



COMPREHENSIVE ANNUAL FINANCIAL REPORT

*City of Leavenworth, Kansas
For the Year Ended December 31, 2018*

City of Leavenworth, Kansas

Comprehensive Annual Financial Report

**Fiscal Year Ended
December 31, 2018**

Prepared by:

**Ruby Maline
Director of Finance**

City of Leavenworth, Kansas
Comprehensive Annual Financial Report
Year Ended December 31, 2018

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Introductory Section



June 30, 2019

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, 2018. 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 Mize Houser & Company P.A. a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended December 31, 2018 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Leavenworth, Kansas was established in 1854 and incorporated by the first Kansas territorial legislature in 1855. The City is a legally constituted city of the First Class and the county seat of Leavenworth County. It sits on the west bank of the Missouri River approximately 28 miles northwest of Kansas City, Missouri and 45 miles northeast of Topeka, Kansas. The City has a population of 36,210 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. Policy-making 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.
- Community and economic development: business recruitment, retention, and expansion incentives; innovations for entrepreneurs and veterans; and local transportation enhancements
- Culture and recreation: parks, recreation, community center, and performing arts.

- General governmental and administrative services.

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

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

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

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

Factors Affecting Financial Condition

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

Local economy

The City of Leavenworth is known nationally as the home of Fort Leavenworth, the Intellectual Center of the Army, and Leavenworth Federal Penitentiary. Several other federal institutions, including the Dwight D. Eisenhower Veterans Affairs Medical Center, Fort Leavenworth's Command and General Staff College, and the U.S. Disciplinary Barracks and Joint Regional Correctional Facility make the City an important site for governmental and military purposes. These federal institutions provide employment for nearly 1,720 civilians. Also, a privately-owned corrections facility serving the federal Marshall's Service employs approximately 230 people.

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

Long-term financial planning

The City Commission recently approved a five-year capital improvements program (2019 – 2023) that contains in excess of \$30.8 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	\$12,790,000
Bridges	640,475
Other Infrastructure	339,640
Sidewalks, curbs, gutters	2,445,573
Sewer and stormwater	2,571,490
Equipment	2,604,239
Economic development	3,665,729
Buildings	978,225
Parks	284,370
Other	4,501,104

To the extent possible, these projects are funded on a pay-as-you-go basis with City and Countywide sales tax proceeds or other operating sources. In fact, \$17,314,369 of identified projects are funded in this manner. An additional \$716,476 of identified projects are funded by federal and state grants for street and bridge construction.

Finally, approximately \$12,790,000 of identified projects are funded with long-term capital financing or short-term capital leases. It is expected that the debt service associated with bonds issued to finance these projects will have a minimal impact on the City’s mill levy rates for the next five years.

Financial Policies and Budgetary Initiatives

Financial policies

During 2018 utilizing cooperative purchasing for equipment increased significantly. This has reduced administrative expenses and reduced the amount of time it takes to get equipment placed in service.

In 2018, economic development activities increased significantly. These activities were facilitated by the economic development policies the Commission approved in 2017.

Budgetary Initiatives

During the 2019 budget process, the City maintained a stable mill levy which was facilitated by increases in assessed valuations, increased sales tax revenues, and lower than anticipated health insurance rate increases. Additionally, the Commission approved implementing a storm water impact fee to address deferred maintenance in the storm water system.

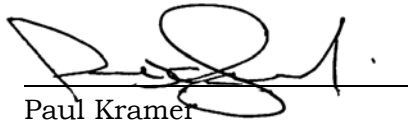
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Distinguished Budget Presentation award for its 2019 budget. This is the first time the City has received this prestigious award. In order to be awarded this certificate, a budget must satisfy nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well an entity's budget serves as a policy document, financial plan, operations guide, and communications device.

The 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, 2017. This was the 24th 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 Mize Houser & Company P.A. for their assistance in the preparation of this report.



Paul Kramer
City Manager

City of Leavenworth, Kansas
List of Elected and Appointed Officials
December 31, 2018

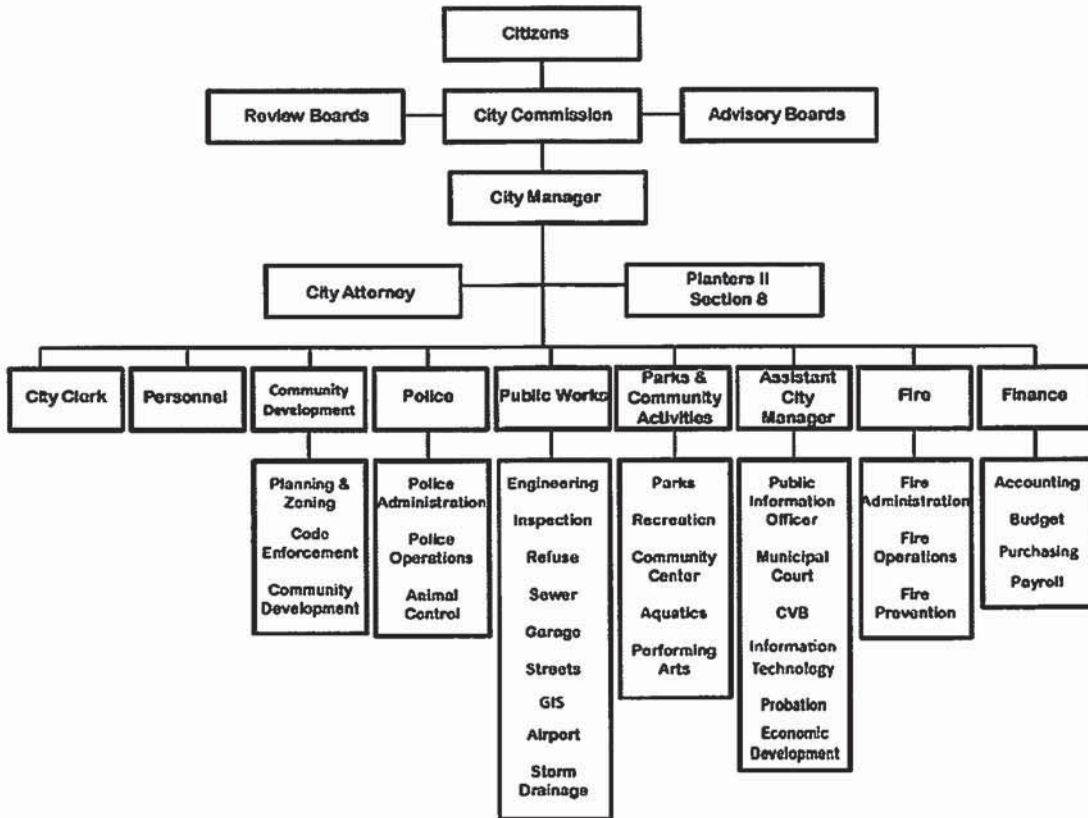
Elected Officials	Position	Term Expires
Mark Preisinger	Mayor	2020
Jermaine Wilson	Mayor Pro Tem	2022
Larry Dedeke	Commissioner	2020
Nancy Bauder	Commissioner	2020
Myron Griswold	Commissioner	2022

Appointed Officials	Position	Length of Service
Paul Kramer	City Manager	3 years
David Waters	City Attorney	1 year
Taylor Tedder	Assistant City Manager	3 years
Melissa Bower	Public Information Officer	7 years
Lona Lanter	Human Resources Director	15 years
Carla Williamson	City Clerk	3 years
Ruby Maline	Finance Director	3 years
Steve Grant	Parks & Recreation Director	3 years
Michael McDonald	Public Works Director	30 years
Pat Kitchens	Police Chief	11 years
Gary Birch	Fire Chief	5 years
Julie Hurley	City Planner	4 years

Organizational Chart

City of Leavenworth Organizational Chart

As of January 1, 2019





Government Finance Officers Association

**Certificate of
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in Financial
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Presented to

**City of Leavenworth
Kansas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morill

Executive Director/CEO

Financial Section



INDEPENDENT AUDITOR'S REPORT

Mayor and City Commission
City of Leavenworth, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Leavenworth Public Library, a discretely presented component unit of the City of Leavenworth, Kansas, which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Leavenworth Public Library, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the "Kansas Municipal Accounting and Audit Guide." These 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of the 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, 2018, 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 accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 5.I. to the financial statements, the City implemented GASB 75 for other postemployment benefits during the current year. As a result of the implementation, a restatement was made to the net position at December 31, 2017. Our opinion is not modified with respect to this matter.

Prior Period Restatement

As discussed in Note 5.I. to the financial statements, certain errors in amounts previously reported as of December 31, 2017, were discovered by management of the City during the current year. Accordingly, these amounts have been restated in the December 31, 2018, financial statements now presented, and adjustments have been made to net position to correct the error. Our opinion is not modified with respect to these matters.

The financial statements of the City of Leavenworth, Kansas, as of December 31, 2018, were audited by other auditors whose report dated July 27, 2018, expressed an unmodified opinion on the those statements.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 account 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 combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Mize Houser & Company PA

Certified Public Accountants

Lawrence, Kansas
June 30, 2019

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

Financial Highlights

- The City's bond rating in 2018 was Aa2.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$37,580,340 (*net position*). Implementation of the accounting changes required by GASB 75 in 2018 resulted in a prior period adjustment that reduced net position \$3,691,709. Additionally, the Business and Technology Park became available as an economic development incentive, and was therefore, reclassified as an asset held for resale. This reclassification resulted in a prior period adjustment which reduced net position by \$5,997,257. As a result, the City has an unrestricted net position of (\$17,105,979).
- The City's total net position decreased \$8,548,125, or 18 percent, during the fiscal year, due to the above mentioned restatement of beginning net position.
- As of December 31, 2018, the City's governmental funds reported combined ending fund balances of \$14,507,183, a decrease of \$926,139 over the prior year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$5,903,720, or 31.8 percent of total General Fund expenditures. The City's Commission adopted Reserve Policy requires two months of expenditures (16.67%) as fund balance.
- The City's total bonded debt decreased \$2,090,000 during the current fiscal year. General obligation bonds totaling \$1,410,000 were issued for governmental activities to provide for general infrastructure improvements. However, \$3,500,000 of previously existing debt for both governmental and business-type activities was retired during the year.

Overview of the Financial Statements

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

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, community and economic development, and housing and urban redevelopment. The business-type activities of the City include a Sewer Fund, Storm Water 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 18-19 of this report.

Fund financial statements

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

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

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

The City maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Debt Service Fund and the Capital Projects Fund, all of which are considered to be major funds. Data from the other sixteen 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 20-23 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, storm water, 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, Storm Water, and Refuse Funds, of which, the Sewer Fund is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 24-26 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 27-28 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 29-80 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain **required supplementary information** concerning the City's progress in funding its obligations to provide pension and postemployment benefits to certain of its employees. Required supplementary information can be found on pages 81-90 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 90-111 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets plus deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$37,580,340 at the close of the current fiscal year.

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

City of Leavenworth's Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$25,406,195	\$24,592,946	\$3,762,726	\$2,388,331	\$29,168,921	\$26,981,277
Capital assets	58,483,371	65,718,438	14,610,825	14,709,554	73,094,196	80,427,992
Total assets	83,889,556	90,311,384	18,373,551	17,097,885	102,263,117	107,409,269
Total deferred outflows of resources	3,345,872	2,980,517	171,782	152,892	3,517,654	3,133,409
Long-term liabilities outstanding	46,368,626	45,002,070	7,624,297	7,953,512	53,992,923	52,955,582
Other liabilities	5,517,039	3,983,730	293,700	524,204	5,810,739	4,507,934
Total liabilities	51,885,665	48,985,800	7,917,993	8,477,716	59,803,662	57,463,516
Total deferred inflows of resources	8,259,318	6,836,937	137,451	113,760	8,396,769	6,950,697
Net position:						
Net investment in capital assets	37,978,770	43,804,306	8,435,825	8,154,554	46,414,595	51,958,860
Restricted	8,271,727	6,505,234	-	-	8,271,727	6,505,234
Unrestricted	(19,160,042)	(12,840,376)	2,054,060	504,747	(17,105,982)	(12,335,629)
Total net position	\$27,090,455	\$37,469,164	\$10,489,885	\$8,659,301	\$37,580,340	\$46,128,465

An additional portion of the City's net position, \$8,271,727, represents resources that are subject to external restrictions on how they may be used.

The City's change in net position related to 2018 activities increased \$1,138,833 from the prior year, when compared to the restated beginning balances. However, the prior year net position was adjusted in the amount of \$3,691,709 due to a restatement of Other Postemployment Benefits (OPEB) related to the implementation of GASB 75 as discussed in 5.I. of the Detailed Notes to the Financial Statements found on page 80. , and the reclassification of the Business and Technology Park, which resulted in a decrease in net position of \$5,997,257 through the prior period adjustment. The reasons for this change are discussed in the following sections for governmental activities and business-type activities.

Governmental activities

The 2018 governmental activities decreased the City's net position \$790,467. Key elements of the decline in the current year are as follows:

- Charges for services decreased \$1,246,512 during the year. Of this amount \$910,451 was due to a decrease in federal funds exchange (FFE) reimbursements for completed streets projects; \$20,807 was a reduction of commercial building permits, a decrease of \$143,960 is attributed to a reduction of inspections fees; the balance is a cumulative total of smaller amounts.
- Operating grants and contributions decreased \$70,461 during the year. The City received \$10,469 less in Liquor taxes; and \$80,515 less in Community Development Block Grant funds were received. Additional decreases in grants and contributions were for cumulative smaller amounts in other areas.
- Capital grants and contributions decreased \$3,468,727 during the year due to the one-time county contribution toward the Business & Technology Park in 2017; a \$22,405 increase in motor fuel tax, and a \$61,733 increase related to capital projects at Planters II.
- Revenue from all taxes, including property taxes, increased \$880,317 during the year. \$117,184 of increased property taxes resulted from an increase in assessed valuation and no increase in mills. Sales tax revenue increased \$497,318 over 2017, with an increase of \$263,286 in city sales tax; \$234,032 in county wide sales tax; of those amounts compensating use tax of \$140,927 is included. Franchise taxes increased \$83,189; motor vehicle taxes increased \$60,675; and transient guest taxes increased \$72,947. TIF taxes increased \$97,979, and special assessments decreased \$24,497.
- The Business and Technology Park expenditures were classified as an asset and reflected as an asset on the 2017 Statement of Net Position. Subsequent to the classification of the project as an asset, it was determined that it would be held as an asset available for resale. Assets held for resale are not valued at the government's cost of acquiring and improving the property, but at the net realizable value. The value of the asset changed from \$9,273,333 as the total project cost to \$1,228,650, which is the estimated net realizable value. The reclassification did not result in a reduction of depreciation because the classification was changed before depreciation was calculated. This reclassification is the major reason for the City's decrease in governmental activities net position.
- The City implemented GASB 75 in 2018 which resulted in a reduction of governmental activities' net position of \$3,691,709. GASB 75 is a complete change in the way governmental entities report post-employment benefits other than pensions (OPEB). The OPEB liability used to be calculated based on the shortfall of contribution to the actuarial determined amount required. The new approach recognizes the amount employees have earned and the contributions made are recognized as a funding mechanism. Implementation was required for fiscal years beginning after June 15, 2017.

