounting to \$5,940,000. The transaction will result in an aggregate reduction of debt service payments of approximately \$599,835 and will provide an economic gain of approximately \$555,492.

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 \$67,999,247, 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 – 53 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2012 operating budget has been prepared with the assumption that progress toward economic recovery will be slow and fitful for the next several years. While the City of Leavenworth 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 an 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 2011, however, revenue was only \$20,140.
- Data provided by the County Clerk indicates that 2012 assessed valuation declined by 0.6% from the prior year. This decline results in the need for the City to reduce its 2012 property tax requirement by \$64,940 to avoid increasing the 51.884 mills the City levied in 2011. In fact, since 2009, the City's assessed valuation has declined by 1.6%.
- 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—for the first time—the General Fund subsidize the Streets Fund in order to maintain current service levels. In 2012, it is projected that motor fuel tax revenue will improve marginally to \$930,000; however, the Fund will still require a \$229,080 General Fund subsidy.

Other factors that have caused significant pressure on the City's financial position include:

- The City's mandatory contributions to the State KPERS and KP&F pension plans have increased \$401,331, or 41%, since 2007.

- Gasoline and fuel costs in the Tax Funds are expected to increase \$153,925, or 28.8%, over the 2011 budget.
- Debt service payments supported by property tax revenues have increased \$313,770 in the past two years for the 20th & Metropolitan Intersection, the Limit Street (14th Street to Tonganoxie Road), and the Community Center Improvements projects.

However, given that these challenging economic conditions may persist for several years, it becomes necessary to stabilize the City's remaining fund balance positions by eliminating—or severely limiting—the deficit spending. The most important step is to control spending in all budgets to the extent feasible without sacrificing the ability of the City to provide essential municipal services. The 2012 budget:

- Holds total expenses in the 2012 budget for the Tax and Library Funds to an increase of \$12,810, or 0.05%, over the 2011 budget. Excluding debt service payments, total expenses actually decline \$481,340, or 2.1%, from 2011 levels. In the General Fund budget alone, where most operating budgets are funded, expenses decline \$271,850, or 1.4%, from the prior year.
- Includes no salary increases for employees. The 2012 budget eliminates both the Commission approved salary increase (CASI) given at the beginning of the year and the performance recognition portion of the compensation system given on an employee's anniversary date. In short, all employee compensation is frozen at 2011 levels. Also, position salary ranges are not adjusted according to market data and therefore remain frozen at 2011 levels.
- Includes no Supplemental Requests. Given the current economic difficulties, the budget was prepared with the intent of avoiding reductions in service levels to citizens. No attempt was made to improve City services in any significant manner. Resources are simply not available to pursue such improvements or to recommend Supplemental Requests designed to enhance services. However, the budget does maintain the ability of the City to provide essential services to its citizens.
- Freezes a variety of vacant positions in the General Fund through 2012 for total salary and fringe benefit savings of \$473,870.
- Reduces the City's budgeted non-appropriated General Fund reserve position \$40,675 to \$342,400.

In summary, the 2012 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 2012 budget does not raise the mill levy. The 2012 City mill levy remains unchanged at 51.884.

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 Assets

December 31, 2011

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Library
ASSETS				
Cash and cash equivalents	\$ 9,310,788	\$ 2,164,746	\$ 11,475,534	\$ 693,428
Deposits restricted for tenant deposit refunds	25,701	-	25,701	-
Deposit in escrow	196,740	-	196,740	-
Receivables (net of uncollectibles)				
Interest	-	-	-	-
Property tax	9,175,165	-	9,175,165	908,740
Special assessment tax	323,812	-	323,812	-
Sales tax	1,114,559	-	1,114,559	-
Due from other governments	245,065	35,831	280,896	-
Accounts receivable	836,961	642,614	1,479,575	-
Capital assets (net of accumulated depreciation)				
Land	3,208,114	58,634	3,266,748	-
Buildings and systems	11,862,556	5,198,963	17,061,519	-
Improvements other than buildings	8,601,041	7,852,176	16,453,217	-
Machinery and equipment	3,808,628	908,236	4,716,864	778,002
Infrastructure	34,336,847	-	34,336,847	-
Construction in progress	909,870	519,835	1,429,705	-
Total assets	83,955,847	17,381,035	101,336,882	2,380,170
LIABILITIES				
Accounts payable	645,340	114,590	759,930	-
Accrued compensation	353,674	32,910	386,584	-
Accrued interest payable	190,484	70,261	260,745	-
Tenant deposits	25,701	-	25,701	-
Unearned revenue	9,193,601	-	9,193,601	908,740
Bond anticipation notes payable	2,870,000	-	2,870,000	-
Long-term liabilities				
Due within one year	3,027,180	557,040	3,584,220	3,734
Due in more than one year	20,343,973	6,646,574	26,990,547	6,964
Total liabilities	36,649,953	7,421,375	44,071,328	919,438
NET ASSETS				
Invested in capital assets, net of related debt	40,913,632	8,272,844	49,186,476	767,304
Restricted for:				
General government	1,433,841	-	1,433,841	-
Public safety	323,532	-	323,532	-
Culture and recreation	30,673	-	30,673	-
Housing and urban redevelopment	1,205,584	-	1,205,584	-
Debt service	533,793	-	533,793	-
Unrestricted	2,864,839	1,686,816	4,551,655	693,428
Total net assets	\$ 47,305,894	\$ 9,959,660	\$ 57,265,554	\$ 1,460,732

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Activities
For the Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets			Component Unit Library
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities								
General government	\$ 4,352,118	\$ 1,889,468	\$ 210,320	\$ 312,124	\$ (1,940,206)	\$ -	\$ (1,940,206)	\$ -
Public safety	12,008,431	726,273	92,214	126,560	(11,063,384)	-	(11,063,384)	-
Public works	4,443,172	1,529,150	1,023,520	101,020	(1,789,482)	-	(1,789,482)	-
Culture and recreation	3,238,794	735,381	112,137	-	(2,391,276)	-	(2,391,276)	-
Housing and urban redevelopment	3,307,860	776,573	2,183,241	560,905	212,859	-	212,859	-
Unallocated depreciation expense	3,593,817	-	-	-	(3,593,817)	-	(3,593,817)	-
Interest on long term debt	1,077,433	-	-	-	(1,077,433)	-	(1,077,433)	-
Total governmental activities	32,021,625	5,656,845	3,621,432	1,100,609	(21,642,739)	-	(21,642,739)	-
Business-type activities:								
Sewer	3,766,429	3,211,525	35,831	-	-	(519,073)	(519,073)	-
Refuse	1,710,490	1,835,014	-	-	-	124,524	124,524	-
Total business-type activities	5,476,919	5,046,539	35,831	-	-	(394,549)	(394,549)	-
Total primary government	\$ 37,498,544	\$ 10,703,384	\$ 3,657,263	\$ 1,100,609	(21,642,739)	(394,549)	(22,037,288)	-
Component unit:								
Library	1,111,196	31,288	23,429	-	-	-	-	(1,056,479)
General revenues:								
Taxes:								
Property taxes					9,491,948	-	9,491,948	1,022,605
Sales taxes					5,712,203	-	5,712,203	-
Tax increment sales taxes					185,157	-	185,157	-
Compensating use taxes					685,653	-	685,653	-
Franchise taxes					2,565,587	-	2,565,587	-
Motor vehicle taxes					922,183	-	922,183	-
Intergovernmental revenue not restricted to specific programs					87,420	-	87,420	46,415
Miscellaneous					-	-	-	3,999
Unrestricted investment earnings					20,141	-	20,141	6,197
Transfers					5,200	(5,200)	-	-
Total general revenues and transfers					19,675,492	(5,200)	19,670,292	1,079,216
Change in net assets					(1,967,247)	(399,749)	(2,366,996)	22,737
Total net assets - beginning					49,273,141	10,359,409	59,632,550	1,437,995
Total net assets - ending					\$ 47,305,894	\$ 9,959,660	\$ 57,265,554	\$ 1,460,732

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Balance Sheet

Governmental Funds

December 31, 2011

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,213,946	\$ 418,901	\$ 3,969,542	\$ 2,708,399	\$ 9,310,788
Deposits restricted for tenant deposit refunds	-	-	-	25,701	25,701
Deposits in escrow	-	-	196,740	-	196,740
Receivables (net of uncollectibles)					
Special assessments	95,351	228,461	-	-	323,812
Property tax	7,206,870	1,475,945	-	492,350	9,175,165
Sales tax	664,294	-	-	450,265	1,114,559
Due from other governments	9,829	-	137,664	97,572	245,065
Due from other funds	94,194	-	-	-	94,194
Accounts receivable	654,398	-	180,563	2,000	836,961
Total assets	<u>\$ 10,938,882</u>	<u>\$ 2,123,307</u>	<u>\$ 4,484,509</u>	<u>\$ 3,776,287</u>	<u>\$ 21,322,985</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 296,259	\$ -	\$ 298,810	\$ 50,271	\$ 645,340
Accrued compensation	311,519	-	-	42,155	353,674
Due to other funds	-	-	-	94,194	94,194
Bond anticipation notes payable	-	-	2,870,000	-	2,870,000
Tenant deposits	-	-	-	25,701	25,701
Deferred revenue	7,302,221	1,704,406	-	492,350	9,498,977
Total liabilities	<u>7,909,999</u>	<u>1,704,406</u>	<u>3,168,810</u>	<u>704,671</u>	<u>13,487,886</u>
Fund balances					
Restricted	6,666	418,901	-	2,986,964	3,412,531
Committed	387,057	-	1,296,230	-	1,683,287
Assigned	2,816	-	19,469	84,652	106,937
Unassigned	2,632,344	-	-	-	2,632,344
Total fund balances	<u>3,028,883</u>	<u>418,901</u>	<u>1,315,699</u>	<u>3,071,616</u>	<u>7,835,099</u>
Total liabilities and fund balances	<u>\$ 10,938,882</u>	<u>\$ 2,123,307</u>	<u>\$ 4,484,509</u>	<u>\$ 3,776,287</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 62,727,056

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds 305,376

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (23,561,637)