- Overall, expenses increased \$1,586,748 over the prior year, \$150,409 is attributed to health insurance; \$201,572 is related to sick leave, vacation leave, and additional pension payouts due to the retirement of several long-time employees; \$811,291 increased allocation of depreciation expense; \$159,092 increased allocation of post-employment benefits other than pension (OPEB); the balance is made of the cumulative totals of smaller amount attributed to data storage related to increased public safety technology, tuition reimbursements, vehicle repairs and maintenance, and facility maintenance.
- General government expenses decreased \$1,304,542 during the year. Personnel decreased by \$103,245 due to employee turnover. Contractual services decreased due to TIF related activities (\$378,466); the balance is related to capital outlay.

Public safety expenses decreased by \$95,693. Of this amount, personnel costs increased by \$569,209 due to increases in salaries, health insurance, KP&F, vacation, and sick leave payouts related to the retirement of long-time personnel, and workers compensation, OPEB expenses increased by \$145,089; reductions include vehicle repairs and maintenance; buildings and grounds maintenance; and capital outlay.

Public works expenses increased \$624,696 from the prior year due to increases in capital outlay for infrastructure maintenance.

Culture and recreation expenses decreased \$788,156 over 2017. This is due to decreases in capital outlay and depreciation.

Community and economic development expenses increased \$3,450,479 due to the purchase and demolition of a property downtown to be used for economic development incentives and for the Business and Technology Park expenses incurred in order to complete the project that began in 2017.

Housing and urban redevelopment expenses decreased \$2,358,752 over the prior year due to the reclassification of economic development activities into a separate function.

City of Leavenworth's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue:						
Program revenue:						
Charges for services	\$ 4,932,697	\$ 6,179,209	\$ 7,935,156	\$ 6,285,892	\$ 12,867,853	\$ 12,465,101
Operating grants and Contributions	3,595,712	3,686,980	-	-	3,595,712	3,686,980
Capital grants and contributions	1,416,286	4,885,013	396,881	512,256	1,813,167	5,397,269
General revenue:						
Property taxes	5,439,036	5,359,986	-	-	5,439,036	5,359,986
Other taxes	18,249,095	17,447,828	-	-	18,249,095	17,447,828
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Gain on sale of capital assets	-	36,438	-	4,908	-	41,346
Miscellaneous	565,149	39,010	15,147	22,448	580,296	61,458
Unrestricted investment earnings	212,681	123,383	-	-	212,681	123,383
Total revenue	34,410,656	37,757,847	8,347,184	6,825,504	42,757,840	44,583,351
Expenses:						
General government	3,420,563	4,725,105	-	-	3,420,563	4,725,105
Public safety	12,313,792	12,409,485	-	-	12,313,792	12,409,485
Public works	8,134,057	7,359,726	-	-	8,134,057	7,359,726
Culture and recreation	2,807,665	3,595,821	-	-	2,807,665	3,595,821
Housing and urban Redevelopment	2,477,772	4,836,524	-	-	2,477,772	4,836,524
Community and economic Development	3,450,479	-	-	-	3,450,479	-
Unallocated depreciation expense	2,014,075	-	-	-	2,014,075	-
Interest on long-term debt	582,720	687,714	-	-	582,720	687,714
Sewer	-	-	4,480,655	4,709,551	4,480,655	4,709,551
Stormwater	-	-	3,172	-	3,172	-
Refuse	-	-	1,934,057	1,963,188	1,934,057	1,963,188
Total expenses	35,201,123	33,614,375	6,417,884	6,672,739	41,619,007	40,287,114
Change in net position before Transfers	(790,467)	4,143,472	1,929,300	152,765	1,138,833	4,296,237
Transfers	-	47,345	-	(47,345)	-	-
Change in net position	(790,467)	4,190,817	1,929,300	105,420	1,138,833	4,296,237
Net position – beginning	37,469,164	31,200,730	8,659,301	8,553,881	46,128,465	39,754,611
Prior period adjustment	(9,588,242)	2,077,617	(98,716)	-	(9,686,958)	2,077,617
Net position – ending	\$27,090,455	\$37,469,164	\$10,489,885	\$8,659,301	\$37,580,340	\$46,128,465

Business-type activities

The 2018 Business-type activities increased the City's net position \$1,929,300. Key elements of this increase are as follows:

- Sewer Fund revenue increased \$190,712, from the prior year due primarily to a 3% increase in the sewer utility rate initiated at the beginning of the year. This rate increase was enacted to accommodate normal inflationary cost increases and capital outlay.

Sewer Fund expenses decreased \$228,896, due primarily to a decrease of \$267,222 in plant repairs and maintenance, \$80,678 decrease in operating supplies, and an increase in personnel costs of \$22,037 due to the implementation of GASB 75. Depreciation expense was \$1,447,729, which is a \$62,662 increase from 2017.

- Refuse Fund revenue increased \$42,189, due to a 3% increase in refuse rates. Refuse Fund expenses decreased \$51,630, due primarily to a \$27,226 decrease in landfill fees; a \$14,342 decrease in vehicle repairs and maintenance; and cumulative decreases in other areas. Personnel expenses increased \$47,231 due to increases in health insurance, pension expenses and the implementation of GASB 75. Depreciation expense was \$64,003, an increase of \$7,473.

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 \$14,507,183, a decrease of \$926,139 over the prior year. Approximately 27 percent of this amount \$3,896,514 constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes (\$8,829,379), 2) committed for particular purposes (\$1,779,484), or 3) assigned for particular purposes (\$1,806).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance of the General Fund was \$5,903,720. All but \$1,806 of this amount (\$5,901,914) is designated as unassigned fund balance, which is available for spending at the City's discretion. The \$1,806 of total fund balance is designated as assigned to reflect amounts intended to be used by the City for the liquidation of an encumbrance.

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 31.8 percent of total General Fund expenditures, while total fund balance represents 31.8 percent of total General Fund expenditures.

The fund balance of the City's General Fund decreased \$573,132 to \$5,903,720 during the current fiscal year. Revenue from property, sales, franchise, and special assessment taxes increased \$787,308 from the prior year and total expenses increased \$1,450,727 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds increased \$193,470. This was attributed to transferring: Probation activities to a separate fund (\$94,822 was the fund balance associated with those activities); \$102,186 to subsidize the Streets fund; and \$51,945 to subsidize the Recreation Fund.

The Debt Service Fund had a restricted fund balance of \$361,513 at the end of the current year, a \$45,873 increase from the prior year. Revenue increased \$465,803 and debt service expenditures decreased \$308,665 from the prior year. Finally, transfers from other funds increased \$536,978 for payment of debt related to the bonds for the Business and Technology Park and the 2nd Street Bridge repairs.

At the end of the year, the fund balance of the Capital Projects Fund was (\$203,786), a decrease of \$2,444,091 from the prior year. Several factors contributed to this decrease:

- Total revenue decreased \$6,089,731 during the year. Transactions related to the Business and Technology Park included debt issued for the City's share of the expenses (\$4,910,000) and (\$4,487,234) for Leavenworth County's share of the Business and Technology park were received in the prior year, but not the current year. Revenues from temporary notes issued increased \$2,025,000 for The River Front Community Center Stone Replacement and for New Lawrence Road infrastructure.
- Total capital outlay expenditures decreased \$8,871,158 due to the completion of the Business and Technology Park and the New Lawrence Road infrastructure.

Proprietary funds

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

The unrestricted net position of the Sewer Fund at the end of the year was \$929,419, the Storm Water Fund unrestricted net position was \$1,380,187 and the Refuse Fund was (\$255,546). In comparison with the prior year, unrestricted net position for the Sewer Fund increased \$43,076 while unrestricted net position for the Refuse Fund increased \$156,050. 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 2018.

During the year, revenues were \$250,524 less than budgetary estimates due to:

- Revenue from tax sources were \$432,544, less than budgetary expectations. Ad valorem taxes were lower by \$102,538. For transparency purposes, total ad valorem taxes were budgeted, including refunds to NRA districts and TIF districts. A corresponding expense related to these revenues was also budgeted. Delinquent tax collections were lower by \$33,579. Motor Vehicle taxes exceeded expectations by \$43,624.

- Sales tax revenue budgeted in the General Fund were lower by \$230,473. This is also related to TIF districts; the total sales tax revenue was budgeted with a corresponding expense also being budgeted. Franchise tax revenues were lower than expectations by \$73,115.
- Intergovernmental revenues were lower than expectations by \$2,385.
- Revenue from licenses and permits were \$71,492 greater than budgetary expectations as inspections exceeded expectations.
- Revenue from charges for services were \$106,423 above budgetary expectations due to increased fuel sales and plan reviews.
- Revenue from fines and forfeitures were \$233,373 below budgetary expectations due to decreased revenue from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.
- Miscellaneous revenue were \$75,635 over budgetary expectations due primarily to an increase in investment income.

During the year, expenditures were \$3,234,156 less than budgetary estimates due to:

- General Government expenditures were \$3,254,401 below budgetary expectations due to personnel decreases of \$87,966 due to turnover; other operating expenses were \$99,434 less; software maintenance was \$23,685 more; and various other expenditures were less than anticipated.
- Public Safety expenditures were \$253,173 less than anticipated due to personnel costs being below budget by \$317,691 and fuel expenses were lower by \$34,908. Other areas were below budget as well, however, vehicle repairs exceeded anticipated expenditures by \$86,247.
- Culture and recreation expenditures were \$27,544 over budgetary expectations due to increased personnel, electric, and water utilities.
- Public works expenditures were \$3,872 below budgetary expectations. Personnel expenditures were \$110,157 lower than anticipated due to employee turnover; contractual services expenditures were over budget by \$55,303, fuel purchases were over by \$43,783.

As mentioned earlier, transfers to other funds were \$249,746 over budgetary expectations during the year due to moving Probation Services to a separate fund and subsidies to the Recreation Fund and the Street Fund.

During the year, revenue was less than budgetary estimates and expenditures were less than budgetary estimates, so fund balance was decreased by \$574,938.

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, 2018, amounts to \$73,094,196 (net of accumulated depreciation). The Commission approved revisions to the City's capital asset policy which redefined

the thresh-hold for capitalizing asset purchases. The new policy establishes the GFOA recommended \$5,000 minimum for capitalizing assets.

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

- Numerous street and bridge reconstruction projects were completed at a cost of \$2,111,373 while several projects continued. Construction in progress for such projects as of the close of the fiscal year had reached \$3,220,750 for streets. An additional amount has been identified for Thornton Street and 10th Avenue but construction has not begun on those.
- The Business and Technology Park construction began in 2017, and was completed in 2018, however it was subsequently reclassified from capital assets to assets held for resale which resulted in a total reduction of \$8,044,683 in construction in progress between 2017 and 2018.
- The Riverfront Community center stone replacement –phase IV design began in 2018 with a cost of \$25,980 and a construction commitment in the amount of \$848,265 to complete the project in 2019.
- During 2018, the City entered into a three-year lease agreement for the purchase of a sewer vacuum truck in the amount of \$401,849.
- In addition playground equipment at Cody Park was replaced in the amount of \$124,500. Various vehicles and other equipment were replaced in the amount of \$300,100.

City of Leavenworth’s Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 2,695,654	\$ 2,695,354	\$ 58,634	\$ 58,634	\$ 2,754,288	\$ 2,753,988
Buildings	8,231,705	9,192,143	4,165,112	4,982,436	12,396,817	14,174,579
Improvements other than buildings	7,689,770	7,946,107	6,027,404	6,473,447	13,717,174	14,419,554
Machinery and equipment	4,140,058	4,083,287	941,559	574,180	5,081,677	4,657,469
IT Equipment & Software	975,143	479,169	-	-	975,143	479,169
Infrastructure	31,937,325	34,166,176	2,162,818	2,095,881	34,100,143	36,262,057
Construction in progress	2,813,716	7,156,202	1,255,298	524,974	4,069,014	7,681,176
Total	\$58,483,371	\$65,718,438	\$14,610,825	\$14,709,554	\$73,094,196	\$80,427,992

Additional information on the City of Leavenworth’s capital assets can be found in note 4.B on pages 44-47 of this report.

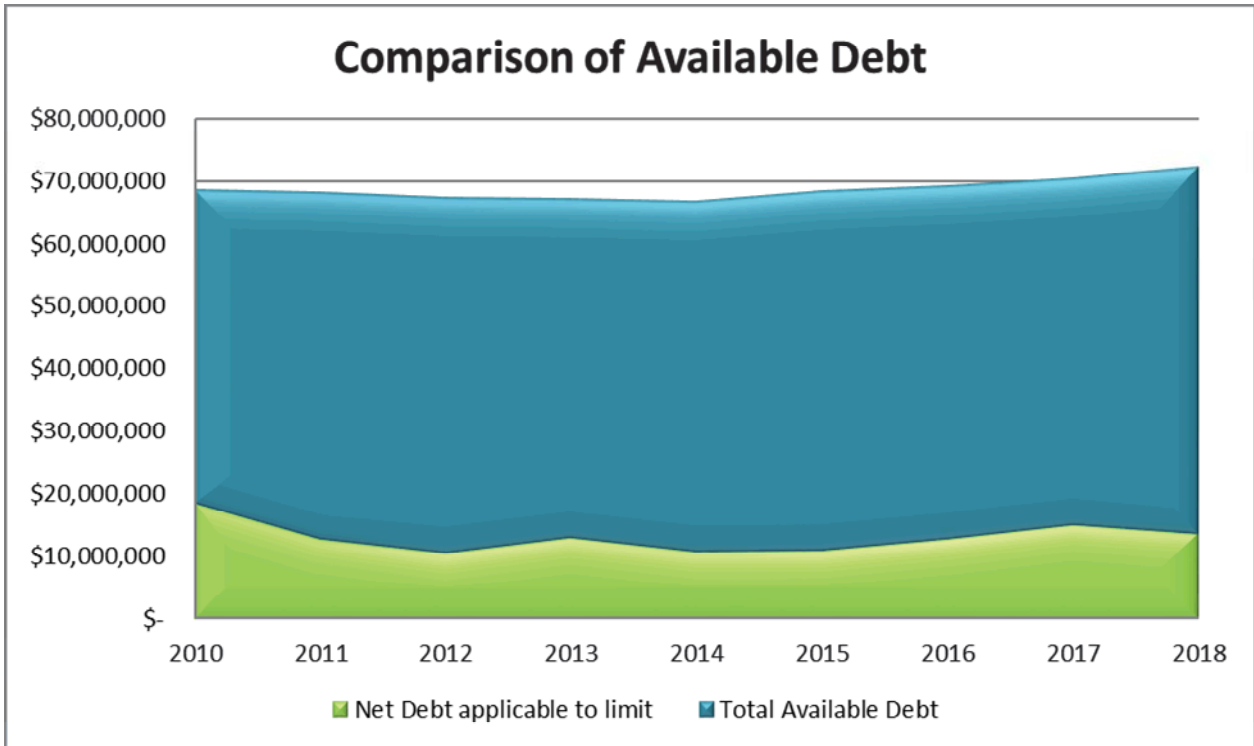
Long-term debt

At the end of the year, the City had total bonded debt outstanding of \$26,870,000, all of which is debt backed by the full faith and credit of the City. Of this amount, \$21,070,000 relates to governmental activities while \$5,800,000 relates to business-type activities.