Net assets of governmental activities \$ 47,305,894

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, 2011

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,701,220	\$ 2,015,093	\$ -	\$ 3,151,795	\$ 19,868,108
Intergovernmental	272,948	-	302,786	3,808,046	4,383,780
Licenses and permits	409,844	-	-	-	409,844
Charges for services	2,059,337	-	40	936,833	2,996,210
Fines and forfeitures	1,047,142	-	-	67,972	1,115,114
Investment earnings	20,140	25,205	12	1,145	46,502
Miscellaneous	195,388	-	398,533	465,802	1,059,723
Total revenues	<u>18,706,019</u>	<u>2,040,298</u>	<u>701,371</u>	<u>8,431,593</u>	<u>29,879,281</u>
EXPENDITURES					
Current:					
General government	3,272,224	-	392,649	-	3,664,873
Public safety	10,883,842	-	89,671	49,000	11,022,513
Public works	2,490,639	-	153,636	1,327,931	3,972,206
Culture and recreation	697,784	-	12,338	1,482,136	2,192,258
Housing and urban redevelopment	-	-	46,350	2,961,017	3,007,367
Debt service:					
Principal retirement	-	2,920,000	146,945	-	3,066,945
Interest and fiscal charges	-	868,473	96,938	184,176	1,149,587
Capital outlay	9,722	-	4,526,087	588,721	5,124,530
Total expenditures	<u>17,354,211</u>	<u>3,788,473</u>	<u>5,464,614</u>	<u>6,592,981</u>	<u>33,200,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,351,808</u>	<u>(1,748,175)</u>	<u>(4,763,243)</u>	<u>1,838,612</u>	<u>(3,320,998)</u>
OTHER FINANCING SOURCES (USES)					
Capital leases	-	-	196,740	-	196,740
Payment to refunded bond escrow agent	-	(5,240,000)	-	-	(5,240,000)
General obligation bonds issued	-	-	4,235,000	-	4,235,000
General obligation refunding bonds issued	-	5,480,000	-	-	5,480,000
Transfers in	-	1,480,851	4,089,764	567,558	6,138,173
Transfers out	(2,054,226)	-	(1,017,829)	(3,060,918)	(6,132,973)
Total - other financing sources (uses)	<u>(2,054,226)</u>	<u>1,720,851</u>	<u>7,503,675</u>	<u>(2,493,360)</u>	<u>4,676,940</u>
Net change in fund balances	(702,418)	(27,324)	2,740,432	(654,748)	1,355,942
Fund balances - beginning	<u>3,731,301</u>	<u>446,225</u>	<u>(1,424,733)</u>	<u>3,726,364</u>	<u>6,479,157</u>
Fund balances - ending	<u>\$ 3,028,883</u>	<u>\$ 418,901</u>	<u>\$ 1,315,699</u>	<u>\$ 3,071,616</u>	<u>\$ 7,835,099</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, 2011

Amounts reported for governmental activities (page 17) are different because:

Net change in fund balances - total governmental funds (page 19)	\$ 1,355,942
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,007,099)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	(405,746)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	36,337
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 assets. 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.	(1,604,795)
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>(341,886)</u>
Change in net assets of governmental activities (page 17)	<u>\$ (1,967,247)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 14,276,300	\$ 14,276,300	\$ 14,701,220	\$ 424,920
Intergovernmental	299,500	299,500	272,948	(26,552)
Licenses and permits	366,650	366,650	409,844	43,194
Charges for services	1,927,290	1,927,290	2,059,337	132,047
Fines and forfeitures	1,000,000	1,000,000	1,047,142	47,142
Investment earnings	91,535	91,535	20,140	(71,395)
Miscellaneous	70,605	70,605	195,388	124,783
Total revenues	<u>18,031,880</u>	<u>18,031,880</u>	<u>18,706,019</u>	<u>674,139</u>
EXPENDITURES				
Current:				
General government	3,487,435	3,487,435	3,272,224	215,211
Public safety	11,253,605	11,253,605	10,883,842	369,763
Public works	2,323,125	2,323,125	2,493,455	(170,330)
Culture and recreation	782,305	782,305	697,784	84,521
Capital outlay	-	-	9,722	(9,722)
Total expenditures	<u>17,846,470</u>	<u>17,846,470</u>	<u>17,357,027</u>	<u>489,443</u>
Excess of revenues over expenditures	<u>185,410</u>	<u>185,410</u>	<u>1,348,992</u>	<u>1,163,582</u>
OTHER FINANCING USES				
Transfers out	<u>(1,860,845)</u>	<u>(1,860,845)</u>	<u>(2,054,226)</u>	<u>(193,381)</u>
Net change in fund balances	<u>(1,675,435)</u>	<u>(1,675,435)</u>	<u>(705,234)</u>	<u>970,201</u>
Fund balances - beginning	2,048,510	2,048,510	3,695,914	1,647,404
Prior year encumbrances relieved	-	-	35,387	35,387
Fund balances - ending	<u>\$ 373,075</u>	<u>\$ 373,075</u>	<u>\$ 3,026,067</u>	<u>\$ 2,652,992</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Assets

Proprietary Funds

December 31, 2011

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,771,833	\$ 392,913	\$ 2,164,746
Due from other governments	35,831	-	35,831
Accounts receivable	502,965	139,649	642,614
Total current assets	2,310,629	532,562	2,843,191
Noncurrent assets:			
Capital assets:			
Land	14,000	44,634	58,634
Buildings and system	12,359,719	24,751	12,384,470
Improvements other than buildings	11,302,360	37,440	11,339,800
Machinery and equipment	2,291,305	1,088,396	3,379,701
Construction in progress	519,835	-	519,835
Less accumulated depreciation	(12,558,298)	(586,298)	(13,144,596)
Total capital assets (net of accumulated depreciation)	13,928,921	608,923	14,537,844
Total noncurrent assets	13,928,921	608,923	14,537,844
Total assets	16,239,550	1,141,485	17,381,035
LIABILITIES			
Current liabilities:			
Accounts payable	80,134	34,456	114,590
Accrued compensation	18,488	14,422	32,910
Accrued compensated absences	7,211	4,829	12,040
Bonds payable	480,000	45,000	525,000
Accrued interest payable	68,607	1,654	70,261
Accrued landfill closure/postclosure care costs	-	20,000	20,000
Total current liabilities	654,440	120,361	774,801
Noncurrent liabilities:			
Accrued compensated absences	58,828	39,391	98,219
Other post-employment benefits	33,770	24,060	57,830
Bonds payable	5,785,000	80,000	5,865,000
Accrued landfill closure/postclosure care costs	-	625,525	625,525
Total noncurrent liabilities	5,877,598	768,976	6,646,574
Total liabilities	6,532,038	889,337	7,421,375
NET ASSETS			
Invested in capital, net of related debt	7,663,921	608,923	8,272,844
Unrestricted	2,043,591	(356,775)	1,686,816
Total net assets	\$ 9,707,512	\$ 252,148	\$ 9,959,660

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

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

Proprietary Funds

For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
Operating revenues:			
Charges for services	\$ 3,209,751	\$ 1,817,916	\$ 5,027,667
Miscellaneous	1,774	98	1,872
Total operating revenues	<u>3,211,525</u>	<u>1,818,014</u>	<u>5,029,539</u>
Operating expenses:			
Personal services	942,068	635,377	1,577,445
Contractual services	1,240,570	774,125	2,014,695
Commodities	158,210	198,634	356,844
Depreciation	1,125,164	96,439	1,221,603
Total operating expenses	<u>3,466,012</u>	<u>1,704,575</u>	<u>5,170,587</u>
Operating income (loss)	(254,487)	113,439	(141,048)
Nonoperating revenues (expenses):			
Gain/(loss) on sale of capital assets	-	17,000	17,000
Intergovernmental	35,831	-	35,831
Interest and fiscal charges	(300,417)	(5,915)	(306,332)
Total nonoperating revenues (expenses)	<u>(264,586)</u>	<u>11,085</u>	<u>(253,501)</u>
Income (loss) before transfers	(519,073)	124,524	(394,549)
Transfers:			
Transfers out	<u>(5,200)</u>	<u>-</u>	<u>(5,200)</u>
Change in net assets	(524,273)	124,524	(399,749)
Total net assets - beginning	<u>10,231,785</u>	<u>127,624</u>	<u>10,359,409</u>
Total net assets - ending	<u>\$ 9,707,512</u>	<u>\$ 252,148</u>	<u>\$ 9,959,660</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 3,038,447	\$ 1,817,796	\$ 4,856,243
Payments to suppliers	(1,368,072)	(971,521)	(2,339,593)
Payments to employees	(929,717)	(626,558)	(1,556,275)
Net cash provided by operating activities	<u>740,658</u>	<u>219,717</u>	<u>960,375</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(5,200)	-	(5,200)
Net cash used by noncapital financing activities	<u>(5,200)</u>	<u>-</u>	<u>(5,200)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of capital debt	770,000	-	770,000
Purchases of capital assets	(973,794)	(138,776)	(1,112,570)
Principal paid on capital debt	(1,160,000)	(40,000)	(1,200,000)
Interest paid on capital debt	(313,051)	(6,400)	(319,451)
Net cash used by capital and related financing activities	<u>(1,676,845)</u>	<u>(185,176)</u>	<u>(1,862,021)</u>
Net increase (decrease) in cash and cash equivalents	(941,387)	34,541	(906,846)
Cash and cash equivalents, January 1	<u>2,713,220</u>	<u>358,372</u>	<u>3,071,592</u>
Cash and cash equivalents, December 31	<u>\$ 1,771,833</u>	<u>\$ 392,913</u>	<u>\$ 2,164,746</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (254,487)	\$ 113,439	\$ (141,048)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,125,164	96,439	1,221,603
(Increase) decrease in receivables	(173,078)	(218)	(173,296)
Increase (decrease) in accounts payable	30,708	5,613	36,321
Increase (decrease) in accrued compensation	(1,145)	(1,396)	(2,541)
Increase (decrease) in compensated absences	6,121	4,961	11,082
Increase (decrease) in postemployment benefits	7,375	5,254	12,629
Increase (decrease) in accrued landfill closure/postclosure care costs	-	(4,375)	(4,375)
Net cash provided by operating activities	<u>\$ 740,658</u>	<u>\$ 219,717</u>	<u>\$ 960,375</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2011

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 540,373	\$ -
Property tax receivable	161,890	908,740
Total assets	<u>702,263</u>	<u>908,740</u>
LIABILITIES		
Accounts payable	44	-
Deferred revenue	161,890	-
Amounts due other parties	-	908,740
Total liabilities	<u>161,934</u>	<u>908,740</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 540,329</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2011

	Pension Trust
ADDITIONS	
Employer contributions	\$ 155,067
Interest	852
Total additions	155,919
 DEDUCTIONS	
Benefits	183,921
Total deductions	183,921
Changes in net assets	(28,002)
Net assets - beginning	568,331
Net assets - ending	\$ 540,329

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2011

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 assets 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.

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

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

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

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

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.

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 *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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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.

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

1. Summary of significant accounting policies (continued)

D. Deposits and investments

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

According to the City's formal investment policy adopted by the governing body, the City may pool idle cash from all funds for the purpose of increasing income through temporary investment activities. During the year, idle cash was invested in certificates of deposit, 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, 2011, investment earnings allocated to the various funds were approximately \$21,367.

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, 2011, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of \$307,375, 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, 2011 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, 2011, the special assessment taxes levied are a lien on the property and the amount due in 2011 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$34,269, 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, 2011, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$14,303, in the General Fund with a corresponding amount recorded as deferred revenue.

G. Restricted Assets

Proceeds in the amount of \$196,740 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 assets. 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, 2011, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued in June 2011. The objective of this statement is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The provisions of this statement are effective for periods beginning after December 15, 2011.

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. 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 limiting 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)

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 assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. 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 \$23,561,637 difference are as follows:

Bonds payable	\$ 18,615,000
Capital leases payable	664,579
Accrued interest payable	190,484
Accrued compensated absences	1,984,128
Other postemployment benefits	1,871,864
Net pension obligation	<u>235,582</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	<u><u>\$ 23,561,637</u></u>

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net assets of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,007,099 difference are as follows:

Capital outlay	\$ 5,124,530
Depreciation expense	<u>(6,131,629)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (1,007,099)</u>

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

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

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

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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 \$1,604,795 difference are as follows:

Debt issued or incurred:	
Issuance of general obligations bonds	\$ (9,715,000)
Proceeds from capital leases	(196,740)
Principal repayments:	
General obligation debt	<u>8,306,945</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (1,604,795)</u>

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 \$341,886 difference are as follows:

Accrued interest	\$ 72,154
Compensated absences	(2,114)
Other postemployment benefits	(408,791)
Net pension obligation – public safety	<u>(3,135)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	<u>\$ (341,886)</u>

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

3. Stewardship, compliance, and accountability

A. Budgetary information

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

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

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

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

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

A reconciliation of the General Fund budgetary basis statement to the governmental fund statement as of December 31, 2011 is as follows:

	General Fund
Expenditures and other financing sources and uses and encumbrances (Basis of budgeting)	\$ 19,411,253
Add 2010 encumbrances	35,387
Less 2011 encumbrances	(2,816)
Less 2010 encumbrances relieved	(35,387)
Expenditures and other financing sources and uses (GAAP Basis)	\$ 19,408,437

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

4. Detailed notes on all funds

A. Deposits and investments

Deposits

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a formal depository policy, but Kansas statutes require that deposits be collateralized, and that collateral pledged must have a fair market value equal to 100% of the deposits and investments, less insured amounts. At December 31, 2011, the City's carrying amount of deposits was \$2,041,511 and the bank balance was \$2,249,234. Of the bank balance, \$257,874 was covered by Federal depository insurance and \$1,991,360 was covered by collateral held by the City or its agent in the City's name.

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds 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 funds. 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, 2011, the Library's deposits were not exposed to custodial credit risk.

Investments

At December 31, 2011, the City had the following investments:

	Maturities	Fair Value
Repurchase agreements	1 – 89 days	\$ 100,000
State investment pool	1 – 89 days	9,900,097
Deposits in escrow (invested in money market fund)	Not applicable	196,740
Total investments		<u>\$ 10,196,837</u>

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

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

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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 & Poor's.

Custodial credit risk

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

Interest rate risk

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

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

4. Detailed notes on all funds (continued)

B. Capital assets

Capital assets activity for the year ended December 31, 2011 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 3,058,350	\$ 149,764	\$ -	\$ 3,208,114
Construction in progress	5,671,497	892,272	(5,653,899)	909,870
Total capital assets, not being depreciated	8,729,847	1,042,036	(5,653,899)	4,117,984
Capital assets, being depreciated				
Buildings	28,520,804	1,022,120	(575,554)	28,967,370
Improvements other than buildings	12,181,701	2,551,663	-	14,733,364
Machinery and equipment	12,004,483	630,856	(498,574)	12,136,765
Infrastructure	71,917,586	5,665,314	-	77,582,900
Total capital assets, being depreciated	124,624,574	9,869,953	(1,074,128)	133,420,399
Less accumulated depreciation for:				
Buildings	16,013,564	1,127,683	(36,433)	17,104,814
Improvements other than buildings	5,423,790	708,533	-	6,132,323
Machinery and equipment	8,130,602	695,924	(498,389)	8,328,137
Infrastructure	39,646,564	3,599,489	-	43,246,053
Total accumulated depreciation	69,214,520	6,131,629	(534,822)	74,811,327
Total capital assets, being depreciated, net	55,410,054	3,738,324	(539,306)	58,609,072
Governmental activities capital assets, net	\$ 64,139,901	\$ 4,780,360	\$ (6,193,205)	\$ 62,727,056

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	-	519,835
Total capital assets, not being depreciated	58,634	519,835	-	578,469
Capital assets, being depreciated				
Buildings	12,384,470	-	-	12,384,470
Improvements other than buildings	11,029,993	309,807	-	11,339,800
Machinery and equipment	3,183,531	299,928	(103,758)	3,379,701
Total capital assets, being depreciated	26,597,994	609,735	(103,758)	27,103,971
Less accumulated depreciation for:				
Buildings	6,546,758	638,749	-	7,185,507
Improvements other than buildings	3,090,663	396,961	-	3,487,624
Machinery and equipment	2,389,330	185,893	(103,758)	2,471,465
Total accumulated depreciation	12,026,751	1,221,603	(103,758)	13,144,596
Total capital assets, being depreciated, net	14,571,243	(611,868)	-	13,959,375
Business-type activities capital assets, net	\$ 14,629,877	\$ (92,033)	\$ -	\$ 14,537,844

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	\$ 124,125
Public safety	630,276
Public works	435,472
Culture and recreation	1,040,296
Housing and urban redevelopment	307,643
Unallocated depreciation expense (depreciation of infrastructure assets)	3,593,817
Total depreciation expense – governmental activities	<u>\$ 6,131,629</u>

Business-type activities:

Sewer	\$ 1,125,164
Refuse	96,439
Total depreciation expense – business-type activities	<u>\$ 1,221,603</u>

Construction commitments

The City has active construction projects as of December 31, 2011. 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	\$ 267,796	\$ 732,412
Building improvements	440,716	175,600
Park improvements	-	192,575
Sidewalk improvements	288,158	39,928
Stormwater improvements	-	8,872
Sewer improvements	19,933	73,009
Total	<u>\$ 1,016,603</u>	<u>\$ 1,222,396</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	\$ 3,630,121	\$ 145,933	\$ (1,366,968)	\$ 2,409,086
Total capital assets, being depreciated	3,630,121	145,933	(1,366,968)	2,409,086
Less accumulated depreciation for:				
Machinery and equipment	2,836,729	157,139	(1,362,784)	1,631,084
Library capital assets, net	\$ 793,392	\$ (11,206)	\$ (4,184)	\$ 778,002

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2011, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$94,194

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

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

4. Detailed notes on all funds (continued)

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

Interfund transfers for the year ended December 31, 2011, are as follows:

Interfund transfers:

Fund	Transfers In	Transfers Out
Major governmental funds		
General Fund	\$ -	\$ 2,054,226
Debt Service Fund	1,480,851	-
Capital Projects Fund	4,089,764	1,017,829
Nonmajor governmental funds	567,558	3,060,918
Sewer Fund	-	5,200
Total transfers	<u>\$ 6,138,173</u>	<u>\$ 6,138,173</u>

Transfers are primarily used to move revenues from the fund with statutory collection authorization to the Debt Service Fund as debt service principal and interest becomes due or to the Capital Projects Fund to finance various capital projects. No non-routine transfers occurred during the year.

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 \$4,235,000 were issued for governmental activities to provide permanent financing for general infrastructure and trafficway improvements.

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

On September 1, 2011, the City also issued \$6,250,000 in General Obligation Refunding Bonds, Series 2011B with coupon interest rates ranging between 0.45% and 2.60% and maturities from 2012 through 2022 to redeem, in advance of their stated maturities, the principal balance of five issues of general obligation bonds (refunded bonds) amounting to \$5,940,000. The refunded bonds consist of bonds maturing from September 1, 2012 through September 1, 2022 and carry coupon interest rates ranging from 3.95% to 5.00%. The net proceeds of \$6,121,815 were used to purchase U.S. Government securities. These securities 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's escrow accounts are inadequate for the refunded bonds, the City remains contingently liable for the payment of approximately \$2,810,000 of outstanding bonds.

The transaction will result in an aggregate reduction of debt service payments of approximately \$599,835 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 \$555,492.

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2011
Governmental activities				
GO Refunding & Internal Improvements	2002C	4.12% - 4.40%	09/01/16	\$ 630,000
GO Refunding & Internal Improvements	2003A	3.12% - 3.25%	09/01/13	230,000
GO Refunding & Internal Improvements	2004A	3.62% - 4.10%	09/01/14	320,000
Traffic & Internal Improvements	2005A	3.50% - 4.00%	09/01/15	1,165,000
Traffic & Internal Improvements	2006A	3.75% - 4.00%	09/01/16	745,000
Traffic & Internal Improvements	2007A	4.25% - 4.25%	09/01/12	150,000
Traffic & Internal Improvements	2008A	2.85% - 4.75%	09/01/18	1,145,000
Traffic & Internal Improvements	2009A	2.10% - 3.35%	09/01/19	1,595,000
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	2,275,000
Internal Improvements - Taxable	2010B	3.25% - 4.40%	09/01/16	645,000
Traffic & Internal Improvements	2011A	1.75% - 3.45%	09/01/26	4,235,000
GO Refunding	2011B	0.45% - 2.60%	09/01/22	5,480,000
				<u>18,615,000</u>
Business-type activities				
Sewer System Improvements	2003A	3.00% - 4.12%	09/01/13	280,000
Landfill Closure	2004A	3.50% - 4.10%	09/01/14	125,000
Sewer System Improvements	2005A	3.50% - 4.00%	09/01/25	1,855,000
Sewer System Improvements	2008A	2.85% - 4.75%	09/01/23	3,360,000
GO Refunding	2011B	0.45% - 2.60%	09/01/18	770,000
				<u>6,390,000</u>
Total				<u>\$ 25,005,000</u>

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

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

	Principal	Interest	Total
Governmental activities			
2012	\$ 2,680,000	\$ 476,078	\$ 3,156,078
2013	2,515,000	385,528	2,900,528
2014	2,445,000	327,919	2,772,919
2015	2,385,000	269,753	2,654,753
2016	1,800,000	212,523	2,012,523
2017 – 2021	5,500,000	532,350	6,032,350
2022 – 2026	1,290,000	107,205	1,397,205
	18,615,000	2,311,356	20,926,356
Business-type activities			
2012	525,000	210,197	735,197
2013	530,000	193,962	723,962
2014	545,000	177,322	722,322
2015	515,000	163,170	678,170
2016	530,000	149,520	679,520
2017 – 2021	2,420,000	930,164	3,350,164
2022 – 2026	1,325,000	104,563	1,429,563
	6,390,000	1,928,898	8,318,898
Total	\$ 25,005,000	\$ 4,240,254	\$ 29,245,254

At December 31, 2011, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is \$67,999,247 which, after reduction of outstanding debt of \$12,849,782, provides a debt margin of \$55,149,465. General obligation bonds of \$15,025,218 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, 2011 there were two series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$3,063,262.

E. Capital leases

During the year, the City entered into a lease agreement as lessee for financing of a telephone system. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum payments as of the inception date. The City received \$196,740 of proceeds from the capital lease. However, at year end, only \$144,081 had been expended on implementation of the project. The City previously entered into a lease agreement for financing of a fire truck.

Assets acquired as capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 758,865
Less: Accumulated depreciation	(61,478)
Total	\$ 697,387

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, 2011, were as follows:

	Governmental Activities
Year Ending December 31:	
2012	\$ 203,527
2013	203,527
2014	203,527
2015	39,348
2016	39,348
Total minimum lease payments	689,277
Less: amount representing interest	(24,698)
Present value of minimum lease payments	\$ 664,579

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, 2011.