The City’s total bonded debt decreased \$2,090,000 during the current fiscal year. General obligation bonds totaling \$1,410,000 were issued for governmental activities to provide permanent financing for general infrastructure of \$1,410,000. However, \$3,500,000 of previously existing debt for governmental and business-type activities was retired during the year.

The City maintains an “Aa2” rating from Moody’s for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 30 percent of its total equalized assessed valuation. The current debt limit for the City is \$72,214,115, 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 on pages 49-55 of this report.

Economic Factors and Next Year’s Budgets and Rates

The change with the most impact for 2018 was anticipated to be from the tax lid law. However, the Commission decided to keep the mill levy flat and with the 2.5% net increase in assessed valuations, exclusions allowed by the law, and the consumer price index (CPI) adjustment of 4% allowed by the State, the City was able to maintain the current level of services and stay within the limitations of the law.

The NRA tax refunds are anticipated to be approximately \$100,000. TIF related property tax refunds are anticipated to be \$182,000.

It was anticipated that the City's portion of County Wide sales and Use tax would decrease in 2018; however the end result was a 2.8% increase for sales tax and 5.0% for County Wide sales tax. The City's portion of County Wide sales tax is anticipated to increase by 3.0% for 2019.

Franchise revenues are anticipated to increase by 5.0% in 2019.

During 2019, current economic development activities, such as the Business and Technology Park and new housing addition currently under construction will have a direct impact on the 2020 budget. The full economic impact cannot be quantified at present.

In 2019, the Commission approved a Storm Water impact fee for the City to address deferred maintenance of the storm water system. Additionally, the Refuse rates were increased 8.0% to accommodate equipment replacement and Sewer rates were increased 5.0% to keep pace with increased repair and maintenance of the sewer infrastructure.

The 2019 budget was created based on Commission established goals and priorities, with increased spending in Public Safety personnel and technology related data storage and equipment and the phased implementation of the results of the 2018 compensation study.

The 2019 compensation plan for employees will include a 2.75% COLA allocated at mid-year. Health insurance benefits rates increased by 6.79% for 2019.

In summary, the approved 2019 budget maintains the mill levy established in the 2018 budget for City operations, but includes a slight increase for Library Employee Benefits. The 2019 budgeted mill is at 31.747 mills.

Requests for Information

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

Basic Financial Statements

City of Leavenworth, Kansas

Statement of Net Position
December 31, 2018

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Library
ASSETS				
Cash and cash equivalents	\$ 14,856,602	\$ 1,768,948	\$ 16,625,550	\$ 1,220,776
Cash in escrow	857,789	-	857,789	-
Deposits restricted for tenant deposit refunds	33,967	-	33,967	-
Receivables (net of uncollectibles)				
Property tax	5,421,284	-	5,421,284	1,026,727
Special assessment tax	174,121	-	174,121	-
Sales tax	2,429,619	-	2,429,619	-
Interest	59,065	-	59,065	-
Due from other governments	36,987	-	36,987	-
Accounts receivable	308,111	1,993,778	2,301,889	-
Assets held for resale	1,228,650	-	1,228,650	-
Capital assets (net of accumulated depreciation)				
Land	2,695,654	58,634	2,754,288	-
Buildings	8,231,705	4,165,112	12,396,817	-
Improvements other than buildings	7,689,770	6,027,404	13,717,174	-
Machinery and equipment	5,115,201	941,559	6,056,760	652,335
Infrastructure	31,937,325	2,162,818	34,100,143	-
Construction in progress	2,813,716	1,255,298	4,069,014	-
Total assets	83,889,566	18,373,551	102,263,117	2,899,838
DEFERRED OUTFLOWS OF RESOURCES				
OPEB - KPERS related	119,378	28,002	147,380	-
Pension related	3,226,494	143,780	3,370,274	49,285
Total deferred outflows of resources	3,345,872	171,782	3,517,654	49,285
LIABILITIES				
Accounts payable	590,201	112,984	703,185	-
Retainage payable	-	39,546	39,546	-
Other liabilities	37,063	128	37,191	-
Accrued compensation	707,376	72,485	779,861	-
Accrued interest payable	213,432	68,557	281,989	-
Tenant deposits	33,967	-	33,967	-
Bond anticipation notes payable	3,935,000	-	3,935,000	-
Long-term liabilities:				
Due within one year	3,293,425	796,077	4,089,502	-
Due in more than one year	43,075,201	6,828,220	49,903,421	453,093
Total liabilities	51,885,665	7,917,997	59,803,662	453,093
DEFERRED INFLOWS OF RESOURCES				
OPEB - KPERS related	5,005	1,174	6,179	24,132
OPEB related	1,654,997	54,491	1,709,488	-
Pension related	1,178,032	81,786	1,259,818	-
Property taxes levied for a subsequent period	5,421,284	-	5,421,284	1,026,727
Total deferred inflows of resources	8,259,318	137,451	8,396,769	1,050,859
NET POSITION				
Net investment in capital assets	37,978,770	8,435,825	46,414,595	652,335
Restricted for:				
Capital improvements	2,697,092	-	2,697,092	-
Tax increment financing	614,481	-	614,481	-
Street maintenance	678,362	-	678,362	-
Law enforcement	127,583	-	127,583	-
Recreation programs	20,613	-	20,613	-
Housing services	1,361,341	-	1,361,341	-
General obligation debt	361,513	-	361,513	-
Economic development	1,946,704	-	1,946,704	-
Tourism & convention activities	464,035	-	464,035	-
Unrestricted	(19,160,039)	2,054,060	(17,105,979)	792,836
Total net position	\$ 27,090,455	\$ 10,489,885	\$ 37,580,340	\$ 1,445,171

The notes to the basic financial statements are an integral part of this statement.

City of Leavenworth, Kansas

Statement of Activities
For the Year Ended December 31, 2018

Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position			Component Unit Library	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total		
				Governmental Activities	Business-Type Activities			
Functions/Programs								
Primary government:								
Governmental activities								
General government	\$ 3,420,563	\$ 1,406,657	\$ 134,700	\$ 3,390	\$ (1,875,816)	\$ -	\$ (1,875,816)	\$ -
Public safety	12,313,792	382,530	30,546	-	(11,900,716)	-	(11,900,716)	-
Public works	8,134,057	1,913,001	1,089,848	-	(5,131,208)	-	(5,131,208)	-
Culture and recreation	2,807,665	681,841	67,350	-	(2,058,474)	-	(2,058,474)	-
Housing and urban redevelopment	2,477,772	548,668	2,273,268	184,246	528,410	-	528,410	-
Community and economic development	3,450,479	-	-	1,228,650	(2,221,829)	-	(2,221,829)	-
Unallocated depreciation expense	2,014,075	-	-	-	(2,014,075)	-	(2,014,075)	-
Interest on long term debt	582,720	-	-	-	(582,720)	-	(582,720)	-
Total governmental activities	35,201,123	4,932,697	3,595,712	1,416,286	(25,256,428)	-	(25,256,428)	-
Business-type activities:								
Sewer	4,480,655	4,513,874	-	396,881	-	430,100	430,100	-
Stormwater	3,172	1,407,065	-	-	-	1,403,893	1,403,893	-
Refuse	1,934,057	2,014,217	-	-	-	80,160	80,160	-
Total business-type activities	6,417,884	7,935,156	-	396,881	-	1,914,153	1,914,153	-
Total primary government	\$ 41,619,007	\$ 12,867,853	\$ 3,595,712	\$ 1,813,167	(25,256,428)	1,914,153	(23,342,275)	-
Component unit:								
Library	\$ 1,224,104	\$ 27,763	\$ 21,528	\$ -	-	-	-	(1,174,813)
Total component unit	\$ 1,224,104	\$ 27,763	\$ 21,528	\$ -	-	-	-	(1,174,813)
General revenues:								
Taxes:								
Property taxes					5,439,036	-	5,439,036	-
Tax increment property taxes					182,648	-	182,648	-
Sales taxes					13,057,850	-	13,057,850	-
Tax increment sales taxes					949,539	-	949,539	-
Franchise taxes					2,880,135	-	2,880,135	-
Motor vehicle taxes					764,659	-	764,659	-
Transient guest tax					414,264	-	414,264	-
Intergovernmental revenue not restricted to specific programs					-	-	-	1,146,856
Miscellaneous					565,149	15,147	580,296	4,680
Unrestricted investment earnings					212,681	-	212,681	5,795
Total general revenues					24,465,961	15,147	24,481,108	1,157,331
Change in net position					(790,467)	1,929,300	1,138,833	(17,482)
Total net position - beginning					37,469,164	8,659,301	46,128,465	1,462,653
Prior period adjustment					(9,588,242)	(98,716)	(9,686,958)	-
Total net position - beginning, restated					27,880,922	8,560,585	36,441,507	1,462,653
Total net position - ending					\$ 27,090,455	\$ 10,489,885	\$ 37,580,340	\$ 1,445,171

City of Leavenworth, Kansas

Balance Sheet
Governmental Funds
December 31, 2018

	General	Debt Service	Capital Projects	NonMajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,054,227	\$ 361,513	\$ 3,860,820	\$ 5,580,042	\$ 14,856,602
Cash in escrow	-	-	-	857,789	857,789
Deposits restricted for tenant deposit refunds	-	-	-	33,967	33,967
Receivables (net of uncollectibles)					
Property tax	3,377,324	1,574,377	-	469,583	5,421,284
Special assessments	109,861	64,260	-	-	174,121
Sales tax	1,426,876	-	-	1,002,743	2,429,619
Accrued interest receivable	58,311	-	35	719	59,065
Due from other governments	-	-	-	36,987	36,987
Due from other funds	29,501	-	-	-	29,501
Accounts receivable	302,978	-	5,133	-	308,111
Assets held for resale	-	-	-	1,228,650	1,228,650
Total assets	<u>\$ 10,359,078</u>	<u>\$ 2,000,150</u>	<u>\$ 3,865,988</u>	<u>\$ 9,210,480</u>	<u>\$ 25,435,696</u>
LIABILITIES					
Liabilities:					
Accounts payable	\$ 324,046	\$ -	\$ 122,134	\$ 144,021	\$ 590,201
Accrued compensation	619,704	-	-	87,672	707,376
Due to other funds	-	-	-	29,501	29,501
Bond anticipation notes payable	-	-	3,935,000	-	3,935,000
Other liabilities	24,423	-	12,640	-	37,063
Tenant deposits	-	-	-	33,967	33,967
Total liabilities	<u>968,173</u>	<u>-</u>	<u>4,069,774</u>	<u>295,161</u>	<u>5,333,108</u>
DEFERRED INFLOWS OF RESOURCES					
Property taxes levied for subsequent periods	3,377,324	1,574,377	-	469,583	5,421,284
Unavailable revenues - special assessments	109,861	64,260	-	-	174,121
Total deferred inflows of resources	<u>3,487,185</u>	<u>1,638,637</u>	<u>-</u>	<u>469,583</u>	<u>5,595,405</u>
FUND BALANCES					
Restricted	-	361,513	-	8,467,866	8,829,379
Committed	-	-	1,779,484	-	1,779,484
Assigned	1,806	-	-	-	1,806
Unassigned	5,901,914	-	(1,983,270)	(22,130)	3,896,514
Total fund balances	<u>5,903,720</u>	<u>361,513</u>	<u>(203,786)</u>	<u>8,445,736</u>	<u>14,507,183</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,359,078</u>	<u>\$ 2,000,150</u>	<u>\$ 3,865,988</u>	<u>\$ 9,210,480</u>	<u>\$ 25,435,696</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	58,483,371
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	174,121
Deferred outflows of resources represent a consumption of net position that applies to a future period and therefore are not reported in the funds.	3,345,872
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(46,582,058)
Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore are not reported in the funds.	(2,838,034)
Net position of governmental activities	<u>\$ 27,090,455</u>

City of Leavenworth, Kansas

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2018

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 14,965,529	\$ 1,871,505	\$ -	\$ 6,851,098	\$ 23,688,132
Intergovernmental	111,570	-	48,315	3,662,480	3,822,365
Licenses and permits	441,537	-	-	-	441,537
Charges for services	1,631,120	-	285,178	1,298,740	3,215,038
Fines and forfeitures	616,627	-	-	-	616,627
Investment earnings	204,228	-	8,453	5,342	218,023
Miscellaneous	255,140	-	255,130	679,676	1,189,946
Total revenues	18,225,751	1,871,505	597,076	12,497,336	33,191,668
EXPENDITURES					
Current:					
General government	3,504,939	-	39,393	461,548	4,005,880
Public safety	11,754,284	-	11,240	18,319	11,783,843
Public works	2,405,915	-	1,831,742	1,235,346	5,473,003
Culture and recreation	893,039	-	163,041	1,679,850	2,735,930
Housing and urban redevelopment	-	-	52,637	2,608,396	2,661,033
Community and economic development	-	-	1,976,787	1,473,692	3,450,479
Debt service:					
Principal retirement	-	2,665,000	154,531	80,000	2,899,531
Interest and fiscal charges	-	621,768	10,309	14,390	646,467
Capital outlay	-	-	1,984,536	1,145,112	3,129,648
Total expenditures	18,558,177	3,286,768	6,224,216	8,716,653	36,785,814
Excess (deficiency) of revenues over (under) expenditures	(332,426)	(1,415,263)	(5,627,140)	3,780,683	(3,594,146)
OTHER FINANCING SOURCES (USES)					
Insurance proceeds	9,040	-	-	15,077	24,117
Sale of assets	-	-	-	5,240	5,240
General obligation bonds issued	-	-	1,410,000	-	1,410,000
Contributed capital	-	-	-	1,228,650	1,228,650
Transfers in	-	1,461,136	2,594,601	1,067,495	5,123,232
Transfers out	(249,746)	-	(821,552)	(4,051,934)	(5,123,232)
Total - other financing sources (uses)	(240,706)	1,461,136	3,183,049	(1,735,472)	2,668,007
Net change in fund balances	(573,132)	45,873	(2,444,091)	2,045,211	(926,139)
Fund balances - beginning	6,476,852	315,640	2,240,305	6,400,525	15,433,322
Fund balances - ending	\$ 5,903,720	\$ 361,513	\$ (203,786)	\$ 8,445,736	\$ 14,507,183

City of Leavenworth, Kansas

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Funds Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2018

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	\$	(926,139)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		(1,237,810)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(39,018)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,553,278
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>(140,778)</u>
Change in net position of governmental activities	\$	<u><u>(790,467)</u></u>

City of Leavenworth, Kansas

General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 15,398,073	\$ 15,398,073	\$ 14,965,529	\$ (432,544)
Intergovernmental	113,955	113,955	111,570	(2,385)
Licenses and permits	370,045	370,045	441,537	71,492
Charges for services	1,524,697	1,524,697	1,631,120	106,423
Fines and forfeitures	850,000	850,000	616,627	(233,373)
Investment earnings	40,000	40,000	204,228	164,228
Miscellaneous	179,505	179,505	255,140	75,635
Total revenues	18,476,275	18,476,275	18,225,751	(250,524)
EXPENDITURES				
Current:				
General government	6,761,146	6,761,146	3,506,745	3,254,401
Public safety	12,007,457	12,007,457	11,754,284	253,173
Public works	2,409,787	2,409,787	2,405,915	3,872
Culture and recreation	865,495	865,495	893,039	(27,544)
Total expenditures	22,043,885	22,043,885	18,559,983	3,483,902
Excess of revenues over expenditures	(3,567,610)	(3,567,610)	(334,232)	3,233,378
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	9,040	9,040
Transfers in	94,690	94,690	-	(94,690)
Transfers out	-	-	(249,746)	(249,746)
Total - other financing sources (uses)	94,690	94,690	(240,706)	(335,396)
Net change in fund balances	(3,472,920)	(3,472,920)	(574,938)	2,897,982
Fund balances - beginning	3,472,920	3,472,920	6,451,103	2,978,183
Current year encumbrances	-	-	1,806	1,806
Prior year encumbrances relieved	-	-	25,749	25,749
Fund balances - ending	\$ -	\$ -	\$ 5,903,720	\$ 5,903,720

The notes to the basic financial statements are an integral part of this statement.