Assets acquired as capital leases are as follows:

Asset:	
Equipment	\$ 21,710
Less: Accumulated depreciation	(10,855)
Total	\$ 10,855

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:

2012	\$	4,876
2013		4,876
2014		2,844
Total minimum lease payments		12,596
Less: amount representing interest		(1,898)
Present value of minimum lease payments	\$	10,698

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 \$1,680,000 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, 2011:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2011
Governmental activities				
Internal Improvements	2010B	1.00%	12/31/13	\$ 1,190,000
Internal Improvements	2011A	1.00%	07/01/13	1,680,000
Total				\$ 2,870,000

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, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	\$ 5,765,000	\$ 1,680,000	\$ 4,575,000	\$ 2,870,000

G. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 17,060,000	\$ 9,715,000	\$ 8,160,000	\$ 18,615,000	\$ 2,680,000
Capital leases	614,784	196,740	146,945	664,579	190,705
Net pension obligation	232,447	3,135	-	235,582	-
Compensated absences	1,982,014	1,175,434	1,173,320	1,984,128	156,475
Other postemployment benefits	1,463,073	408,791	-	1,871,864	-
Total	\$ 21,352,318	\$ 11,499,100	\$ 9,480,265	\$ 23,371,153	\$ 3,027,180
Business-type activities					
General obligation bonds	\$ 6,820,000	\$ 770,000	\$ 1,200,000	\$ 6,390,000	\$ 525,000
Compensated absences	99,177	91,677	80,595	110,259	12,040
Other postemployment benefits	45,201	12,629	-	57,830	-
Accrued landfill closure postclosure care costs	649,900	-	4,375	645,525	20,000
Total	\$ 7,614,278	\$ 874,306	\$ 1,284,970	\$ 7,203,614	\$ 557,040
Component unit activities					
Capital leases	\$ 13,990	\$ -	\$ 3,292	\$ 10,698	\$ 3,734

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, 2011, 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 include 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 specific purposes determined by formal action of the City Commission – the City’s highest level of decision-making. Commitments may be changed or removed only by the City taking the same formal action that originally imposed the constraint.

Assigned fund balance includes amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Commission or by an official to which the City Commission delegates the authority.

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, 2011 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
General government	\$ 6,666	\$ -	\$ -	\$ 1,427,175	\$ 1,433,841
Public safety	-	-	-	323,532	323,532
Culture and recreation	-	-	-	30,673	30,673
Housing and urban redevelopment	-	-	-	1,205,584	1,205,584
Debt service	-	418,901	-	-	418,901
Subtotal	<u>6,666</u>	<u>418,901</u>	<u>-</u>	<u>2,986,964</u>	<u>3,412,531</u>
Committed to:					
General government	387,057	-	604,280	-	991,337
Public works	-	-	472,904	-	472,904
Culture and recreation	-	-	147,130	-	147,130
Housing and urban redevelopment	-	-	71,916	-	71,916
Subtotal	<u>387,057</u>	<u>-</u>	<u>1,296,230</u>	<u>-</u>	<u>1,683,287</u>
Assigned to:					
General government	-	-	19,469	-	19,469
Public works	2,816	-	-	-	2,816
Culture and recreation	-	-	-	84,652	84,652
Subtotal	<u>2,816</u>	<u>-</u>	<u>19,469</u>	<u>84,652</u>	<u>106,937</u>
Unassigned	<u>2,632,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,632,344</u>
Total fund balance	<u>\$ 3,028,883</u>	<u>\$ 418,901</u>	<u>\$ 1,315,699</u>	<u>\$ 3,071,616</u>	<u>\$ 7,835,099</u>

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.

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

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

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. For the year ended December 31, 2011, the non-appropriated reserve was \$373,075 and was classified as a stabilization amount contributing to the fund balance committed to general government activities.

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, 2011, the membership of KERIT included twelve 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)

Kansas Public Employees Retirement System (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 2011 was 7.53%. Employer contributions to KPERS for the years ending December 31, 2011, 2010, and 2009 were \$448,447, \$416,808, and \$345,467, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2011 was 15.97%. 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, 2011, 2010, and 2009 were \$951,340, \$849,849, and \$888,921, respectively, equal to the statutory required contributions for each year.

Police and Fire Pension Plan

As of December 31, 2011, 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 assets 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, 2011, 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 for the year ended December 31, 2011. 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 December 31, 2006, 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, an 8% interest rate assumption, projected salary increases of 4.0%, an implicit inflation assumption rate of 3.25%, and the RP-2000 Healthy Annuitant Table. As of December 31, 2006, the most recent actuarial valuation date, the Local Plan was 27.7% funded. The Local Plan had a total actuarial liability of \$2,059,446, actuarially projected plan assets of \$570,092 (expected value plus 1/3 of difference between market and expected value) and an unfunded actuarial liability of \$1,489,354. The contribution requirement for retired employees is \$140,458 for 2008 through 2010 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 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, 2011 was \$155,919.

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, 2011:

Annual required contribution (ARC)	\$ 159,926 *
Interest on net pension obligation (NPO)	18,596
Adjustment to ARC	(19,468)
Annual pension cost	<u>159,054</u>
Contributions made	<u>(155,919)</u>
Increase in NPO	3,135
NPO at beginning of year	<u>232,447</u>
NPO at end of year	<u>\$ 235,582</u>

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

Five year trend information:

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2007	\$ 167,913	119.7%	\$ 274,003
2008	162,378	116.4	247,441
2009	160,253	97.0	252,221
2010	160,636	112.3	232,447
2011	159,054	98.0	235,582

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

Funding policy

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

The City provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2011, the City made contributions of \$107,535 to the plan. Plan members receiving benefits contributed \$196,059.

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)	\$ 518,900
Interest on net OPEB obligation	60,331
Adjustment to ARC	(50,276)
Annual OPEB cost	528,955
Contributions made	(107,535)
Increase in net OPEB obligation	421,420
Net OPEB obligation at beginning of year	1,508,274
Net OPEB obligation at end of year	\$ 1,929,694

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009, 2010 and 2011 are as follows:

Fiscal Year Ending December 31	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 651,212	23.2%	\$ 1,123,206
2010	481,727	20.1	1,508,274
2011	528,955	20.3	1,929,694

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, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,042,523. 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 \$5,042,523. The covered payroll (annual payroll of active employees covered by the plan) was \$12,505,945, and the ratio of the UAAL to the covered payroll was 40.3%.

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, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial methods and assumptions used includes a 4.0 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the City's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 7.5 to 9.3 percent in the first five years and an ultimate averaging rate of 5.1 percent after five years. 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 \$645,525 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2011 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 2011. 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, 2011.

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, 2011, the City's recorded encumbrances in governmental funds were as follows:

General Fund	\$ 2,816
Capital Projects Fund	1,395,309
Other nonmajor governmental funds	
Recreation Fund	124
Community Development Fund	46,017
Total	<u>\$ 1,444,266</u>

F. Subsequent events

Subsequent to year end, the City issued \$4,165,000 in General Obligation Bonds, Series 2012A to finance the construction of sewer plant improvements. The bonds are dated March 1, 2012 with interest rates ranging between 1.00% and 2.75% and maturities ranging from 2013 through 2032.

Required Supplementary Information

City of Leavenworth, Kansas
Police and Fire Pension Plan
Schedule of Employer Contributions
December 31, 2011

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	161,582	111.6
12/31/11	159,926	96.0

* 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, 2011

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
12/31/88	\$ 530,700	\$ 1,464,500	\$ 933,800	36.2 %	\$ 77,100	1211.20 %
12/31/91	533,600	1,471,900	938,300	36.3	64,664	1451.00
12/31/94	544,326	1,588,386	1,044,060	34.3	73,694	1416.80
12/31/97	668,199	2,368,143	1,699,944	28.2	33,251	5112.50
12/31/03	692,010	2,212,019	1,520,009	31.3	-	NA
12/31/06	570,092	2,059,446	1,489,354	27.7	-	NA

City of Leavenworth, Kansas
 Other Postemployment Benefits
 Schedule of Funding Progress
 December 31, 2011

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

**Combining and Individual Fund
Statements and Schedules**

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2011

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.

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.

City of Leavenworth, Kansas

Nonmajor Governmental Funds
(Continued)

Fund Descriptions

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.

City of Leavenworth, Kansas

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2011

	<u>Recreation</u>
ASSETS	
Cash and cash equivalents	\$ 119,310
Deposits restricted for tenant deposit refunds	-
Property tax receivable	492,350
Sales tax receivable	-
Due from other governments	-
Accounts receivable	-
Total assets	<u>\$ 611,660</u>
LIABILITIES	
Accounts payable	\$ 16,928
Accrued compensation	17,730
Due to other funds	-
Tenant deposits	-
Deferred revenue	492,350
Total liabilities	<u>527,008</u>
FUND BALANCES	
Restricted	-
Assigned	84,652
Total fund balances	<u>84,652</u>
Total liabilities and fund balances	<u>\$ 611,660</u>

Special Revenue

Special Fuel	Countywide Sales Tax	Tax Increment Home Depot	Police Seizure
\$ 27,091	\$ 878,415	\$ 73,167	\$ 330,198
-	-	-	-
-	-	-	-
-	419,159	31,106	-
-	-	-	-
2,000	-	-	-
\$ 29,091	\$ 1,297,574	\$ 104,273	\$ 330,198
\$ 13,306	\$ -	\$ -	\$ 9,027
15,785	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
29,091	-	-	9,027
-	1,297,574	104,273	321,171
-	-	-	-
-	1,297,574	104,273	321,171
\$ 29,091	\$ 1,297,574	\$ 104,273	\$ 330,198

(continued)

City of Leavenworth, Kansas

Combining Balance Sheet
(Continued)

Nonmajor Governmental Funds

December 31, 2011

	Police Grants	Housing
ASSETS		
Cash and cash equivalents	\$ 2,361	\$ 1,209,021
Deposits restricted for tenant deposit refunds	-	25,701
Property tax receivable	-	-
Sales tax receivable	-	-
Due from other governments	-	-
Accounts receivable	-	-
Total assets	\$ 2,361	\$ 1,234,722
LIABILITIES		
Accounts payable	\$ -	\$ 10,013
Accrued compensation	-	6,862
Due to other funds	-	-
Tenant deposits	-	25,701
Deferred revenue	-	-
Total liabilities	-	42,576
FUND BALANCES		
Restricted	2,361	1,192,146
Assigned	-	-
Total fund balances	2,361	1,192,146
Total liabilities and fund balances	\$ 2,361	\$ 1,234,722

Special Revenue

Community Development		Earl R. Harmon		Special Park Gift		Total Nonmajor Governmental Funds
\$	12,835	\$	25,328	\$	30,673	\$ 2,708,399
	-		-		-	25,701
	-		-		-	492,350
	-		-		-	450,265
	97,572		-		-	97,572
	-		-		-	2,000
\$	110,407	\$	25,328	\$	30,673	\$ 3,776,287
\$	997	\$	-	\$	-	\$ 50,271
	1,778		-		-	42,155
	94,194		-		-	94,194
	-		-		-	25,701
	-		-		-	492,350
	96,969		-		-	704,671
	13,438		25,328		30,673	2,986,964
	-		-		-	84,652
	13,438		25,328		30,673	3,071,616
\$	110,407	\$	25,328	\$	30,673	\$ 3,776,287

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2011

	<u>Recreation</u>
REVENUES	
Taxes	\$ 478,378
Intergovernmental	59,376
Charges for services	572,268
Fines and forfeitures	-
Investment earnings	-
Miscellaneous	14,514
Total revenues	<u>1,124,536</u>
EXPENDITURES	
Current:	
Public safety	-
Public works	-
Culture and recreation	1,454,288
Housing and urban redevelopment	-
Debt service	
Interest and fiscal charges	-
Capital outlay	-
Total expenditures	<u>1,454,288</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(329,752)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	260,223
Transfers out	-
Total - other financing sources (uses)	<u>260,223</u>
Net change in fund balances	(69,529)
Fund balances - beginning	<u>154,181</u>
Fund balances - ending	<u>\$ 84,652</u>

Special Revenue

Special Fuel	Countywide Sales Tax	Tax Increment Home Depot	Police Seizure
\$ -	\$ 2,488,260	\$ 185,157	\$ -
1,023,520	-	-	-
2,000	-	-	-
-	-	-	67,972
-	-	97	229
8,166	-	-	2,535
<u>1,033,686</u>	<u>2,488,260</u>	<u>185,254</u>	<u>70,736</u>
-	-	-	27,135
1,327,931	-	-	-
-	-	-	-
-	-	-	-
-	-	184,176	-
-	-	-	23,156
<u>1,327,931</u>	<u>-</u>	<u>184,176</u>	<u>50,291</u>
(294,245)	2,488,260	1,078	20,445
294,245	13,090	-	-
-	(3,050,695)	-	-
<u>294,245</u>	<u>(3,037,605)</u>	<u>-</u>	<u>-</u>
-	(549,345)	1,078	20,445
-	1,846,919	103,195	300,726
\$ -	\$ 1,297,574	\$ 104,273	\$ 321,171

(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, 2011

	Police Grants	Housing
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	21,865	1,869,428
Charges for services	-	360,040
Fines and forfeitures	-	-
Investment earnings	-	782
Miscellaneous	-	9,099
Total revenues	<u>21,865</u>	<u>2,239,349</u>
EXPENDITURES		
Current:		
Public safety	21,865	-
Public works	-	-
Culture and recreation	-	-
Housing and urban redevelopment	-	2,138,784
Debt service		
Interest and fiscal charges	-	-
Capital outlay	-	145,609
Total expenditures	<u>21,865</u>	<u>2,284,393</u>
Excess (deficiency) of revenues over (under) expenditures	-	(45,044)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	-
Transfers out	-	-
Total - other financing sources (uses)	<u>-</u>	<u>-</u>
Net change in fund balances	-	(45,044)
Fund balances - beginning	<u>2,361</u>	<u>1,237,190</u>
Fund balances - ending	<u>\$ 2,361</u>	<u>\$ 1,192,146</u>

Special Revenue

	Community Development		Earl R. Harmon		Special Park Gift		Total Nonmajor Governmental Funds
\$	-	\$	-	\$	-	\$	3,151,795
	833,857		-		-		3,808,046
	-		-		2,525		936,833
	-		-		-		67,972
	-		37		-		1,145
	402,322		-		29,166		465,802
	1,236,179		37		31,691		8,431,593
	-		-		-		49,000
	-		-		-		1,327,931
	-		-		27,848		1,482,136
	822,233		-		-		2,961,017
	-		-		-		184,176
	416,806		-		3,150		588,721
	1,239,039		-		30,998		6,592,981
	(2,860)		37		693		1,838,612
	-		-		-		567,558
	-		-		(10,223)		(3,060,918)
	-		-		(10,223)		(2,493,360)
	(2,860)		37		(9,530)		(654,748)
	16,298		25,291		40,203		3,726,364
\$	13,438	\$	25,328	\$	30,673	\$	3,071,616

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,030,875	\$ 2,030,875	\$ 2,015,093	\$ (15,782)
Investment earnings	5,000	25,540	25,205	(335)
Total revenues	<u>2,035,875</u>	<u>2,056,415</u>	<u>2,040,298</u>	<u>(16,117)</u>
EXPENDITURES				
Debt service:				
Principal retirement	2,100,000	2,920,000	2,920,000	-
Interest and fiscal charges	611,335	764,230	741,738	22,492
Total expenditures	<u>2,711,335</u>	<u>3,684,230</u>	<u>3,661,738</u>	<u>22,492</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(675,460)</u>	<u>(1,627,815)</u>	<u>(1,621,440)</u>	<u>6,375</u>
OTHER FINANCING SOURCES (USES)				
General obligation refunding bonds reissued	-	6,250,000	5,480,000	(770,000)
Payment to bond escrow agent	-	(6,122,080)	(5,366,735)	755,345
Transfers in	476,115	1,300,550	1,480,851	180,301
Total - other financing sources (uses)	<u>476,115</u>	<u>1,428,470</u>	<u>1,594,116</u>	<u>165,646</u>
Net change in fund balances	(199,345)	(199,345)	(27,324)	172,021
Fund balances - beginning	<u>371,670</u>	<u>371,670</u>	<u>446,225</u>	<u>74,555</u>
Fund balances - ending	<u>\$ 172,325</u>	<u>\$ 172,325</u>	<u>\$ 418,901</u>	<u>\$ 246,576</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 477,985	\$ 477,985	\$ 478,378	\$ 393
Intergovernmental	59,500	59,500	59,376	(124)
Charges for services	695,170	695,170	572,268	(122,902)
Miscellaneous	1,600	1,600	14,514	12,914
Total revenues	<u>1,234,255</u>	<u>1,234,255</u>	<u>1,124,536</u>	<u>(109,719)</u>
EXPENDITURES				
Current:				
Culture and recreation	1,589,385	1,589,385	1,454,288	135,097
Capital outlay	-	-	124	(124)
Total expenditures	<u>1,589,385</u>	<u>1,589,385</u>	<u>1,454,412</u>	<u>134,973</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(355,130)</u>	<u>(355,130)</u>	<u>(329,876)</u>	<u>25,254</u>
OTHER FINANCING SOURCES				
Transfers in	<u>250,000</u>	<u>250,000</u>	<u>260,223</u>	<u>10,223</u>
Net change in fund balances	(105,130)	(105,130)	(69,653)	35,477
Fund balances - beginning	105,130	105,130	145,238	40,108
Prior year encumbrances relieved	-	-	8,943	8,943
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,528</u>	<u>\$ 84,528</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, 2011

	<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	\$ 1,023,520	\$ (6,480)
Charges for services	-	-	2,000	2,000
Miscellaneous	1,250	1,250	8,166	6,916
Total revenues	<u>1,031,250</u>	<u>1,031,250</u>	<u>1,033,686</u>	<u>2,436</u>
EXPENDITURES				
Current:				
Public works	<u>1,266,095</u>	<u>1,325,000</u>	<u>1,327,931</u>	<u>(2,931)</u>
Excess (deficiency) of revenues over (under) expenditures	(234,845)	(293,750)	(294,245)	(495)
OTHER FINANCING SOURCES				
Transfers in	<u>234,845</u>	<u>293,750</u>	<u>294,245</u>	<u>495</u>
Net change in fund balances	-	-	-	-
Fund balances - beginning	-	-	-	-
Prior year encumbrances relieved	-	-	-	-
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,561,540	\$ 2,561,540	\$ 2,488,260	\$ (73,280)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	13,090	13,090
Transfers out	(2,098,885)	(2,098,885)	(3,050,695)	(951,810)
Total - other financing sources (uses)	(2,098,885)	(2,098,885)	(3,037,605)	(938,720)
Net change in fund balances	462,655	462,655	(549,345)	(1,012,000)
Fund balances - beginning	958,450	958,450	1,846,919	888,469
Fund balances - ending	<u>\$ 1,421,105</u>	<u>\$ 1,421,105</u>	<u>\$ 1,297,574</u>	<u>\$ (123,531)</u>

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, 2011

	Balance January 1, 2011	Additions	Deductions	Balance December 31, 2011
Library				
Assets:				
Property tax receivable	\$ 910,230	\$ 908,740	\$ 910,230	\$ 908,740
Liabilities				
Amounts due other parties	\$ 910,230	\$ 908,740	\$ 910,230	\$ 908,740
Total - All Agency Funds				
Assets:				
Property tax receivable	\$ 910,230	\$ 908,740	\$ 910,230	\$ 908,740
Liabilities				
Amounts due other parties	\$ 910,230	\$ 908,740	\$ 910,230	\$ 908,740

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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 government’s financial performance and well-being have changed over time.</i>	94-105
Revenue Capacity <i>These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.</i>	106-111
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	112-117
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	118-119
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	120-125

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

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

	2003	2004
Governmental activities		
Invested in capital assets, net of related debt	\$ 29,470,266	\$ 33,347,461
Restricted	812,217	796,280
Unrestricted	5,235,807	5,087,110
Total governmental activities net assets	\$ 35,518,290	\$ 39,230,851
Business-type activities		
Invested in capital assets, net of related debt	\$ 4,454,010	\$ 6,464,661
Unrestricted	2,318,972	622,829
Total business-type activities net assets	\$ 6,772,982	\$ 7,087,490
Primary government		
Invested in capital assets, net of related debt	\$ 33,924,276	\$ 39,812,122
Restricted	812,217	796,280
Unrestricted	7,554,779	5,709,939
Total primary government net assets	\$ 42,291,272	\$ 46,318,341

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$ 33,814,164	\$ 35,022,203	\$ 37,580,320	\$ 39,962,474	\$ 43,256,157	\$ 42,320,043	\$ 40,913,632
796,280	-	-	-	-	-	3,527,423
5,611,510	6,435,580	8,938,162	9,221,149	6,765,799	6,953,098	2,864,839
<u>\$ 40,221,954</u>	<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>
\$ 6,430,044	\$ 7,487,307	\$ 8,348,830	\$ 8,563,422	\$ 8,127,188	\$ 7,974,877	\$ 8,272,844
1,085,657	1,398,413	2,130,300	2,049,738	2,611,536	2,384,532	1,686,816
<u>\$ 7,515,701</u>	<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>
\$ 40,244,208	\$ 42,509,510	\$ 45,929,150	\$ 48,525,896	\$ 51,383,345	\$ 50,294,920	\$ 49,186,476
796,280	-	-	-	-	-	3,527,423
6,697,167	7,833,993	11,068,462	11,270,887	9,377,335	9,337,630	4,551,655
<u>\$ 47,737,655</u>	<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>

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

	<u>2003</u>	<u>2004</u>
Expenses		
Governmental activities:		
General government	\$ 2,803,732	\$ 3,081,134
Public safety (1)	9,148,564	9,498,503
Public works (2)	2,139,482	3,236,720
Culture and recreation	2,379,113	2,385,130
Housing and urban redevelopment	2,910,846	3,001,656
Unallocated depreciation expense	2,580,925	2,637,731
Interest on long-term debt	1,397,414	1,213,381
Total governmental activities expenses	<u>23,360,076</u>	<u>25,054,255</u>
Business-type activities:		
Sewer	2,657,218	2,455,417
Refuse	1,286,440	1,640,207
Total business-type activities expenses	<u>3,943,658</u>	<u>4,095,624</u>
Total primary government expenses	<u>\$ 27,303,734</u>	<u>\$ 29,149,879</u>
Program Revenues		
Governmental activities:		
Charges for services:		
General government	\$ 1,494,817	\$ 1,401,192
Public safety	149,855	185,183
Public works (2)	513,581	1,343,309
Culture and recreation	639,603	612,525
Housing and urban redevelopment	333,557	364,281
Operating grants and contributions	3,829,259	3,963,977
Capital grants and contributions (3)	560,503	1,742,753
Total governmental activities program revenues	<u>7,521,175</u>	<u>9,613,220</u>
Business-type activities:		
Charges for services:		
Sewer	2,911,941	2,949,999
Refuse	1,380,222	1,390,849
Operating grants and contributions	-	-
Capital grants and contributions	-	83,690
Total business-type activities program revenues	<u>4,292,163</u>	<u>4,424,538</u>
Total primary government program revenues	<u>\$ 11,813,338</u>	<u>\$ 14,037,758</u>
Net (Expense)/Revenue		
Governmental activities	\$ (15,838,901)	\$ (15,441,035)
Business-type activities	348,505	328,914
Total primary government net expense	<u>\$ (15,490,396)</u>	<u>\$ (15,112,121)</u>