City of Leavenworth, Kansas

Statement of Net Position
Proprietary Funds
December 31, 2018

Business-type Activities - Enterprise Funds

ASSETS

Current assets:

	Sewer	Storm Water	Refuse	Total
Cash and cash equivalents	\$ 1,420,476	\$ -	\$ 348,472	\$ 1,768,948
Accounts receivable	428,627	1,407,064	158,087	1,993,778
Total current assets	1,849,103	1,407,064	506,559	3,762,726

Noncurrent assets:

Capital assets:

Land	14,000	-	44,634	58,634
Buildings	17,054,789	-	6,575	17,061,364
Improvements other than buildings	12,487,939	-	37,440	12,525,379
Machinery and equipment	2,387,559	-	1,226,354	3,613,913
Infrastructure	2,407,449	23,805	-	2,431,254
Construction in progress	1,255,298	-	-	1,255,298
Less accumulated depreciation	(21,390,477)	(99)	(944,441)	(22,335,017)
Total capital assets (net of accumulated depreciation)	14,216,557	23,706	370,562	14,610,825
Total noncurrent assets	14,216,557	23,706	370,562	14,610,825
Total assets	16,065,660	1,430,770	877,121	18,373,551

DEFERRED OUTFLOWS OF RESOURCES

OPEB - KPERS related	16,212	-	11,790	28,002
Pension related	83,601	-	60,179	143,780
Total deferred outflows of resources	99,813	-	71,969	171,782

LIABILITIES

Current liabilities:

Accounts payable	53,526	25,046	34,412	112,984
Retainage payable	39,546	-	-	39,546
Accrued compensation	43,014	1,750	27,721	72,485
Accrued compensated absences	14,105	-	6,293	20,398
Other deductions	-	-	128	128
Accrued interest payable	68,557	-	-	68,557
Capital lease payable	120,679	-	-	120,679
Bonds payable	640,000	-	-	640,000
Accrued landfill closure/postclosure care costs	-	-	15,000	15,000
Total current liabilities	979,427	26,796	83,554	1,089,777

Noncurrent liabilities:

Accrued compensated absences	85,704	81	38,158	123,943
Net OPEB liability	179,588	-	82,843	262,431
Net pension liability	450,092	-	387,259	837,351
Capital lease payable	254,321	-	-	254,321
Bonds payable	5,160,000	-	-	5,160,000
Accrued landfill closure/postclosure care costs	-	-	190,174	190,174
Total noncurrent liabilities	6,129,705	81	698,434	6,828,220
Total liabilities	7,109,132	26,877	781,988	7,917,997

DEFERRED INFLOWS OF RESOURCES

OPEB - KPERS related	680	-	494	1,174
OPEB related	38,828	-	15,663	54,491
Pension related	45,857	-	35,929	81,786
Total deferred inflows of resources	85,365	-	52,086	137,451

NET POSITION

Net investment in capital assets	8,041,557	23,706	370,562	8,435,825
Unrestricted	929,419	1,380,187	(255,546)	2,054,060
Total net position	\$ 8,970,976	\$ 1,403,893	\$ 115,016	\$ 10,489,885

The notes to the basic financial statements are an integral part of this statement.

City of Leavenworth, Kansas

Statement of Revenues, Expenses, and Changes in Fund Net Position
 Proprietary Funds
 For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	Sewer	Storm Water	Refuse	Total
Operating revenues:				
Charges for services	\$ 4,513,874	\$ 1,407,065	\$ 2,014,217	\$ 7,935,156
Miscellaneous	15,076	-	71	15,147
Total operating revenues	4,528,950	1,407,065	2,014,288	7,950,303
Operating expenses:				
Personal services	1,004,006	1,832	757,060	1,762,898
Contractual services	1,608,013	1,241	899,383	2,508,637
Commodities	286,821	-	213,611	500,432
Depreciation	1,447,729	99	64,003	1,511,831
Total operating expenses	4,346,569	3,172	1,934,057	6,283,798
Operating income (loss)	182,381	1,403,893	80,231	1,666,505
Nonoperating revenues (expenses):				
Interest expense	(134,086)	-	-	(134,086)
Total nonoperating revenues (expenses)	(134,086)	-	-	(134,086)
Income before contributions and transfers	48,295	1,403,893	80,231	1,532,419
Capital contributions and transfers:				
Contributed capital	396,881	-	-	396,881
Changes in net position	445,176	1,403,893	80,231	1,929,300
Total net position - beginning	8,606,331	-	52,970	8,659,301
Prior period adjustment	(80,531)	-	(18,185)	(98,716)
Total net position - beginning, restated	8,525,800	-	34,785	8,560,585
Total net position - ending	\$ 8,970,976	\$ 1,403,893	\$ 115,016	\$ 10,489,885

The notes to the basic financial statements are an integral part of this statement.

City of Leavenworth, Kansas

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Business-type Activities - Enterprise Funds			
	Sewer	Storm Water	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 4,626,060	\$ -	\$ 2,074,375	\$ 6,700,435
Payments to suppliers	(2,182,253)	23,805	(1,124,785)	(3,283,233)
Payments to employees	(1,010,302)	-	(776,448)	(1,786,750)
Net cash provided (used) by operating activities	<u>1,433,505</u>	<u>23,805</u>	<u>173,142</u>	<u>1,630,452</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(990,402)	(23,805)	-	(1,014,207)
Proceeds from capital lease	375,000	-	-	375,000
Principal paid on capital debt	(755,000)	-	-	(755,000)
Interest paid on capital debt	(111,718)	-	-	(111,718)
Net cash provided (used) by capital and related financing activities	<u>(1,482,120)</u>	<u>(23,805)</u>	<u>-</u>	<u>(1,505,925)</u>
Net increase (decrease) in cash and cash equivalents	(48,615)	-	173,142	124,527
Cash and Cash equivalents, January 1	<u>1,469,091</u>	<u>-</u>	<u>175,330</u>	<u>1,644,421</u>
Cash and cash equivalents, December 31	<u>\$ 1,420,476</u>	<u>\$ -</u>	<u>\$ 348,472</u>	<u>\$ 1,768,948</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income	\$ 182,381	\$ 1,403,893	\$ 80,231	\$ 1,666,505
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	1,447,729	99	64,003	1,511,831
(Increase) decrease in receivables	97,109	(1,407,064)	60,087	(1,249,868)
(Increase) decrease in deferred outflows	(11,095)	-	(7,795)	(18,890)
Increase (decrease) in deferred inflows	21,553	-	2,138	23,691
Increase (decrease) in accounts payable	(326,964)	25,046	2,304	(299,614)
Increase in retainage payable	39,546	-	-	39,546
Increase (decrease) in accrued compensation	6,153	1,750	(502)	7,401
Increase (decrease) in compensated absences	6,084	81	(3,123)	3,042
Increase (decrease) in postemployment benefits	(23,026)	-	(5,616)	(28,642)
Increase (decrease) in net pension liability	(5,756)	-	(4,494)	(10,250)
Increase (decrease) in accrued landfill closure/postclosure care costs	-	-	(14,095)	(14,095)
Increase (decrease) in other deductions	(209)	-	4	(205)
Net cash provided (used) by operating activities	<u>\$ 1,433,505</u>	<u>\$ 23,805</u>	<u>\$ 173,142</u>	<u>\$ 1,630,452</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Contributions of capital assets	<u>\$ 396,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,881</u>

City of Leavenworth, Kansas

Statement of Net Position
Fiduciary Funds
December 31, 2018

	Pension Trust	Parks Foundation Trust	Agency Funds
ASSETS			
Cash and cash equivalents	\$ 673,725	\$ 18,993	\$ -
Accrued interest receivable	2,705	-	-
Property tax receivable	98,521	-	1,026,727
Total assets	<u>\$ 774,951</u>	<u>\$ 18,993</u>	<u>\$ 1,026,727</u>
LIABILITIES			
Accounts payable	\$ 52	\$ -	\$ -
Deferred revenue	98,521	-	-
Amounts due other parties	-	-	1,026,727
Total liabilities	<u>\$ 98,573</u>	<u>\$ -</u>	<u>\$ 1,026,727</u>
NET POSITION			
Held in trust for pension benefits and other purposes	<u>\$ 676,378</u>	<u>\$ 18,993</u>	<u>\$ -</u>

City of Leavenworth, Kansas

Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2018

	<u>Pension Trust</u>	<u>Parks Foundation Trust</u>
ADDITIONS		
Employer contributions	\$ 164,380	\$ 18,998
Interest	9,107	41
Total additions	<u>173,487</u>	<u>19,039</u>
DEDUCTIONS		
Benefits	<u>138,868</u>	<u>46</u>
Total deductions	<u>138,868</u>	<u>46</u>
Changes in net position	34,619	18,993
Net position - beginning	<u>641,759</u>	<u>-</u>
Net position - ending	<u>\$ 676,378</u>	<u>\$ 18,993</u>

The notes to the basic financial statements are an integral part of this statement.

Notes to Basic Financial Statements

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies

A. Reporting entity

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

Discretely presented component unit

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

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

B. Government-wide and fund financial statements

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

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

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

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

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

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

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 *Storm Water Fund* accounts for all activities necessary to maintain the storm water drainage system of the City.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

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

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

Additionally, the City reports the following fund types:

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

The *Parks Foundation Fund* accounts for the activities of the Parks Foundation. The Parks Foundation is a group of volunteers who raise money specifically for Parks projects. The funds are not available for City operations or for use at the City's discretion.

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

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

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

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

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

D. Deposits and investments

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

D. Deposits and investments (continued)

According to the City's formal investment policy adopted by the governing body, the City may pool idle cash from all funds for the purpose of increasing income through temporary investment activities. During the year, idle cash was invested in certificates of deposit, U.S. Government obligations, and repurchase agreements. Certificates of deposit are carried at cost because they are not affected by market rate changes. The repurchase agreements are stated at cost because they are not negotiable or transferable and are not affected by market fluctuations. The City also has investments consisting of U.S. Government obligations and money market mutual funds which are recorded at fair value.

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, 2018, investment earnings allocated to the various funds were approximately \$212,681.

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, 2018, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of \$193,441, with a corresponding amount recorded as unavailable revenue on the balance sheets of the appropriate funds. Delinquent taxes held by the County Treasurer at December 31, 2018 are not significant.

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, 2018, the special assessment taxes levied are a lien on the property and the amount due in 2018 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$9,639, in the Debt Service Fund with a corresponding amount recorded as unavailable revenue.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

F. Special assessments (continued)

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, 2018, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$16,479, in the General Fund with a corresponding amount recorded as unavailable revenue.

G. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

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

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

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

H. Deferred outflows/inflows of resources

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

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

H. Deferred outflows/inflows of resources (continued)

of resources (revenue) until that time. The City has two items that qualify for reporting in this category. One item, *unavailable revenues/deferred receivables*, is reported in the governmental funds balance sheet and the governmental activities in the government-wide statement of net position. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. The governmental activities report deferred receivables from property taxes. These amounts are deferred and recognized as inflows of resources in the period that these amounts become available. The other item that qualifies for reporting as a deferred inflow is related to the pensions and OPEB. See Note 5 for more information on the deferred inflows for the pensions.

I. Compensated absences and other termination payments

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

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

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

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

J. Long-term obligations

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

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

K. Pensions

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

L. Use of estimates

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

M. Pending Governmental Accounting Standards Board statements

At December 31, 2018, 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. 84, Fiduciary Activities, improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities, with the focus of the criteria on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund. The requirements of this statement are effective for periods beginning after December 15, 2018.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

M. Pending Governmental Accounting Standards Board statements (continued)

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The requirements of this statement are effective for periods beginning after June 15, 2018.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this statement are effective for periods beginning after December 15, 2019.

GASB Statement No. 90, *Majority Equity Interests*, improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The requirements of this statement are effective for periods beginning after December 15, 2018.

N. Adoption of New Accounting Standards

During the year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which replaces the requirements of GASB NO. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and requires governments to report a liability on the face of all financial statements for the OPEB they provide. Statement No. 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about the OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

1. Summary of significant accounting policies (continued)

N. Adoption of New Accounting Standards (continued)

OPEB liability and a schedule comparing a government’s actual OPEB contributions to its contribution requirements.

The City also adopted GASB Statement No. 82, *Pension Issues-an Amendment of GASB Statements No.67, No.68, and No.73*. The objective of the Statement is to address certain issues that have been raised with respect to Statement No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB 67 and 68. Specifically, this Statement addresses issues regarding (1)the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

2. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$46,582,058 difference are as follows:

Bonds Payable	\$ (21,070,000)
Capital Lease Payable	(159,601)
Accrued Interest Payable	(213,432)
Accrued Compensated Absences	(2,375,541)
Other Postemployment Benefits	(6,522,294)
Net Pension Liability	<u>(16,241,190)</u>
Net adjustment to decrease <i>fund balance-total governmental funds</i> to arrive at <i>net-position-governmental activities</i>	<u>\$ (46,582,058)</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$ (1,237,810) difference are as follows:

Capital outlay	\$ 4,445,114
Gain on sale of asset	103,703
Depreciation expense	<u>(5,786,627)</u>
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ (1,237,810)</u>

Another element of that reconciliation states that “The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,553,278 difference are as follows:

Debt issued or incurred:	
Issuance of general obligations bonds	\$ (1,410,000)
Principal repayments:	
General obligation debt	2,745,000
Capital leases	154,531
Change in accrued interest	<u>63,747</u>
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	<u>\$ 1,553,278</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(140,778) difference are as follows:

Compensated absences	\$ (15,822)
Other postemployment benefits	(159,092)
Pension contributions	<u>34,136</u>
Net adjustment to decrease <i>net change in fund balances-total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ <u><u>(140,778)</u></u>

3. Stewardship, compliance, and accountability

A. Budgetary information

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

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

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

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

Ten days after publication, a public hearing is held and the City Commission may amend the expenditure budget of the fund at that time. During the year, several budgets were amended in accordance with Kansas statutes.