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
\$ 3,064,643	\$ 2,943,306	\$ 3,175,737	\$ 3,321,308	\$ 3,752,966	\$ 4,030,168	\$ 4,352,118
10,515,788	10,913,892	10,601,555	11,469,502	11,631,240	11,843,745	12,008,431
3,627,520	3,900,142	3,913,371	4,162,190	4,036,853	4,108,248	4,443,172
2,424,044	2,512,337	2,577,644	2,616,612	2,985,096	3,242,768	3,238,794
2,838,976	2,356,794	2,403,603	3,245,216	3,121,926	2,898,887	3,307,860
2,706,754	2,740,749	3,109,795	3,159,401	3,418,630	3,383,422	3,593,817
1,108,752	1,029,015	954,888	1,033,025	978,152	936,659	1,077,433
26,286,477	26,396,235	26,736,593	29,007,254	29,924,863	30,443,897	32,021,625
2,836,655	3,080,666	2,969,198	3,506,033	3,470,050	3,776,559	3,766,429
1,396,448	1,441,822	1,529,887	1,594,748	1,636,297	1,671,076	1,710,490
4,233,103	4,522,488	4,499,085	5,100,781	5,106,347	5,447,635	5,476,919
\$ 30,519,580	\$ 30,918,723	\$ 31,235,678	\$ 34,108,035	\$ 35,031,210	\$ 35,891,532	\$ 37,498,544
\$ 1,661,362	\$ 1,766,943	\$ 1,600,425	\$ 1,974,587	\$ 1,893,375	\$ 1,919,296	\$ 1,889,468
483,197	535,029	626,349	638,907	634,969	634,801	726,273
1,748,978	1,417,151	1,306,315	1,477,331	1,266,949	1,273,124	1,529,150
686,609	713,869	664,638	760,694	791,542	910,377	735,381
372,431	386,405	428,240	390,632	396,551	578,098	776,573
3,696,749	3,422,505	3,536,854	3,835,416	4,134,068	3,301,500	3,621,432
672,930	308,930	4,059,674	2,954,685	1,673,619	1,677,095	1,100,609
9,322,256	8,550,832	12,222,495	12,032,252	10,791,073	10,294,291	10,378,886
3,051,462	3,255,250	3,338,972	3,347,631	3,447,930	3,271,676	3,211,525
1,399,674	1,519,204	1,597,067	1,666,071	1,783,981	1,796,644	1,835,014
156,464	168,498	106,054	13,375	-	-	35,831
-	884,555	1,050,402	432,393	-	-	-
4,607,600	5,827,507	6,092,495	5,459,470	5,231,911	5,068,320	5,082,370
\$ 13,929,856	\$ 14,378,339	\$ 18,314,990	\$ 17,491,722	\$ 16,022,984	\$ 15,362,611	\$ 15,461,256
\$(16,964,221)	\$(17,845,403)	\$(14,514,098)	\$(16,975,002)	\$(19,133,790)	\$(20,149,606)	\$(21,642,739)
374,497	1,305,019	1,593,410	358,689	125,564	(379,315)	(394,549)
\$(16,589,724)	\$(16,540,384)	\$(12,920,688)	\$(16,616,313)	\$(19,008,226)	\$(20,528,921)	\$(22,037,288)

(continued)

City of Leavenworth, Kansas
 Changes in Net Assets
 Last Nine Fiscal Years
 (accrual basis of accounting)
 (continued)

	2003	2004
General Revenues and Other Changes in Net Assets		
Governmental activities:		
Taxes		
Property taxes	\$ 7,335,681	\$ 7,985,127
Franchise taxes (4)	1,223,540	1,899,131
Sales taxes	5,360,058	5,521,270
Motor vehicle taxes	968,172	1,031,921
Other taxes	534,612	976,889
Intergovernmental revenue not restricted to specific programs	80,520	90,138
Payments in lieu of property taxes	35,442	4,909
Investment earnings	180,653	147,539
Miscellaneous	737	-
Transfers	(301,948)	38,497
Total governmental activities	15,417,467	17,695,421
Business-type activities:		
Miscellaneous	34,403	24,091
Transfers	301,948	(38,497)
Total business-type activities	336,351	(14,406)
Total primary government	\$ 15,753,818	\$ 17,681,015
Change in Net Assets		
Governmental activities	\$ (421,434)	\$ 2,254,386
Business-type activities	684,856	314,508
Total primary government	\$ 263,422	\$ 2,568,894

- (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						
2005	2006	2007	2008	2009	2010	2011
\$ 8,281,990	\$ 8,621,790	\$ 9,167,590	\$ 9,581,568	\$ 9,643,197	\$ 9,337,269	\$ 9,491,948
2,025,718	2,155,674	2,146,956	2,379,715	2,395,005	2,502,959	2,565,587
5,432,164	5,586,237	5,469,786	5,629,107	5,334,666	5,519,376	5,712,203
1,036,188	1,029,514	1,017,082	1,013,203	1,000,334	1,016,050	922,183
835,020	936,532	910,323	937,141	996,700	914,034	870,810
85,853	83,461	79,947	85,902	87,643	88,794	87,420
6,494	13,450	3,169	3,143	-	-	-
305,611	654,574	779,944	491,027	52,722	22,309	20,141
-	-	-	-	-	-	-
(53,714)	-	-	156,796	-	-	5,200
<u>17,955,324</u>	<u>19,081,232</u>	<u>19,574,797</u>	<u>20,277,602</u>	<u>19,510,267</u>	<u>19,400,791</u>	<u>19,675,492</u>
-	-	-	-	-	-	-
53,714	-	-	(156,796)	-	-	(5,200)
<u>53,714</u>	<u>-</u>	<u>-</u>	<u>(156,796)</u>	<u>-</u>	<u>-</u>	<u>(5,200)</u>
<u>\$ 18,009,038</u>	<u>\$ 19,081,232</u>	<u>\$ 19,574,797</u>	<u>\$ 20,120,806</u>	<u>\$ 19,510,267</u>	<u>\$ 19,400,791</u>	<u>\$ 19,670,292</u>
\$ 991,103	\$ 1,235,829	\$ 5,060,699	\$ 3,302,600	\$ 376,477	\$ (748,815)	\$ (1,967,247)
428,211	1,305,019	1,593,410	201,893	125,564	(379,315)	(399,749)
<u>\$ 1,419,314</u>	<u>\$ 2,540,848</u>	<u>\$ 6,654,109</u>	<u>\$ 3,504,493</u>	<u>\$ 502,041</u>	<u>\$ (1,128,130)</u>	<u>\$ (2,366,996)</u>

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

	2002	2003
General Fund		
Reserved	\$ 7,990	\$ 7,635
Unreserved	2,131,260	1,553,261
Restricted	-	-
Committed	-	-
Assigned	-	-
Unassigned	-	-
Total general fund	\$2,139,250	\$1,560,896
All Other Governmental Funds		
Reserved	\$2,721,104	\$2,932,082
Unreserved, reported in:		
Special revenue funds	3,968,337	3,309,399
Capital projects funds (1)	(14,305)	(1,888,625)
Debt service funds	670,091	648,162
Restricted for:		
General government	-	-
Public safety	-	-
Culture and recreation	-	-
Housing and urban redevelopment	-	-
Debt service	-	-
Committed for:		
General government	-	-
Public safety	-	-
Culture and recreation	-	-
Housing and urban redevelopment	-	-
Debt service	-	-
Assigned to:		
General government	-	-
Culture and recreation	-	-
Total all other governmental funds	\$7,345,227	\$5,001,018

(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.

2004	2005	2006	2007	2008	2009	2010	2011
\$ 29,353	\$ 9,007	\$ 27,319	\$ 65,534	\$ 12,774	\$ 28,440	\$ 35,387	\$ -
2,163,605	2,756,068	3,397,067	3,705,627	4,484,097	4,427,681	3,695,914	-
-	-	-	-	-	-	-	6,666
-	-	-	-	-	-	-	387,057
-	-	-	-	-	-	-	2,816
-	-	-	-	-	-	-	2,632,344
\$2,192,958	\$2,765,075	\$3,424,386	\$3,771,161	\$4,496,871	\$4,456,121	\$3,731,301	\$3,028,883
\$ 992,413	\$ 1,996,622	\$ 918,331	\$ 1,598,989	\$ 4,711,605	\$ 1,257,599	\$ 2,006,141	\$ -
2,799,445	1,837,331	2,336,612	2,965,968	2,037,060	2,810,245	3,412,515	-
(882,418)	152,889	133,179	3,575,315	(763,434)	(2,594,109)	(3,117,025)	-
743,251	568,866	426,404	254,675	176,421	433,524	446,225	-
-	-	-	-	-	-	-	1,427,175
-	-	-	-	-	-	-	323,532
-	-	-	-	-	-	-	30,673
-	-	-	-	-	-	-	1,205,584
-	-	-	-	-	-	-	418,901
-	-	-	-	-	-	-	604,280
-	-	-	-	-	-	-	472,904
-	-	-	-	-	-	-	147,130
-	-	-	-	-	-	-	71,916
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	19,469
-	-	-	-	-	-	-	84,652
\$3,652,691	\$4,555,708	\$3,814,526	\$8,394,947	\$6,161,652	\$1,907,259	\$2,747,856	\$4,806,216

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

	2002	2003	2004
Revenues			
Taxes	\$ 14,575,915	\$ 15,782,105	\$ 17,716,880
Intergovernmental	4,383,513	4,203,198	5,083,803
Licenses and permits	359,988	476,196	586,980
Charges for services	1,400,281	1,395,731	2,096,031
Fines and forfeitures	1,143,707	968,552	904,031
Investment earnings	308,765	194,293	178,371
Other revenues	184,627	253,327	281,293
Total revenues	<u>22,356,796</u>	<u>23,273,402</u>	<u>26,847,389</u>
Expenditures			
General government	2,076,386	2,528,289	2,861,869
Public safety	8,466,960	8,567,322	8,918,650
Public works	2,172,285	1,849,544	2,997,078
Culture and recreation	1,596,806	1,749,401	1,737,654
Housing and urban redevelopment	2,288,328	2,693,281	2,735,746
Capital outlay	4,765,859	5,057,933	4,729,921
Debt service			
Principal	8,389,638	3,667,426	3,668,430
Interest	2,032,759	1,552,229	1,258,121
Total expenditures	<u>31,789,021</u>	<u>27,665,425</u>	<u>28,907,469</u>
Excess of revenues over (under) expenditures	(9,432,225)	(4,392,023)	(2,060,080)
Other Financing Sources (Uses)			
Bonds issued	12,315,000	1,165,000	985,000
Refunding bonds issued	1,301,207	1,080,000	500,000
Bond anticipation notes issued	-	-	-
Capital leases	-	217,240	158,977
Sale of capital assets	-	-	-
Payments to escrow agent	(434,370)	(1,075,000)	(495,000)
Transfers in	3,892,946	4,110,365	4,934,221
Transfers out	(4,042,859)	(4,028,145)	(4,739,383)
Total other financing sources (uses)	<u>13,031,924</u>	<u>1,469,460</u>	<u>1,343,815</u>
Net change in fund balances	<u>\$ 3,599,699</u>	<u>\$ (2,922,563)</u>	<u>\$ (716,265)</u>
Debt service as a percentage of noncapital expenditures	38.6%	23.1%	20.4%

	2005	2006	2007	2008	2009	2010	2011
\$	17,933,007	\$ 18,615,349	\$ 18,999,001	\$ 19,811,174	\$ 19,621,593	\$ 19,635,158	\$ 19,868,108
	3,909,915	3,545,613	3,632,276	6,479,625	5,284,788	4,781,818	4,383,780
	527,553	531,983	435,025	456,263	389,583	398,837	409,844
	3,090,801	2,786,286	2,723,551	2,956,536	2,873,306	2,984,685	2,996,210
	1,143,927	1,209,261	1,071,822	1,144,436	1,092,079	1,139,945	1,115,114
	329,482	724,375	830,294	515,785	55,217	40,303	46,502
	202,732	214,767	315,380	820,871	803,890	717,577	1,059,723
	27,137,417	27,627,634	28,007,349	32,184,690	30,120,456	29,698,323	29,879,281
	2,894,791	2,883,680	3,121,850	3,310,150	3,648,781	3,715,791	3,664,873
	9,894,743	10,395,531	10,019,964	10,321,518	10,481,825	10,900,873	11,022,513
	3,214,075	3,505,401	3,507,529	3,685,294	3,562,664	3,647,884	3,972,206
	1,912,708	1,989,408	2,052,195	2,008,807	2,203,936	2,294,126	2,192,258
	2,590,039	2,089,383	2,148,664	2,975,920	2,857,240	2,608,889	3,007,367
	3,223,693	2,702,015	2,189,180	8,012,788	10,282,578	7,225,679	5,124,530
							-
	3,496,040	4,406,747	2,380,000	4,091,314	2,359,951	1,998,982	3,066,945
	1,092,909	1,077,340	956,018	973,280	948,624	1,055,106	1,149,587
	28,318,998	29,049,505	26,375,400	35,379,071	36,345,599	33,447,330	33,200,279
	(1,181,581)	(1,421,871)	1,631,949	(3,194,381)	(6,225,143)	(3,749,007)	(3,320,998)
	2,625,000	1,340,000	1,530,000	1,530,000	1,930,000	3,250,000	4,235,000
	-	-	-	-	-	-	5,480,000
	-	-	1,480,000	-	-	-	-
	-	-	285,247	-	-	614,784	196,740
	85,000	-	-	-	-	-	-
	-	-	-	-	-	-	(5,240,000)
	4,524,279	3,784,498	4,265,690	6,134,458	5,419,899	3,600,395	6,138,173
	(4,577,564)	(3,784,498)	(4,265,690)	(5,977,662)	(5,419,899)	(3,600,395)	(6,132,973)
	2,656,715	1,340,000	3,295,247	1,686,796	1,930,000	3,864,784	4,676,940
\$	1,475,134	\$ (81,871)	\$ 4,927,196	\$ (1,507,585)	\$ (4,295,143)	\$ 115,777	\$ 1,355,942
	18.3%	20.8%	13.8%	18.5%	12.7%	11.7%	15.0%

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

Fiscal Year	Property Tax	Tax Increment Property Tax	Sales Tax	Compensating Use Tax
2002	\$ 6,745,113	\$ 175,795	\$ 5,202,549	\$ 277,977
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
Change 2002 - 2011	40.7%	0.0%	9.8%	146.7%

Tax Increment		Franchise Tax	Motor Vehicle Tax	Special Assessment Tax	Other Tax	Total
Sales Tax						
\$ 58,435	\$ 1,076,666	\$ 904,161	\$ 105,155	\$ 30,064	\$ 14,575,915	
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	
216.9%	138.3%	2.0%	190.4%	-	36.3%	

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	
2002	NA	NA	\$ 121,006,493	\$ 13,622,873
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

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
\$ 9,397,570	NA	\$ 144,026,936	\$ 54.264	\$ 962,346,388	15.0 %
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

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

Fiscal Year	City of Leavenworth			Overlapping Leavenworth	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage
2002	40.033	14.231	54.264	40.420	0.754
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

Source: Leavenworth County Clerk

Rates					
County	School District				Total Direct & Overlapping Rates
Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
41.174	43.464	7.630	51.094	1.500	148.032
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

City of Leavenworth, Kansas
Principal Property Taxpayers
Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corrections Corporation of America	\$ 9,526,850	1	4.7 %	\$ 5,218,350	1	3.5 %
Westar Energy	3,920,518	2	1.9	3,776,209	3	2.6
Hallmark Cards	3,714,076	3	1.8	4,773,200	2	3.2
Wal-Mart	3,532,233	4	1.7	-	-	-
Development, Inc	2,634,445	5	1.3	-	-	-
Kansas Gas Service	2,001,267	6	1.0	1,340,488	5	0.9
Southwestern Bell Telephone	1,616,328	7	0.8	2,902,913	4	2.0
Leavenworth - Jefferson	1,529,155	8	0.7	-	-	-
Greenamyre Rentals	1,393,079	9	0.7	1,227,256	8	0.8
Select Products	-	-	-	1,268,695	6	0.9
Leavenworth Plaza	-	-	-	1,258,088	7	0.9
Dillon Store	-	-	-	994,301	9	0.7
	<u>\$ 29,867,951</u>		<u>14.6 %</u>	<u>\$ 22,759,500</u>		<u>15.5 %</u>

Source: Leavenworth County Clerk

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

Fiscal Year	Total Tax Levy For Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 7,633,734	\$ 7,360,292	96.4 %	\$ 177,695	\$ 7,537,987	98.7 %
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	188,709	10,144,468	99.1
2008	10,400,895	10,244,413	98.5	160,281	10,404,694	100.0
2009	10,710,730	10,423,269	97.3	192,259	10,615,528	99.1
2010	10,575,737	10,216,927	96.6	154,878	10,371,805	98.1
2011	10,619,874	10,297,377	97.0	26,939	10,324,316	97.2

Source: Leavenworth County Treasurer

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

Fiscal Year	Governmental Activities		Business-Type	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Debt	Capital Leases	Activities General Obligation Bonds			
2002	\$ 27,705,000	\$ -	\$ 2,950,000	\$30,655,000	3.2 %	\$ 859
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	2.3	807
2010	22,825,000	614,784	6,820,000	30,259,784	2.4	858
2011	21,485,000	664,579	6,390,000	28,539,579	2.2	810

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 118 for personal income and population data.

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

Fiscal Year	General Obligation Debt	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2002	\$ 27,705,000	\$ 1,487,513	\$ 26,217,487	2.7 %	\$ 735
2003	27,120,000	1,460,379	25,659,621	2.6	723
2004	24,320,000	1,539,531	22,780,469	2.1	646
2005	22,080,000	1,365,146	20,714,854	1.8	588
2006	19,270,000	426,404	18,843,596	1.5	535
2007	18,900,000	254,675	18,645,325	1.4	533
2008	21,345,000	176,421	21,168,579	1.5	609
2009	20,615,000	433,524	20,181,476	1.4	581
2010	22,825,000	446,225	22,378,775	1.6	635
2011	21,485,000	418,901	21,066,099	1.5	598

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 118 for population data.

City of Leavenworth, Kansas
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2011

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	\$ 71,588,205	\$ 50,111,174	93.0 %	\$ 46,603,392
Leavenworth County	785,000	785,000	35.0	274,750
Subtotal, overlapping debt				46,878,142
City direct debt				<u>21,485,000</u>
Total direct and overlapping debt				<u><u>\$ 68,363,142</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>2002</u>	<u>2003</u>	<u>2004</u>
Debt Limit	\$ 50,154,260	\$ 51,212,002	\$ 55,512,597
Total net debt applicable to limit	<u>17,273,211</u>	<u>16,414,323</u>	<u>15,930,811</u>
Legal debt margin	<u>\$ 32,881,049</u>	<u>\$ 34,797,679</u>	<u>\$ 39,581,786</u>
 Total net debt applicable to the limit as a percentage of debt limit	 34.4%	 32.1%	 28.7%

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						
2005	2006	2007	2008	2009	2010	2011
\$ 58,805,063	\$ 64,387,542	\$ 68,435,717	\$ 69,672,253	\$ 69,380,778	\$ 68,465,048	\$ 67,999,247
15,388,144	14,969,146	15,442,547	18,997,507	16,017,666	18,551,322	12,849,782
\$ 43,416,919	\$ 49,418,396	\$ 52,993,170	\$ 50,674,746	\$ 53,363,112	\$ 49,913,726	\$ 55,149,465
26.2%	23.2%	22.6%	27.3%	23.1%	27.1%	18.9%

Legal Debt Margin Calculation for Fiscal Year 2011

Adjusted equalized assessed valuation	\$ 226,664,157
Debt limit (30% of total equalized assessed value)	67,999,247
Debt applicable to limit	<u>12,849,782</u>
Legal debt margin	\$ 55,149,465

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>			<u>Unemployment Rate (4)</u>
				<u>Public</u>	<u>Private</u>	<u>Total</u>	
2002	35,680	\$ 963,395,680	\$ 27,001	4,372	605	4,977	7.8 %
2003	35,473	987,213,590	27,830	4,252	553	4,805	8.1
2004	35,285	1,008,939,290	28,594	4,170	528	4,698	6.5
2005	35,213	1,036,705,933	29,441	4,147	528	4,675	6.2
2006	35,213	1,103,469,781	31,337	4,166	521	4,687	5.5
2007	34,993	1,141,786,597	32,629	4,201	439	4,640	5.1
2008	34,787	1,209,196,120	34,760	4,069	477	4,546	5.4
2009	34,729	1,200,824,633	34,577	4,075	481	4,556	7.7
2010	35,251	1,251,763,010	35,510	3,707	484	4,191	10.9
2011	35,251	1,285,568,719	36,469	3,755	476	4,231	10.9

(1) Kansas Statistical Abstract

(2) Kansas Statistical Abstract; 2010 and 2011 estimated by management

(3) Kansas Department of Education

(4) Kansas Statistical Abstract; 2011 estimated by management

City of Leavenworth, Kansas
Principal Employers
Current Year and Nine Years Ago

Taxpayer	2011			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
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	3.3
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 Consolidated 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	2002	2003	2004
General government	27	26	27
Public safety			
Police	89	88	88
Fire	51	51	51
Public works	34	33	31
Culture and recreation	29	33	33
Housing and urban redevelopment	7	9	9
Sewer	18	18	20
Refuse	13	13	13
Total	268	271	272

Source: City of Leavenworth Human Resources Department

Full-time Equivalent Employees as of December 31

2005	2006	2007	2008	2009	2010	2011
27	28	28	29	29	30	28
89	88	91	91	93	93	93
57	57	57	57	57	57	57
32	32	32	33	33	31	30
34	33	33	33	35	35	34
9	7	7	7	7	7	7
20	20	20	20	19	19	19
13	13	13	13	14	14	14
281	278	281	283	287	286	282

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

Function/Program	2002	2003	2004
Public safety			
Police			
Physical arrests	3,226	2,698	2,520
Traffic violations	11,638	7,742	7,062
Parking violations	972	822	808
Fire			
Calls answered	831	831	1,068
Inspections conducted	915	915	900
Housing and urban redevelopment			
Certificates/vouchers for low-income rental assistance	254	339	339
Sewer			
Daily average treatment (thousands of gallons)	3,350	3,166	3,180
Refuse			
Refuse disposed (tons)	12,232	12,393	12,877