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

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

A reconciliation of the General Fund budgetary basis statement to the governmental fund statement as of December 31, 2018 is as follows:

	<u>General Fund</u>
Expenditures and other financing sources and uses and encumbrances (Basis of budgeting)	\$ 18,809,729
Add 2017 encumbrances	25,749
Less 2018 encumbrances	(1,806)
Less 2017 encumbrances relieved	<u>(25,749)</u>
Expenditures and other financing sources and uses (GAAP basis)	<u>\$ 18,807,923</u>

B. Deficit fund equity

The Recreation Fund has a negative fund balance of \$22,130 due to the recognition of year end accrued payroll in the amount of \$33,282. The Capital Projects Fund has a negative fund balance of \$203,786 due to the recognition of \$3,935,000 of bond anticipation notes payable since the notes issued for governmental activities for which all legal steps and the ability to consummate refinancing have not been met must be reported as a fund liability in the fund receiving the proceeds.

C. Compliance with Kansas Statutes-Component Unit

Library deposits at Citizen's Savings & Loan were under secured for the months of February and June 2018 by \$109,887 and \$83,763, violating K.S.A. 9-1402. Management is not aware of any other statutory violations for the period under audit.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

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, 2018, the City’s carrying amount of deposits was \$9,108,715 and the bank balance was \$9,233,534. Of the bank balance, \$768,993 was covered by Federal depository insurance and \$8,464,541 was covered by collateral held by the City or its agent in the City’s name.

Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library’s deposits have a main or branch bank in the county in which the Library is located and the banks provide an acceptable rate of return on deposits. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit custodial credit risk. At December 31, 2018, the Library’s deposits were not exposed to custodial credit risk.

At December 31, 2018, the City had the following investments:

	Maturities	Fair Value
Repurchase agreements	1 – 89 days	\$4,400,000
Money Market Mutual Funds	< 1 year	181,192
US Treasury Bills	< 1 year	<u>4,520,117</u>
Total investments		<u>\$9,101,309</u>

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

Credit risk

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

Custodial credit risk

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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.

Fair Value Measurement

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs such as quoted prices for similar assets from external sources; Level 3 inputs are significant unobservable inputs. For the year ended December 31, 2018, money market mutual funds held by the City were valued using quoted prices in active markets (Level 1 inputs) and US Treasury bills were valued using significant other observable inputs (Level 2 inputs).

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

B. Capital assets

Capital assets activity for the year ended December 31, 2018 was as follows:

Primary government

	Beginning Balance	Additions	Retirements	Ending Balance
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated				
Land	\$ 2,695,354	\$ 300	\$ -	\$ 2,695,654
Construction in Progress	5,994,658	2,673,687	(5,854,629)	2,813,716
Total capital assets, not being depreciated	<u>8,690,012</u>	<u>2,673,987</u>	<u>(5,854,629)</u>	<u>5,509,370</u>
Capital assets, being depreciated				
Buildings	33,213,095	201,601	-	33,414,696
Improvements	17,639,350	473,192	-	18,112,542
Machinery & Equipment	12,172,573	633,639	(69,068)	12,737,144
Infrastructure	93,477,677	6,180,273	(127,177)	99,530,773
IT Equipment	1,011,647	137,051	-	1,148,698
Total capital assets being depreciated	<u>157,514,342</u>	<u>7,625,756</u>	<u>(196,245)</u>	<u>164,943,853</u>
Less accumulated depreciation for:				
Buildings	24,020,952	1,162,039	-	25,182,991
Improvements	9,693,243	729,529	-	10,422,772
Machinery & Equipment	8,089,286	783,735	(275,935)	8,597,086
Infrastructure	64,603,631	3,013,830	(24,013)	67,593,448
IT Equipment	76,061	97,494	-	173,555
Total accumulated depreciation	<u>106,483,173</u>	<u>5,786,627</u>	<u>(299,948)</u>	<u>111,969,852</u>
Total capital assets being depreciated	<u>51,031,169</u>	<u>1,839,129</u>	<u>103,703</u>	<u>52,974,001</u>
Governmental activities capital assets, net	<u>\$ 59,721,181</u>	<u>\$ 4,513,116</u>	<u>\$ (5,750,926)</u>	<u>\$ 58,483,371</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 58,634	\$ -	\$ -	\$ 58,634
Construction in Progress	524,974	746,564	(16,240)	1,255,298
Total capital assets, not being depreciated	583,608	746,564	(16,240)	1,313,932
Capital assets, being depreciated				
Buildings	17,061,364	-	-	17,061,364
Improvements	12,525,379	-	-	12,525,379
Machinery & Equipment	3,212,124	401,789	-	3,613,913
Infrastructure	2,152,341	573,157	(294,244)	2,431,254
Total capital assets, being depreciated	34,951,208	974,946	(294,244)	35,631,910
Less accumulated depreciation for:				
Buildings	12,078,928	817,324	-	12,896,252
Improvements	6,051,932	446,043	-	6,497,975
Machinery & Equipment	2,635,866	36,488	-	2,672,354
Infrastructure	56,460	211,976	-	268,436
Total accumulated depreciation	20,823,186	1,511,831	-	22,335,017
Total capital assets, being depreciated, net	14,128,022	(536,885)	(294,244)	13,296,893
Business-type activities capital assets, net	\$ 14,711,630	\$ 209,679	\$(310,484)	\$ 14,610,825

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

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	\$ 34,876
Public safety	459,095
Public works	3,212,475
Housing and urban redevelopment	7,942
Culture and recreation	58,164
Unallocated depreciation expense (depreciation of infrastructure assets)	<u>2,014,075</u>
Total depreciation expense – governmental activities	<u>\$ 5,786,627</u>
Business-type activities:	
Sewer	1,447,729
Storm Water	99
Refuse	<u>64,003</u>
Total depreciation expense – business-type activities	<u>\$ 1,511,831</u>

Construction commitments

The City has active construction projects as of December 31, 2018. At year end, the City's commitments with contractors are as follows. The projects include widening and improvements of streets and bridges, improvements of buildings, improvements of parks, reconstruction of Thornton Street, River Front Community Center Stone Replacement, and improvements of sewer system facilities:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitments</u>
Streets	\$2,111,372	\$4,515,581
Storm Water Improvements	241,683	940,269
Buildings	24,587	185,235
RFCC Stone Replacement	25,980	848,265
Sidewalks	656,382	116,893
Sewers	1,013,613	133,303
Signage	<u>21,373</u>	<u>90,727</u>
	<u>\$4,094,990</u>	<u>\$6,830,273</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

Discretely presented component unit

	Beginning Balance	Increases	Decreases	Ending Balances
Capital Assets, being depreciated				
Machinery and equipment	\$ 2,175,959	\$ 130,188	\$ (106,709)	\$ 2,199,438
Total capital assets, being depreciated	<u>2,175,959</u>	<u>130,188</u>	<u>(106,709)</u>	<u>2,199,438</u>
Less accumulated depreciation for:				
Machinery and equipment	<u>1,514,095</u>	<u>130,556</u>	<u>(97,548)</u>	<u>1,547,103</u>
Library capital assets, net	<u>\$ 661,864</u>	<u>\$ (368)</u>	<u>\$ 9,161</u>	<u>\$ 652,335</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2018, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 29,501

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

Interfund transfers for the year ended December 31, 2018, are as follows:

Interfund transfers:

Fund	Transfers In	Transfers Out
Major funds		
General Fund	\$ -	\$ 249,746
Debt Service Fund	1,461,136	-
Capital Projects Fund	2,594,601	821,552
Non-major governmental funds	<u>1,067,495</u>	<u>4,051,934</u>
Total transfers	<u>\$ 5,123,232</u>	<u>\$ 5,123,232</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.

Discretely presented component unit

The Library had one interfund transfer from the general fund to the employee benefits fund in the amount of \$29,732 and to the Library Grant fund in the amount of \$800 to clear deficits in those funds.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

D. Long-term debt

General obligation bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. During the year, general obligation bonds totaling \$1,410,000 were issued for governmental activities to provide permanent financing for general infrastructure improvements.

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Balance 12/31/18
Governmental activities				
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	\$ 555,000
GO Refunding	2011B	1.00% - 2.60%	09/01/22	1,190,000
GO Refunding & Internal Improvements	2012B	1.10% - 2.30%	09/01/22	725,000
GO Refunding & Internal Improvements	2013A	0.65% - 2.40%	09/01/25	2,455,000
GO Refunding & Internal Improvements	2014A	2.00% - 2.50%	09/01/24	1,080,000
Computer Hardware/Software	2014B	2.25% - 3.00%	09/01/24	310,000
Internal Improvements	2015A	1.50% - 2.75%	09/01/25	1,230,000
Internal Improvements - Taxable	2015B	1.85% - 3.15%	09/01/25	435,000
Fire Trucks & Refunding	2016A	1.50% - 2.30%	09/01/31	4,580,000
TIF Hotel-Taxable	2016A	1.30% - 2.25%	09/01/26	725,000
Business & Technology Park	2017A	2.70% - 4.00%	09/01/36	4,875,000
Internal Improvements	2017B	2.00% - 2.75%	09/01/27	1,500,000
Traffic	2018A	3.00%-3.125%	09/01/28	<u>1,410,000</u>
				<u>21,070,000</u>
Business-type activities				
Sewer System Improvements	2012A	2.00% - 2.75%	09/01/32	3,125,000
GO Refunding & Sewer	2012B	1.10% - 2.30%	09/01/25	1,125,000
GO Refunding & Sewer	2014A	2.00% - 2.50%	09/01/23	<u>1,550,000</u>
				<u>5,800,000</u>
				<u>\$ 26,870,000</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

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

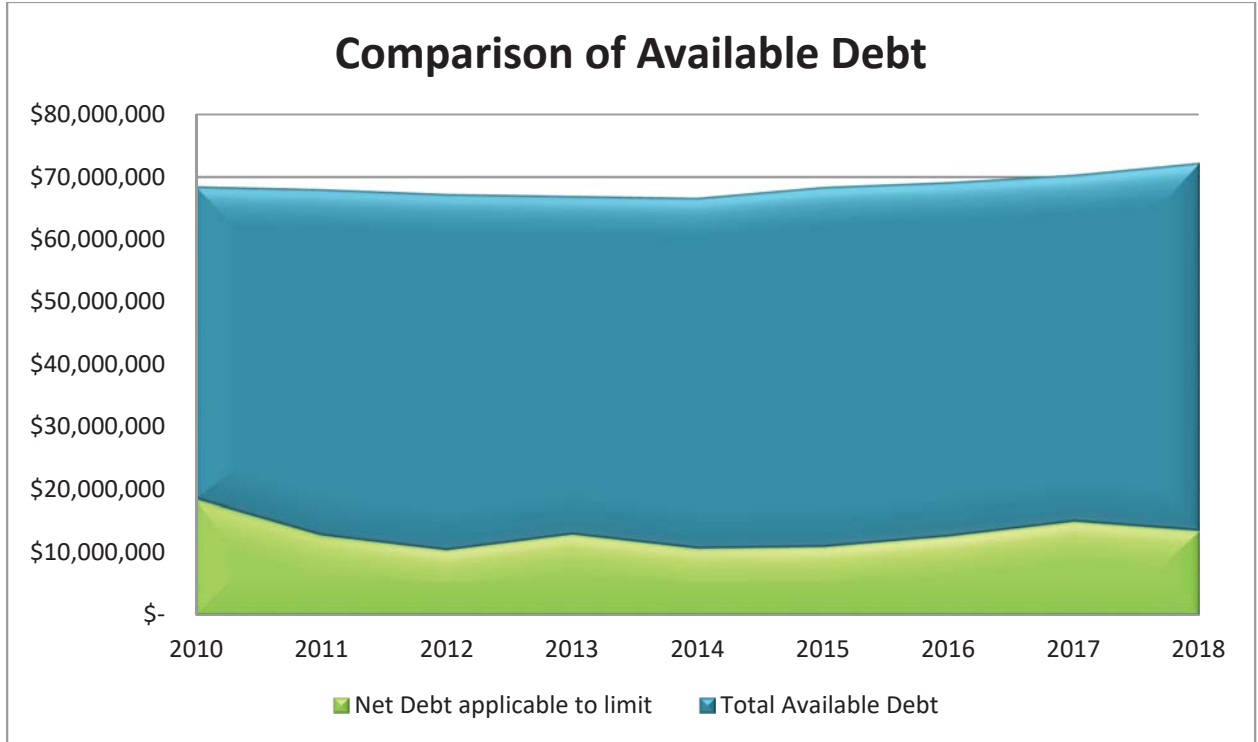
Governmental activities	Principal	Interest	Total
2019	\$ 2,865,000	\$ 532,306	\$ 3,397,306
2020	2,715,000	462,586	3,177,586
2021	2,490,000	406,693	2,896,693
2022	2,335,000	350,539	2,685,539
2023	1,905,000	295,196	2,200,196
2024-2028	5,790,000	862,871	6,652,871
2029-3033	1,840,000	377,233	2,217,233
3034-3037	1,130,000	81,828	1,211,828
	<u>21,070,000</u>	<u>3,369,252</u>	<u>24,439,252</u>
 Business-type activities			
2019	640,000	125,123	765,123
2020	650,000	113,330	763,330
2021	665,000	101,028	766,028
2022	685,000	88,115	773,115
2023	695,000	73,775	768,775
2024-2028	1,455,000	218,354	1,673,354
2029-3033	1,010,000	67,491	1,077,491
	<u>5,800,000</u>	<u>787,216</u>	<u>6,587,216</u>
 Total	 <u>\$ 26,870,000</u>	 <u>\$ 4,156,468</u>	 <u>\$ 31,026,468</u>

At December 31, 2018, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is \$72,214,115 which, after reduction of applicable outstanding debt of \$13,552,110, provides a debt margin of \$58,662,005. General obligation bonds of \$15,026,376 for traffic way, 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
December 31, 2018

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)



Conduit Debt Obligations

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

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

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Through December 31, 2018, there is one series of Industrial Revenue Bonds (IRB) outstanding, with an aggregate principal amount payable of approximately \$1,326,929.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

E. Capital Leases

The City entered into a lease agreement for the financing of computer network equipment in 2017. 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 December 31, 2018.

Assets acquired as capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and Equipment	\$508,177
Less: accumulated depreciation	<u>(137,555)</u>
Total	<u>\$370,622</u>

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

	<u>Governmental activities</u>
Year ending December 31, 2019	\$ 164,840
Total minimum lease payments	164,840
Less: amount representing interest	<u>(5,239)</u>
Present value of minimum lease payments	<u>\$ 159,601</u>

In 2018, the City entered into a lease agreement for the financing of a sewer vacuum truck. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum payments as of the inception date.

Assets acquired as capital leases are as follows:

	<u>Business-type activities</u>
Asset:	
Machinery and Equipment	\$401,849
Less: accumulated depreciation	<u>(23,441)</u>
Total	<u>\$378,408</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

E. Capital Leases (continued)

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

	<u>Business-type activities</u>
Year ending December 31:	
2019	\$ 133,950
2020	133,950
2021	<u>133,950</u>
Total minimum lease payments	401,850
Less: amount representing interest	<u>26,850</u>
Present value of minimum lease payments	<u>\$ 375,000</u>

F. Operating leases

Discretely presented component unit

The Library, as lessee, has various non-cancelable leases for office equipment which are classified as operating leases. Rent expense under these leases was \$1,680 for the year ended, December 31, 2018.

Future minimum lease payments under the operating lease are:

2019	\$1,680
2020	<u>1,260</u>
Total minimum lease payments	<u>\$ 2,940</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

G. 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 \$3,460,000 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, 2018:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2018
Governmental activities				
Internal Improvements	2017B	1.5%	09/01/20	\$ 475,000
Pavement Management	A2018	2.5%	12/01/19	1,360,000
New Lawrence Rd	A2018	2.5%	12/01/22	600,000
RFCC Stone Replacement	A2018	2.5%	12/01/22	1,500,000
Total				<u>\$ 3,935,000</u>

Short-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	\$2,070,000	\$3,460,000	\$1,595,000	\$3,935,000

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

H. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

Governmental activities	Beginning Balance		Retired	Ending Balance	Due Within
	1/1/2018	Additions		12/31/2018	One Year
General obligation bonds	\$ 22,405,000	\$ 1,410,000	\$ 2,745,000	\$ 21,070,000	\$ 2,865,000
Capital leases	314,132	-	154,531	159,601	159,601
Employee compensated absences	2,359,720	1,572,024	1,556,203	2,375,541	268,824
Net pension liability	15,610,377	1,172,839	542,026	16,241,190	-
Other postemployment benefits	7,903,826	780,258	2,161,790	6,522,294	-
	<u>\$ 48,593,055</u>	<u>\$ 4,935,121</u>	<u>\$ 7,159,550</u>	<u>\$ 46,368,626</u>	<u>\$ 3,293,425</u>

Business-type activities

General obligation bonds	\$ 6,555,000	\$ -	\$ 755,000	\$ 5,800,000	\$ 640,000
Capital leases	-	375,000	-	375,000	120,679
Accrued compensated absences	141,299	14,184	11,142	144,341	20,398
Net pension liability	847,601	-	10,250	837,351	-
Accrued landfill closure/postclosure	219,268	-	14,095	205,173	15,000
Other postemployment benefits	291,067	51,453	80,088	262,432	-
	<u>\$ 8,054,235</u>	<u>\$ 440,637</u>	<u>\$ 870,575</u>	<u>\$ 7,624,297</u>	<u>\$ 796,077</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

H. Changes in long-term liabilities

Prior period adjustment. A prior period adjustment was made to record \$3,502,938 of additions to Other Postemployment Benefits and \$188,771 of KPERS related Other Post-Employment Benefits liabilities due to the implementation of GASB 75.

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

Discretely presented component unit

At December 31, 2018 and 2017, the Library reported a liability of \$453,093 and \$470,907, respectively for its proportionate share of the net pension liability.

I. 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, 2018, fund balances for governmental funds are made up of the following:

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

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

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

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

Unassigned fund balance is the residual classification for the General Fund and includes all amounts not contained in the abovementioned classifications. The general fund is the only fund that reports a positive

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

I. Fund balances (continued)

unassigned fund balance. Other governmental funds may report a negative unassigned fund balance if expenditures for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

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

Fund balances for all the major and non-major governmental funds as of December 31, 2018 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital improvements	\$ -	\$ -	\$ -	\$ 2,697,092	\$ 2,697,092
Tax increment financing	-	-	-	614,481	614,481
Street maintenance	-	-	-	678,362	678,362
Law enforcement	-	-	-	127,583	127,583
Tourism & conventions	-	-	-	464,035	464,035
Recreation programs	-	-	-	42,743	42,743
Housing services	-	-	-	1,361,341	1,361,341
Probation services	-	-	-	59,998	59,998
Economic development	-	-	-	2,422,231	2,422,231
General obligation debt	-	361,513	-	-	361,513
Subtotal	-	361,513	-	8,467,866	8,829,379
Committed to:					
Capital improvements	-	-	1,779,484	-	1,779,484
Subtotal	-	-	1,779,484	-	1,779,484
Assigned to:					
Purchases on order	1,806	-	-	-	1,806
Subtotal	1,806	-	-	-	1,806
Unassigned	5,901,914	-	(1,983,270)	(22,130)	3,896,514
Total fund balance	\$ 5,903,720	\$ 361,513	\$ (203,786)	\$ 8,445,736	\$ 14,507,183

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

4. Detailed notes on all funds (continued)

I. Fund balances (continued)

The City Commission adopted a revision of the General Fund Reserve Policy to include the CIP Sales Tax Fund, the County Wide Sales Tax Fund, and as retained earnings for the Sewer Fund and Refuse Fund; the policy aims to ameliorate the adverse impacts of unforeseen financial events such as an economic downturn, significant unanticipated and unavoidable expenditures, or significant unanticipated and unavoidable reductions of revenue.

It is the policy of the City to maintain a General Fund budgetary basis fund balance equal to 16.67% of annual expenditures. Consistent with K.S.A. 10-1101 et al (the Kansas “cash basis law”), the budgetary basis fund balance is defined as cash less payables less encumbrances.

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

Finally, it is the policy of the City to consider the non-appropriated reserve as being unavailable for expenditures and to restrict the utilization of the reserve—as a last resort—to accommodating revenue shortfalls that cannot be overcome through budgetary revisions or emergency expenditures that cannot be deferred to future periods. The policy provides for use of unassigned reserves restricted to include debt reduction; one-time expenditures that do not increase recurring operating costs, but cannot be funded through current revenues, and will reduce future operating costs; and establishing or increasing reserves for risk management programs, equipment replacement, capital projects, emergencies, or disaster recovery.

5. Other information

A. Risk management

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

For its workers compensation insurance, the City is a participant in the Kansas Eastern Regional Insurance Trust (KERIT), a not-for-profit public entity risk pool established by a group of city and county governmental entities in the eastern region of Kansas. As of December 31, 2018, the membership of KERIT included fourteen cities and two counties.

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

A. Risk management (continued)

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

B. Pension plans-Kansas Public Employees Retirement System

General Information About the Pension Plan

Description of Pension Plan: The City and the Library participate in a cost-sharing multiple-employer defined benefit pension plan (Pension Plan) as defined in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERS), a body corporate and an instrumentality of the State of Kansas. KPERS provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74 article 49:

- Public employees, which includes:
 - State/School employees
 - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. Participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the City and the Library are included in both the Local and Police and Firemen employee groups.

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

Benefits Provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Member employees (except police and firemen) with ten or more years of credited service may retire as early as age 55 (police and firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 points (police and firemen normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

General Information About the Pension Plan (continued)

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

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

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

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

State law provides that the employer contribution rates are determined based on the results of an annual actuarial valuation for each of the three state-wide pension groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. KPERS is funded on an actuarial reserve basis.

For KPERS fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the KPERS fiscal year ended June 30, 2018.

The actuarially determined employer contribution rate (not including the 1.0% contribution rate for the Death and Disability Program) and the statutory contribution rate were 8.39% for KPERS and 20.09% for KP&F for the year ended December 31, 2018. Contributions to the Pension Plan from the City were \$522,692 for KPERS and \$1,210,863 for KP&F for the year ended December 31, 2018. Contributions from the Library for KPERS were \$ 49,020 for the year ended December 31, 2018.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

At December 31, 2018, the City reported a liability of \$ 4,707,818 for KPERS and \$ 11,153,534 for KP&F and the Library reported a liability of \$453,093 for KPERS for their proportionate share of the KPERS collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2018, and the total pension liability to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. Although KPERS administers one cost-sharing multiple-employer defined benefit plan, separate (sub) actuarial valuations are prepared to determine the actuarial contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

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

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and non-employer. The City's proportion of the collective net pension liability was based on the ratio of the City's actual contributions to KPERS and KP&F, relative to the total employer and non-employer contributions of the Local group and Police and Firemen group within KPERS for the KPERS fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018, the City's proportion for KPERS was .337771%, which was an increase of .008978% from its proportion measured as of June 30, 2017. At June 30, 2018, the City's proportion for KP&F was 1.159168%, which was an increase of .049213% from its proportion measured as of June 30, 2017. At June 30, 2018, the Library's proportion for KPERS was .032508%, which was an increase of .000003% from its proportion measured as of June 30, 2017.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

For the year ended December 31, 2018, The City recognized pension expense of \$329,764 for KPERS and \$1,388,973 for KP&F, and the Library recognized pension expense of \$ 39,451 for KPERS. At December 31, 2018, the City and the Library reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	City	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 698,509	\$ 184,930
Net difference between projected and actual earnings		
on pension plan investments	400,403	-
Changes in assumptions	791,207	53,454
Changes in proportionate share	560,157	1,021,434
City contributions subsequent to measurement date	884,430	-
Total	\$ 3,334,706	\$ 1,259,818

	Library	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,636	\$ 12,839
Net difference between projected and actual earnings		
on pension plan investments	10,600	-
Changes in assumptions	19,621	2,182
Changes in proportionate share	17,428	9,111
Total	\$ 49,285	\$ 24,132

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

The \$884,430 for the City reported as deferred outflows of resources and the \$29,332 the Library reported as deferred inflows of resources related to pensions resulting from the City's and the Library's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended <u>June 30,</u>	<u>City</u>	<u>Library</u>
2019	\$ 713,189	\$ 17,920
2020	375,655	12,715
2021	(112,107)	(4,566)
2022	175,153	(815)
2023	<u>38,568</u>	<u>(101)</u>
	<u>\$ 1,190,458</u>	<u>\$ 25,153</u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015. The experience study is dated November 18, 2016.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.85%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	<u>2%</u>	(0.25%)
Total	<u>100%</u>	

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. Employers contribute the full actuarial determined rate for KP&F. Future employer contribution rates were also modeled for KP&F, assuming all actuarial assumptions are met in future years. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
City's KPERS proportionate share of the collective net pension liability	\$ 6,904,702	\$ 4,707,818	\$ 2,851,253
City's KP&F proportionate share of the collective net pension liability	15,896,003	11,153,534	7,183,041
Library's proportionate share of the collective net pension liability	664,527	453,093	274,412

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

C. Pension Plans-Police and Fire Pension Plan

Plan description

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

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

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

Plan membership. The plan is closed to new entrants. At December 31, 2018, pension plan membership consisted of:

Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>0</u>
	4

Benefits provided. The Plan provides only retirement benefits. The retirement benefits are calculated as 50% of the higher of the final monthly salary or the average of the final twelve months of salary.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. The annual adjustments are determined by the City Commission.

Contributions. The contribution requirements of plan members and the reporting entity are established by City ordinance and may be amended by the City Commission. The City is required to contribute at an actuarially determined amount based on the latest actuarial report. As this is a closed plan and all members are retirees or beneficiaries, the members are no longer making any contribution to the Plan. The City provides for pension expenses by levying ad valorem property taxes each year. The actual employer contribution to the Plan during the year ended December 31, 2018 was \$121,272.

Investments

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

Methods used to value investments

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

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

Rate of return. For year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.00%. The money weighted rate of return expresses investment performance net of investment expense, adjusted for the changing amounts actually invested.

Net pension liability

The City's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2018 using the following actuarial assumptions:

Inflation	3%
Ad-hoc Cost of living increases	3%
Expected long term rate of return	3%

Cost method	Entry Age
-------------	-----------

Mortality rates were based on the RP-2014 Mortality Table with Blue Collar adjustment projected from 2006 with Social Security Generational Improvement Scale based on the 2018 Trustees Report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2018 are summarized in the following table:

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

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

Discount Rate

The discount rate used to measure the total pension liability was 3.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2017	\$2,069,899	\$ 783,389	\$1,286,510
Changes for the year:			
Interest	60,014	-	60,014
Differences between expected and actual experience	(17,934)	-	(17,934)
Changes of assumptions	18,979	-	18,979
Employer contributions	-	121,272	(121,272)
Net investment income	-	9,108	(9,108)
Benefit Payments, including refunds of member contributions	(138,868)	(138,868)	-
Net changes	<u>(77,809)</u>	<u>(8,488)</u>	<u>(69,321)</u>
Balance at December 31, 2018	<u>\$ 1,992,090</u>	<u>\$ 774,901</u>	<u>\$ 1,217,189</u>

Plan fiduciary net position as a percentage of the total pension liability is 38.90%.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

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

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

	1% Decrease (2.00%)	Current Discount Rate (3.00%)	1% Increase (4.00%)
Net pension liability	\$1,407,698	\$1,217,189	\$1,052,802

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

For the year ended December 31, 2018, the City recognized pension expense of \$ 52,894. At December 31, 2018, the City reported deferred outflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between projected and actual earnings on pension plan investments	<u>\$35,568</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>		
2019		\$ 15,073
2020		\$ 10,925
2021		\$ 6,743
2022		\$ 2,827
2023		-0-
Thereafter		-0-

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

D. Other postemployment healthcare benefits

Description

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

Funding policy

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

The City provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2018, the City made contributions of \$208,814 to the plan. Plan members receiving benefits contributed \$147,146.

At December 31, 2018, the following employees were covered by the benefit terms:

Active employees	218
Retirees and their covered spouses	<u>14</u>
Total	232

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

Total OPEB Liability

The City's total OPEB liability of \$6,492,772 was measured as of January 1, 2018 and was determined by actuarial valuation as of that date.

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Valuation date	January 1, 2017 projected to January 1, 2018
Actuarial method	Entry age normal as a level percentage of payroll
Inflation	2.75% per year
Payroll Growth	3.50%
Discount rate	3.44% as of January 1, 2018; 4.11% as of December 31, 2018
Health Care Coverage Election Rate	Active employees with current coverage: 75% for Public Safety 30% for all other groups; 0% for Active employees with no coverage
	Inactive employees with current coverage: 100%; Inactive employees with no coverage: 0%
Spousal Coverage	50% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.
Mortality	RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018 (RHP-2018 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2018 using MP-2018 improvement.)
Disability	None

The discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on a yield for 20-year-tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent on another rating scale).

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balance 1/1/2018	\$ 8,006,123
Service Cost	389,159
Interest	284,813
Change in assumptions	(174,876)
Difference between expected and actual experience	(1,778,825)
Benefit payments	<u>(233,622)</u>
Net change in total OPEB liability	<u>(1,513,351)</u>
Total OPEB liability 12/31/2018	<u>\$ 6,492,772</u>
Total OPEB liability as a percentage of covered payroll	57.8%
Actuarially determined contribution	\$233,622
Actual contribution	\$233,622
Covered payroll	<u>\$ 11,238,903</u>
Contributions as a percentage of covered payroll	2.08%

The following presents the total OPEB liability of the City as of December 31, 2018, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.11%) or one percentage point higher (5.11%) than the current discount rate:

	1% Decrease <u>(3.11%)</u>	Current Discount <u>(4.11%)</u>	1% Increase <u>(5.11%)</u>
Total OPEB liability	\$ 7,209,472	\$ 6,492,772	\$ 5,856,581

The following presents the City's net OPEB liability as of December 31, 2018, using the health care trend rates assumed and what it would be using one percentage point higher and one percentage point lower health care trend rates.