Sources: Various city departments

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

Fiscal Year						
2005	2006	2007	2008	2009	2010	2011
3,263	3,191	2,945	2,868	2,545	2,374	2,475
10,278	10,313	7,963	8,555	7,377	8,698	10,403
809	630	588	740	558	672	604
1,121	1,676	1,957	2,037	1,969	1,914	2,378
900	917	901	959	771	814	795
339	339	339	444	444	444	444
3,548	3,039	3,757	4,912	4,289	5,156	6,423
12,710	12,379	12,001	12,110	12,561	11,508	11,026

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

Function/Program	2002	2003	2004
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	11
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						
2005	2006	2007	2008	2009	2010	2011
1	1	1	1	1	1	1
3	3	3	3	3	3	3
151.7	151.7	151.7	151.7	151.7	156.6	156.6
0.4	0.4	0.4	0.4	0.4	0.4	0.4
41	41	41	41	41	43	43
1	1	1	1	1	1	1
21	21	21	21	21	21	21
424	424	424	424	424	424	424
2	2	2	2	2	2	2
8	8	8	8	8	8	8
9	9	9	9	9	9	9
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, 2011

(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:	
2007 Community Development Block Grant-Entitlement	14.218
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
ARRA Entitlement - Community Development Block Grant	14.253
Passed through the Kansas Department of Commerce:	
Neighborhood Stabilization Program	14.228
Homeless Grant	
Passed through the Kansas Housing Resources Corporation:	
2010 Emergency Shelter Grant	14.231
2011 Emergency Shelter Grant	14.231
Community Planning and Development	
Shelter Plus Care	14.238
Low-Income Housing Assistance Program	
Public Housing	14.850
Capital Fund Program	14.872
Capital Fund Program	14.872
Capital Fund Program	14.872
Capital Fund Program	14.872
Total U.S. Department of Housing and Urban Development	
U.S Department of the Interior	
Passed through the Kansas State Historical Society:	
Historic Preservation Fund	15.904
Office of National Drug Control Policy	
Passed through the Kanas 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, 2011 (Unaudited)	Cumulative Through December 31, 2010 (Unaudited)	Total for the Year ended December 31, 2011	Cumulative Through December 31, 2011
	\$ 1,220,159	\$ -	\$ 949,947	\$ 949,947
	1,236,299	889,392	346,907	1,236,299
	1,146,858 *	469,525	365,111	834,636
	<u>3,603,316</u>	<u>1,358,917</u>	<u>1,661,965</u>	<u>3,020,882</u>
	350,441 *	350,441	-	350,441
	579,164 *	487,521	90,630	578,151
	340,409 *	288,279	44,670	332,949
	438,981 *	82,246	159,898	242,144
	357,147 *	-	67,272	67,272
	96,835	75,098	21,737	96,835
09-NSP-011	<u>1,966,311 *</u>	<u>906,419</u>	<u>451,435</u>	<u>1,357,854</u>
	4,129,288	2,190,004	835,642	3,025,646
ESG-FFY2010	36,947	9,811	27,136	36,947
ESG-FFY2011	<u>37,563</u>	<u>-</u>	<u>11,941</u>	<u>11,941</u>
	74,510	9,811	39,077	48,888
KS01C607004	746,400	57,084	1,785	58,869
	266,677	-	266,677	266,677
KS16P06850108	109,812	88,156	21,656	109,812
KS16P06850109	109,238	-	109,238	109,238
KS16P06850110	108,871	-	13,206	13,206
KS16P06850111	<u>89,888</u>	<u>-</u>	<u>-</u>	<u>-</u>
	684,486	88,156	410,777	498,933
	9,238,000	3,703,972	2,949,246	6,653,218
20-10-21923-015	165	-	165	165
G10MW0003A	56,700 *	42,700	14,000	56,700
G11MW0003A	<u>57,700</u>	<u>-</u>	<u>39,655</u>	<u>39,655</u>
	\$ 114,400	\$ 42,700	\$ 53,655	\$ 96,355

(continued)

City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards
(Continued)

Year Ended December 31, 2011
(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 - 2009	16.607
Bulletproof Vest Partnership Program - 2010	16.607
Bulletproof Vest Partnership Program - 2011	16.607
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804
U.S. Department of Transportation	
Passed through the Kansas Department of Transportation:	
Airport Improvement Program	20.106
Safe Routes to School	20.205
Occupant Protection Traffic Safety (STEP)	20.600
Occupant Protection Traffic Safety (STEP)	20.600
Highway Safety Project (Checkpoint)	20.601
Highway Safety Project (Checkpoint)	20.601
U.S. Small Business Administration	
Technology and Research Park	59.059
Department of Homeland Security	
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

* Award amended

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures			
	Cumulative Awards Through December 31, 2011 (Unaudited)	Cumulative Through December 31, 2010 (Unaudited)	Total for the Year ended December 31, 2011	Cumulative Through December 31, 2011
	4,242	2,129	2,113	4,242
	2,165	-	2,165	2,165
	3,775	-	2,826	2,826
2009DJBX0110	52,003	49,934	2,069	52,003
2010DJBX0119	49,355	14,103	9,871	23,974
2011DJBX2648	39,210	-	-	-
2009SBB91816	263,200	232,180	-	232,180
	<u>413,950</u>	<u>298,346</u>	<u>19,044</u>	<u>317,390</u>
AV-2011-13	120,000	1,240	99,780	101,020
52-U-2120-01	250,000	-	13,000	13,000
OP-1008-11	7,000	1,409	5,410	6,819
OP-1008-12	7,500	-	-	-
AL-9100-11	6,615	537	4,516	5,053
AL-9100-12	5,823	-	-	-
	<u>396,938</u>	<u>3,186</u>	<u>122,706</u>	<u>125,892</u>
SBAHQ-10-I-0222	300,000	-	2,576	2,576
	205,193	-	93,272	93,272
(UASI)FY2008	74,044	-	74,044	74,044
(UASI)FY2010	52,516	-	52,516	52,516
	<u>331,753</u>	<u>-</u>	<u>219,832</u>	<u>219,832</u>
	<u>\$ 10,795,206</u>	<u>\$ 4,048,204</u>	<u>\$ 3,367,224</u>	<u>\$ 7,415,428</u>

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards

December 31, 2011

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.

Community Development Block Grant

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

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Neighborhood Stabilization Program

The purpose of this program is to provide assistance to state and local governments to acquire and redevelop foreclosed properties that might otherwise become sources of abandonment and blight within their communities. Resell 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.

Shelter Plus Care

The purpose of this grant is to provide rental assistance, in connection with supportive services funded from sources other than this program, to homeless persons with disabilities and their families.

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.

Historic Preservation Fund

The purpose of this grant is to assist in the implementation of historic preservation activities that includes surveying, planning, developing, acquisitions and National Register nominations. These activities will then aid business and property owners to enhance the historic character of a building or district, creating sustainable commercial and residential districts.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

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.

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.

Airport Improvement Program

The purpose of this program is to provide financial support to further the investment in transportation, environmental protection, and airport infrastructure that will provide long-term economic benefits.

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.

Occupant Protection Traffic Safety

The purpose of this program is to promote highway safety improvement, which includes special enforcement programs, such as the use of safety belts.

Highway Safety Project

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

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

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.

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, 2011.

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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 the basic 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, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 13, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with 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. Other auditors audited the financial statements of the Leavenworth Public Library, as described in our report on the City's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting on compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Berberich Trahan & Co., P.A.

June 13, 2012



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

Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

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

Compliance

We have audited the compliance of the City of Leavenworth, Kansas (the City) 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 programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

BERBERICH TRAHAN & CO., P.A. 3630 SW Burlingame Rd., Topeka, KS 66611-2050 T 785.234.3427 toll-free 800.530.5526 F 785.233.1768 btandcocpa.com

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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

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

Berberich Trahan & Co., P.A.

June 13, 2012

City of Leavenworth, Kansas
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2011

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:	None reported
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	None

Identification of major 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
14.218	Community Development Block Grants – Entitlement
14.253	ARRA Entitlement – Community Development Block Grant

(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

None

City of Leavenworth, Kansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Finding 2009-1 (Repeated from prior year)

Federal Program – ARRA Entitlement - Community Development Block Grant (CFDA No. 14.253), U.S. Department of Housing and Urban Development, Grant Award B-09-MY-20-0006

Condition – Fiscal year 2009 testwork of the “Project/Award Information” section of the ARRA Section 1512 Report (1512 Report) for the quarter ending December 31, 2009 revealed that the City had reported one subaward for \$14,525. The City should have reported this transaction under the vendor section of the report since this transaction was actually made with a vendor, not a subrecipient. Fiscal year 2010 testwork revealed no changes had been made to the misclassification of the 1512 reports.

Criteria – Information included in reports submitted to the federal grantor should be accurately reported for the given time period.

Cause – In 2009, the City was not fully aware of the specific requirements for the 1512 Report. In 2010, the City attempted to correct this misclassification but the correction was not completed as of December 31, 2010.

Effect – Incorrect information has been reported to the federal grantor.

Questioned Costs – None.

Recommendation – We recommend the City revise their 1512 Reports for all affected quarters to reflect the expenditure as a vendor transaction rather than a subaward and implement controls to prevent a future reoccurrence.

Management’s Response/Corrective Action Plan (Unaudited) – The City will revise the 1512 Report for the quarter ending December 31, 2010 to reflect the expenditure as a vendor transaction rather than a sub award and implement controls, to include a review process to prevent future reoccurrences.

Follow-up – This finding is resolved.

City of Leavenworth, Kansas

Summary Schedule of Prior Audit Findings
(Continued)

Finding 2010-1 – Significant Deficiency

Federal Program – ARRA - Edward Byrne Memorial Justice Assistance Grant Program – (CFDA No. 16.804), U.S. Department of Justice, Grant Award 20095BB91816

Compliance Requirement – Procurement, Suspension and Debarment

Condition – For the contractor and subaward involved with this grant program in fiscal year 2010, the City did not check the “Excluded Parties List System” (EPLS) to ensure that all the parties involved were not suspended or debarred prior to entering into the contract and subaward.

Criteria – According to 2 CFR 180, procurement transactions expended to equal or exceed \$ 25,000 require that the recipient of the federal funding must verify that the entity in the next lower tier that it is contracting with is not suspended or debarred. Irrespective of award amount, all subawards to subrecipients must be verified that they are not suspended or debarred.

Cause – The City was unaware of the extent of this requirement.

Effect – Without verifying that the entity is not suspended or debarred, the City could provide funding to a suspended or debarred party.

Questioned Costs – None. The contractor and subrecipient were not suspended or debarred parties.

Recommendation – The City should implement controls that would verify that entities with whom the City gives subawards for equal to or greater than \$ 25,000 are not suspended or debarred.

Management’s Response/Corrective Action Plan (Unaudited) – The City will implement controls to verify that entities with whom the City gives subawards for equal to or greater than \$ 25,000 are not suspended or debarred. Specifically, at the time the grant is established in the accounting system, any subaward entities identified in the grant documentation will be checked in the EPLS irrespective of the amount of the subaward.

Follow-up – This finding is resolved.