	1% Decrease <u>(8% decreasing to 3.5%)</u>	Current Trend Rates <u>(9.00% decreasing to 4.5%)</u>	1% Increase <u>(10% decreasing to 5.50%)</u>
	\$ 5,716,451	\$ 6,492,772	\$7,416,926

OPEB Expense

For the year ended December 31, 2018, the City recognized OPEB expense of \$429,759.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

D. Other postemployment healthcare benefits (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2018, the City reported deferred inflows related to other postemployment benefits from the following sources:

Differences between expected and actual experience	\$ (1,556,472)
Changes in assumptions	<u>(153,016)</u>
Total deferred inflows	<u><u>\$ (1,709,488)</u></u>

Amounts reported as deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended	Deferred (Inflows) Outflows
<u>June 30,</u>	<u>Amount</u>
2019	\$ (244,213)
2020	(244,213)
2021	(244,213)
2022	(244,213)
2023	(244,213)
Thereafter	<u>(488,423)</u>
Total	<u><u>\$ (1,709,488)</u></u>

Results by Group

Below is the summary of the OPEB liability by function:

<u>Function</u>	<u>OPEB Liability as of December 31, 2018</u>
Culture and Recreation	\$ 74,807
General Government	72,444
Housing and Community development	43,307
Public Safety	5,732,578
Public Works	362,674
Refuse	59,488
Wastewater	<u>147,474</u>
Total	<u><u>\$ 6,492,772</u></u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

E. Other Postemployment Benefits - KPERS

Plan Description. The City participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERS). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

Benefits. Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Employees covered by benefit terms. At June 30, 2018, the valuation date, the following employees were covered by the benefit terms:

Active Members	131
Disabled Members	4

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

E. Other Postemployment Benefits – KPERS (continued)

Total OPEB Liability. The total KPERS OPEB liability of \$291,954 was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018, using the following actuarial assumptions:

Valuation date	December 31, 2017
Actuarial cost method	Entry age normal
Inflation	2.75%
Salary increases	3.00%
Discount rate (based on 20 year municipal bond rate with an average rating of AA/Aa or better, obtained through the Bond Buyer General Obligation 20-Bond Municipal Index)	3.87%

The discount rate was based on the bond buyer general obligation 20-bond municipal index.

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period of July 1, 2014 through June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

The changes in the total OPEB liability are as follows:

Balance as of June 30, 2017	\$ 188,771
Changes for the year:	
Service cost	20,355
Interest on total opeb liability	6,567
Effect of economic/demographic changes	130,814
Effect of change of assumptions	(2,686)*
Benefit payments	<u>(51,867)</u>
Balance as of June 30, 2018	<u>\$291,954</u>

*Discount rate change from 3.58% to 3.87%

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

E. Other Postemployment Benefits – KPERS (continued)

Sensitivity of the total KPERS OPEB liability to changes in the discount rate. The following presented the total KPERS OPEB liability of the City, as well as what the City's total KPERS OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease <u>(2.87%)</u>	Current Discount <u>(3.87%)</u>	1% Increase <u>(4.87%)</u>
Total OPEB liability	\$ 301,099	\$ 291,954	\$ 282,793

Sensitivity of the total KPERS OPEB liability to changes in the healthcare cost trend rates. The following presented the total KPERS OPEB liability of the City calculated using the current healthcare cost trend rates as well as what the City's total KPERS OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates. The reader should note that healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS, but this exhibit is provided as it is a required disclosure under GASB 75.

	<u>1% Decrease</u>	<u>Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	\$ 291,954	\$ 291,954	\$291,954

For the year ended June 30, 2018, the City recognized OPEB expense of \$39,656.

Deferred Outflows of Resources and Deferred Inflows of Resources. At December 31, 2018, the City reported deferred outflows related to other postemployment benefits from the following sources:

OPEB Expense

Service cost	\$20,355
Interest on total opeb liability	6,567
Deferred Inflows/Outflows of Resources:	
Economic/Demographic gains or losses	13,500
Change of assumptions	<u>(766)</u>
OPEB expense	<u>\$ 39,656</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

E. Other Postemployment Benefits – KPERS (continued)

As of June 30, 2018, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual		
Experience	\$ -	\$117,314
Changes of assumptions	<u>(6,179)</u>	<u>-</u>
Total	<u><u>\$(6,179)</u></u>	<u><u>\$117,314</u></u>

\$30,066 reported as deferred outflows of resources related to KPERS OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	
<u>June 30,</u>	
2019	\$ 12,732
2020	\$ 12,732
2021	\$ 12,732
2022	\$ 12,732
2023	\$ 12,732
Thereafter	\$ 47,475

F. 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 \$205,173 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2018 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 2018. Actual costs may be different than those estimated due to inflation, changes in technology or changes in regulations.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

G. 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, 2018.

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executor 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 yearend are not accounted for as expenditures and liabilities, but as restricted, committed, or assigned fund balance. At December 31, 2018, the City's recorded encumbrances in governmental funds were as follows:

General Fund	\$ 1,806
Capital Projects Fund	1,779,484
Other non-major governmental funds	
Recreation Fund	1,126
Economic Development Fund	7,500
Streets Fund	26,726
CIP Sales Tax Fund	90,077
Countywide Sales Tax	31,348
Special Parks Gift Fund	10,000
Convention & Visitors Bureau	<u>16,397</u>
Total	<u>\$ 1,964,464</u>

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

H. Tax Abatements

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

For the fiscal year ended December 31, 2018, the City abated taxes totaling \$616,313, including the following tax abatement agreements that each exceeded 10% of the total amount abated:

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

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

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

As of December 31, 2018, the Commission approved extending the NRA for another 10 years. There are approximately 60 properties participating in the tax abatements, which totaled \$87,100.

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

As of December 31, 2018, the City has the following **Sales Tax TIF** agreements:

- Home Depot (2001-2021) refund of 100% of the original 1% City sales tax. The amount repaid to Home Depot in 2018 was \$281,704.
- Zeck Ford (2015- 2035) refund of 80% of the original 1% City sales tax that is generated on sales exceeding \$53,992,480 annually. The amount of sales tax repaid to Zeck for 2018 was \$91,982.

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2018

5. Other information (continued)

H. Tax Abatements (continued)

The Economic Development Plan (continued)

As of December 31, 2018, the City has the following **Property Tax TIF** agreements:

- Zeck Ford (2015-2035): 100% refund of the property tax generated in excess of the assessed value excluding the allocation to the state and the school district general fund that is exempted by statute. \$1,102,513 is considered the base value, and 2015 is considered the base year. At December 31, 2018, the district generated \$43,329.
- North Gateway Hotels (2014-2034): 100% of the property tax generated on the increased value of the properties in the North Gateway Hotel TIF is placed into a TIF fund, excluding the allocation to the state and the school district general fund that is exempted by statute. The monies paid into the TIF fund will be used to repay the \$875,000 of GO bonds issued on behalf of the developer towards the construction of an extended stay hotel at that same location. As of December 31, 2018, the district generated \$139,319.
- Downtown Hotel (2014-2034): 100% of the property tax generated on the increased value of the properties in the Downtown Hotel TIF is placed into a TIF fund, excluding the allocation to the state and the school district general fund that is exempted by statute. The base year for assessed valuation is 2011 and the base value is \$2,352,884. As of December 31, 2018 there was no increase in value related to TIF improvements. The City has Inter-local agreements with USD #453 and Leavenworth County for the property tax TIFs.

I. Restatement

On January 1, 2018, it was determined that amounts previously reported in the prior year were recorded incorrectly. The effects of which are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Net position - beginning	\$ 37,469,164	\$ 8,659,301
Change in accounting principle:		
Other post employment benefits - change in accounting principle	(3,438,080)	(64,858)
Other post employment benefits - KPERS - change in accounting principle	(152,905)	(35,866)
Reclassification correction:		
Capital asset reclassification	-	2,008
Capital assets reclassified as assets held for resale	<u>(5,997,257)</u>	<u>-</u>
Net position - beginning, restated	<u>\$ 27,880,922</u>	<u>\$ 8,560,585</u>

Required Supplementary Information

City of Leavenworth, Kansas

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

	2018	2017	2016	2015	2014
City's proportion of the collective net pension liability:					
KPERS	0.337771%	0.328793%	0.323681%	0.368228%	0.355866%
KP&F	1.159168%	1.109955%	1.200103%	1.280163%	1.271155%
City's proportionate share of the collective net pension liability	\$ 15,861,352	\$ 15,171,471	\$ 16,153,560	\$ 14,130,484	\$ 12,716,814
City's covered payroll	\$ 11,964,248	\$ 11,552,857	\$ 11,250,704	\$ 11,932,917	\$ 11,476,070
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	132.57%	131.32%	143.58%	118.42%	110.81%
Plan fiduciary net position as a percentage of the total pension liability	68.87%	67.12%	65.10%	64.95%	66.60%

* GASB 67 requires presentation of 10 years. As of December 31, 2018, only five years of information is available.

City of Leavenworth, Kansas

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 1,724,395	\$ 1,607,761	\$ 1,709,712	\$ 1,785,936	\$ 1,741,195	\$ 1,491,559	\$ 1,424,239	\$ 1,358,240	\$ 1,220,228	\$ 1,217,312
Contributions in relation to the contractually required contribution	<u>\$ (1,724,395)</u>	<u>\$ (1,607,761)</u>	<u>\$ (1,709,712)</u>	<u>\$ (1,785,936)</u>	<u>\$ (1,741,195)</u>	<u>\$ (1,491,559)</u>	<u>\$ (1,424,239)</u>	<u>\$ (1,358,240)</u>	<u>\$ (1,220,228)</u>	<u>\$ (1,217,312)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	12,066,257	11,672,733	11,235,594	11,590,840	11,710,799	11,436,682	11,429,992	11,958,524	11,990,714	11,957,511
Contributions as a percentage of covered payroll	14.29%	13.77%	15.22%	15.41%	14.87%	13.04%	12.46%	11.36%	10.18%	10.18%

City of Leavenworth, Kansas

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

	2018	2017	2016	2015
Library's proportion of the collective net pension liability	0.0325%	0.0330%	0.0330%	0.0300%
Library's proportionate share of the collective net pension liability	\$ 453,093	\$ 470,907	\$ 510,628	\$ 398,312
Library's covered payroll	\$ 619,185	\$ 584,240	\$ 583,838	\$ 554,714
Library's proportionate share of the collective net pension liability as a percentage of its covered payroll	73.18%	80.60%	87.46%	71.80%
Plan fiduciary net position as a percentage of the total pension liability	68.87%	67.12%	65.10%	64.95%

* GASB 67 requires presentation of 10 years. As of December 31, 2018, only four years of information is available.

City of Leavenworth, Kansas

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

	2018	2017	2016	2015
Contractually required contribution	\$ 49,020	\$ 50,853	\$ 52,798	\$ 46,390
Contributions in relation o the contractually required contribution	\$ 49,020	\$ 50,853	\$ 52,798	\$ 46,390
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Library's covered payroll	\$ 619,185	\$ 584,240	\$ 583,838	\$ 554,714
Contributions as a percentage of covered payroll	7.9170%	8.7041%	9.0433%	8.3629%

* GASB 67 requires presentation of 10 years. As of December 31,2018, only four years of information is available.

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

	2018	2017	2016	2015	2014
Total Pension Liability					
Interest	\$ 60,014	\$ 60,322	\$ 61,831	\$ 73,102	\$ 74,801
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(17,934)	(29,788)	23,728	(305,853)	21,327
Changes of assumptions	18,979	97,084	-	-	-
Benefit payments, including refunds of member contributions	(138,868)	(136,916)	(134,794)	(151,091)	(154,434)
Net change in total pension liability	(77,809)	(9,298)	(49,235)	(383,842)	(58,306)
Total pension liability-beginning	2,069,899	2,079,197	2,128,432	2,512,274	2,570,580
Total pension-liability-ending (a)	1,992,090	2,069,899	2,079,197	2,128,432	2,512,274
Plan fiduciary net position					
Contributions-employer	\$ 121,272	\$ 162,622	\$ 163,144	\$ 160,245	\$ 159,716
Net investment income	9,108	3,417	1,266	846	846
Benefit payments, including refunds of member contributions	(138,868)	(136,916)	(134,794)	(151,091)	(154,434)
Other	-	-	-	-	(48)
Net change in plan fiduciary net position	(8,488)	29,123	29,616	10,000	6,080
Plan fiduciary net position-beginning	783,389	754,266	724,650	714,650	708,570
Plan fiduciary net position-ending (b)	774,901	783,389	754,266	724,650	714,650
Net pension liability-ending (a)-(b)	\$ 1,217,189	\$ 1,286,510	\$ 1,324,931	\$ 1,403,782	\$ 1,797,624
Plan fiduciary net position as a percentage of the total pension liability	38.90%	37.85%	36.28%	34.05%	28.45%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

* GASB 67 requires presentation of 10 years. As of December 31, 2018, only five years of information is available.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 104,627	\$ 86,462	\$ 91,608	\$ 117,310	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 140,458
Actual contributions	121,272	162,622	163,144	160,245	159,716	188,189	180,610	155,067	179,560	153,683
Contribution deficiency (excess)	\$ (16,645)	\$ (76,160)	\$ (71,536)	\$ (42,935)	\$ (6,061)	\$ (34,534)	\$ (26,955)	\$ (1,412)	\$ (25,905)	\$ (13,225)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, 2018

Methods and assumptions used to determine contribution rates:

- Actuarial cost method
- Amortization method
- Remaining amortization method
- Asset valuation method
- Inflation
- Salary increases
- Investment rate of return
- Cost of Living Increases
- Discount Rate
- Retirement age
- Mortality

Changes since prior report

- Entry Age
- Open level dollar 15 year basis
- Market Value of Assets
- 3%
- N/A-closed plan
- 3.0% net of investment expenses
- 3%
- 3%
- N/A-closed plan
- RP-2014 Mortality Table with Blue Collar adjustment projected from 2006 with Social Security Generational Improvement Scale based on the 2018 Trustees Report

Amortization of unfunded actuarial liabilities changed from open level dollar 20 year basis to open level dollar 15 year basis.
 Mortality improvement scale used was update from Social Security 2017 Scale to the Social Security 2018 Scale.

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

<u>Fiscal Year</u>	<u>Annual Money-weighted Rate of Return</u>
2018	0.00%
2017	0.00%
2016	0.15%
2015	0.14%
2014	0.14%

* GASB 67 requires presentation of 10 years. As of December 31, 2018, only five years of information is available.

City of Leavenworth, Kansas

Required Supplementary Information
Other Postemployment Benefits

Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Last Ten Fiscal Years*

Total OPEB liability	<u>2018</u>
Service cost	\$ 389,159
Interest	284,813
Benefit paid	(233,622)
Difference between expected and actual experience	(1,778,825)
Changes in assumptions	<u>(174,876)</u>
Net change in total OPEB liability	(1,513,351)
Total OPEB liability - beginning	<u>8,006,123</u>
Total OPEB liability - ending	<u>\$ 6,492,772</u>
Covered payroll	<u>\$ 11,238,903</u>
Total OPEB liability as a percentage of covered payroll	57.77%
Actuarially determined contribution	<u>\$ 233,622</u>
Actual contribution	<u>\$ 233,622</u>
Contributions as a percentage of covered payroll	2.08%

* - Data became available with the inception of GASB 75 during fiscal year 2018, therefore 10 years of data is unavailable.

City of Leavenworth, Kansas

Required Supplementary Information
Other Postemployment Benefits - KPERS

Schedule of Changes in the City's Total KPERS OPEB Liability and Related Ratios
Last Ten Fiscal Years*

Total OPEB liability	<u>2018</u>
Service cost	\$ 20,355
Interest	6,567
Benefit paid	(51,867)
Effect of economic/demographic changes	130,814
Changes in assumptions	<u>(2,686)</u>
Net change in total OPEB liability	103,183
Total OPEB liability - beginning	<u>188,771</u>
Total OPEB liability - ending	<u>\$ 291,954</u>
Covered payroll	<u>\$ 5,606,308</u>
Total OPEB liability as a percentage of covered payroll	5.21%
Actuarially determined contribution	<u>\$ 51,867</u>
Actual contribution	<u>\$ 51,867</u>
Contributions as a percentage of covered payroll	0.93%

* - Data became available with the inception of GASB 75 during fiscal year 2018, therefore 10 years of data is unavailable.

Combining and Individual Fund
Statements and Schedules

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2018

Special Revenue Funds

Fund Descriptions

Convention & Visitors Bureau Fund

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

Probation Fund

To account for the receipt and disbursement of resources related to probations services.

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 drug enforcement activities.

Police Grants Fund

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

Streets Fund

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

Recreation Fund

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

Special Park Gift Fund

To account for public contributions for improvements to city parks.

Economic Development Fund

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

City of Leavenworth, Kansas

Nonmajor Governmental Funds
(Continued)

Fund Descriptions (continued)

Bus & Tech Park Fund

To account for the general maintenance and activities related to the business and technology park.

Housing Fund

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

Community Development Fund

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

CIP Sales Tax Fund

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

Countywide Sales Tax Fund

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

Tax Increment Fund - Zeck

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

Tax Increment Fund - Hotels

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

Tax Increment Fund - Home Depot

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

City of Leavenworth, Kansas

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018

	Convention & Visitors Bureau	Probation	Police Seizure	Police Grants	Streets	Recreation	Special Park Gift	Economic Development
ASSETS								
Cash and cash equivalents	\$ 473,264	\$ 67,051	\$ 123,290	\$ -	\$ 69,195	\$ 27,900	\$ 42,743	\$ 661,419
Cash in escrow	-	-	-	-	676,597	-	-	-
Deposits restricted for tenant deposit refunds	-	-	-	-	-	-	-	-
Property tax receivable	-	-	-	-	-	469,583	-	-
Sales tax receivable	-	-	-	-	-	-	-	72,680
Interest receivable	-	-	312	-	-	-	-	-
Due from other governments	-	-	-	15,000	-	-	-	-
Assets held for resale	-	-	-	-	-	-	-	1,228,650
Total assets	<u>\$ 473,264</u>	<u>\$ 67,051</u>	<u>\$ 123,602</u>	<u>\$ 15,000</u>	<u>\$ 745,792</u>	<u>\$ 497,483</u>	<u>\$ 42,743</u>	<u>\$ 1,962,749</u>
LIABILITIES								
Accounts payable	\$ 2,842	\$ 1,222	\$ -	\$ -	\$ 41,282	\$ 16,748	\$ -	\$ 15,098
Accrued compensation	6,387	5,831	-	-	26,148	33,282	-	947
Due to other funds	-	-	-	11,019	-	-	-	-
Tenant deposits	-	-	-	-	-	-	-	-
Total liabilities	<u>9,229</u>	<u>7,053</u>	<u>-</u>	<u>11,019</u>	<u>67,430</u>	<u>50,030</u>	<u>-</u>	<u>16,045</u>
DEFERRED INFLOWS OF RESOURCES								
Property taxes levied for subsequent period	-	-	-	-	-	469,583	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>469,583</u>	<u>-</u>	<u>-</u>
FUND BALANCES								
Restricted	464,035	59,998	123,602	3,981	678,362	-	42,743	1,946,704
Unassigned	-	-	-	-	-	(22,130)	-	-
Total fund balances	<u>464,035</u>	<u>59,998</u>	<u>123,602</u>	<u>3,981</u>	<u>678,362</u>	<u>(22,130)</u>	<u>42,743</u>	<u>1,946,704</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 473,264</u>	<u>\$ 67,051</u>	<u>\$ 123,602</u>	<u>\$ 15,000</u>	<u>\$ 745,792</u>	<u>\$ 497,483</u>	<u>\$ 42,743</u>	<u>\$ 1,962,749</u>

Bus & Tech Park	Housing	Community Development	CIP Sales Tax	Countywide Sales Tax	Tax Increment Zeck	Tax Increment Hotels	Tax Increment Home Depot	Total Nonmajor Governmental Funds
\$ 476,509	\$ 1,391,885	\$ -	\$ 1,224,476	\$ 724,363	\$ 33,157	\$ 163,361	\$ 101,429	\$ 5,580,042
-	-	-	-	-	-	181,192	-	857,789
-	33,967	-	-	-	-	-	-	33,967
-	-	-	-	-	-	-	-	469,583
-	-	-	383,273	411,855	76,792	18,015	40,128	1,002,743
-	-	-	-	-	-	-	407	719
-	-	21,987	-	-	-	-	-	36,987
-	-	-	-	-	-	-	-	1,228,650
<u>\$ 476,509</u>	<u>\$ 1,425,852</u>	<u>\$ 21,987</u>	<u>\$ 1,607,749</u>	<u>\$ 1,136,218</u>	<u>\$ 109,949</u>	<u>\$ 362,568</u>	<u>\$ 141,964</u>	<u>\$ 9,210,480</u>
\$ 982	\$ 18,720	\$ 252	\$ 3,163	\$ 43,712	\$ -	\$ -	\$ -	\$ 144,021
-	11,824	3,253	-	-	-	-	-	87,672
-	-	18,482	-	-	-	-	-	29,501
-	33,967	-	-	-	-	-	-	33,967
<u>982</u>	<u>64,511</u>	<u>21,987</u>	<u>3,163</u>	<u>43,712</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>295,161</u>
-	-	-	-	-	-	-	-	469,583
-	-	-	-	-	-	-	-	469,583
475,527	1,361,341	-	1,604,586	1,092,506	109,949	362,568	141,964	8,467,866
-	-	-	-	-	-	-	-	(22,130)
<u>475,527</u>	<u>1,361,341</u>	<u>-</u>	<u>1,604,586</u>	<u>1,092,506</u>	<u>109,949</u>	<u>362,568</u>	<u>141,964</u>	<u>8,445,736</u>
\$ 476,509	\$ 1,425,852	\$ 21,987	\$ 1,607,749	\$ 1,136,218	\$ 109,949	\$ 362,568	\$ 141,964	\$ 9,210,480

See independent auditor's report on the financial statements.

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018

	Convention & Visitors Bureau	Probation	Police Seizure	Police Grants	Streets	Recreation	Special Park Gift	Economic Development
REVENUES								
Taxes	\$ 414,264	\$ -	\$ -	\$ -	\$ -	\$ 449,527	\$ -	\$ 515,066
Intergovernmental	-	67,350	-	28,734	1,089,848	67,350	-	-
Charges for services	-	89,167	18,512	-	335	643,648	5,475	-
Investment earnings	-	-	1,951	-	-	-	-	-
Miscellaneous	12	84	-	-	449,524	4,221	21,487	6,419
Total revenues	414,276	156,601	20,463	28,734	1,539,707	1,164,746	26,962	521,485
EXPENDITURES								
Current:								
General government	285,968	175,580	-	-	-	-	-	-
Public safety	-	-	9,263	9,056	-	-	-	-
Public works	-	-	-	-	1,235,346	-	-	-
Culture and recreation	-	-	-	-	-	1,661,459	18,391	-
Housing and urban redevelopment	-	-	-	-	-	-	-	-
Community & economic development	-	-	-	-	-	-	-	365,098
Debt service								
Principal retirement	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Capital outlay	37,418	15,845	53,191	19,677	-	-	-	51,453
Total expenditures	323,386	191,425	62,454	28,733	1,235,346	1,661,459	18,391	416,551
Excess (deficiency) of revenues over (under) expenditures	90,890	(34,824)	(41,991)	1	304,361	(496,713)	8,571	104,934
OTHER FINANCING SOURCES (USES)								
Sale of capital assets	-	-	-	-	-	-	-	-
Insurance proceeds	-	-	-	-	15,077	-	-	-
Contributed capital	-	-	-	-	-	-	-	1,228,650
Transfers in	-	94,822	-	-	102,186	351,945	-	-
Transfers out	-	-	-	-	(686,249)	-	-	-
Total - other financing sources (uses)	-	94,822	-	-	(568,986)	351,945	-	1,228,650
Net change in fund balances	90,890	59,998	(41,991)	1	(264,625)	(144,768)	8,571	1,333,584
Fund balances - beginning	373,145	-	165,593	3,980	942,987	122,638	34,172	613,120
Fund balances - ending	\$ 464,035	\$ 59,998	\$ 123,602	\$ 3,981	\$ 678,362	\$ (22,130)	\$ 42,743	\$ 1,946,704

See independent auditor's report on the financial statements.

Bus & Tech Park	Housing	Community Development	CIP Sales Tax	Countywide Sales Tax	Tax Increment Zeck	Tax Increment Hotels	Tax Increment Home Depot	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 7,518	\$ 1,971,380	\$ 2,361,156	\$ 605,848	\$ 239,472	\$ 286,867	\$ 6,851,098
-	2,123,489	285,709	-	-	-	-	-	3,662,480
-	526,633	12,260	-	-	2,710	-	-	1,298,740
-	164	-	-	-	-	1,520	1,707	5,342
-	15,282	-	-	-	-	182,647	-	679,676
-	2,665,568	305,487	1,971,380	2,361,156	608,558	423,639	288,574	12,497,336
-	-	-	-	-	-	-	-	461,548
-	-	-	-	-	-	-	-	18,319
-	-	-	-	-	-	-	-	1,235,346
-	-	-	-	-	-	-	-	1,679,850
-	2,299,794	308,602	-	-	-	-	-	2,608,396
16,815	-	-	-	-	616,106	193,969	281,704	1,473,692
-	-	-	-	-	-	80,000	-	80,000
-	-	-	-	-	-	14,390	-	14,390
-	192,950	-	614,207	160,371	-	-	-	1,145,112
16,815	2,492,744	308,602	614,207	160,371	616,106	288,359	281,704	8,716,653
(16,815)	172,824	(3,115)	1,357,173	2,200,785	(7,548)	135,280	6,870	3,780,683
-	-	-	5,240	-	-	-	-	5,240
-	-	-	-	-	-	-	-	15,077
-	-	-	-	-	-	-	-	1,228,650
492,342	-	-	26,200	-	-	-	-	1,067,495
-	-	-	(1,154,922)	(2,210,763)	-	-	-	(4,051,934)
492,342	-	-	(1,123,482)	(2,210,763)	-	-	-	(1,735,472)
475,527	172,824	(3,115)	233,691	(9,978)	(7,548)	135,280	6,870	2,045,211
-	1,188,517	3,115	1,370,895	1,102,484	117,497	227,288	135,094	6,400,525
\$ 475,527	\$ 1,361,341	\$ -	\$ 1,604,586	\$ 1,092,506	\$ 109,949	\$ 362,568	\$ 141,964	\$ 8,445,736

See independent auditor's report on the financial statements.

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 1,926,707	\$ 1,926,707	\$ 1,871,505	\$ (55,202)
Total revenues	1,926,707	1,926,707	1,871,505	(55,202)
EXPENDITURES				
Debt service:				
Principal retirement	3,054,840	3,054,840	2,665,000	389,840
Interest and fiscal charges	655,671	655,671	621,768	33,903
Operating reserves	350,000	350,000	-	350,000
Total expenditures	4,060,511	4,060,511	3,286,768	773,743
Excess (deficiency) of revenues over (under) expenditures	(2,133,804)	(2,133,804)	(1,415,263)	718,541
OTHER FINANCING SOURCES (USES)				
Transfers in	1,583,978	1,583,978	1,461,136	(122,842)
Total - other financing sources (uses)	1,583,978	1,583,978	1,461,136	(122,842)
Net change in fund balances	(549,826)	(549,826)	45,873	595,699
Fund balances - beginning	549,826	549,826	315,640	(234,186)
Fund balances - ending	\$ -	\$ -	\$ 361,513	\$ 361,513

City of Leavenworth, Kansas

Convention & Visitors Bureau Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Transient guest tax	\$ 350,000	\$ 350,000	\$ 414,264	\$ 64,264
Miscellaneous	-	-	12	12
Total revenues	350,000	350,000	414,276	64,276
EXPENDITURES				
Current:				
General government	255,728	255,728	293,468	(37,740)
Capital outlay	20,000	20,000	28,770	(8,770)
Operating reserves	405,353	405,353	17,545	387,808
Total expenditures	681,081	681,081	339,783	341,298
Excess (deficiency) of revenues over (under) expenditures	(331,081)	(331,081)	74,493	405,574
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Net change in fund balances	(331,081)	(331,081)	74,493	405,574
Fund balances - beginning	331,081	331,081	373,145	42,064
Current year encumbrances	-	-	16,397	16,397
Fund balances - ending	\$ -	\$ -	\$ 464,035	\$ 464,035

City of Leavenworth, Kansas

Probation Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 69,055	\$ 69,055	\$ 67,350	\$ (1,705)
Charges for services	89,133	89,133	89,167	34
Miscellaneous	-	-	84	84
Total revenues	158,188	158,188	156,601	(1,587)
EXPENDITURES				
Current:				
General government	185,505	185,505	175,580	9,925
Capital outlay	-	27,345	15,845	11,500
Total expenditures	185,505	212,850	191,425	21,425
Excess (deficiency) of revenues over (under) expenditures	(27,317)	(54,662)	(34,824)	19,838
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	94,822	94,822
Net change in fund balances	(27,317)	(54,662)	59,998	114,660
Fund balances - beginning	53,246	94,821	-	(94,821)
Fund balances - ending	\$ 25,929	\$ 40,159	\$ 59,998	\$ 19,839

City of Leavenworth, Kansas

Streets Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Intergovernmental	\$ 1,054,620	\$ 1,054,620	\$ 1,089,848	\$ 35,228
Charges for service	-	-	335	335
Miscellaneous	1,000	1,000	449,524	448,524
Total revenues	1,055,620	1,055,620	1,539,707	484,087
EXPENDITURES				
Current:				
Public works	2,251,629	2,251,629	1,249,572	1,002,057
Capital outlay	-	-	12,500	(12,500)
Total expenditures	2,251,629	2,251,629	1,262,072	989,557
Excess (deficiency) of revenues over (under) expenditures	(1,196,009)	(1,196,009)	277,635	1,473,644
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	-	-	15,077	15,077
Transfers in	80,000	80,000	102,186	22,186
Transfers out	(47,345)	(47,345)	(686,249)	(638,904)
Total other financing sources (uses)	32,655	32,655	(568,986)	(601,641)
Net change in fund balances	(1,163,354)	(1,163,354)	(291,351)	872,003
Fund balances - beginning	1,163,354	1,163,354	917,758	(245,596)
Current year encumbrances	-	-	26,726	26,726
Prior year encumbrances relieved	-	-	25,229	25,229
Fund balances - ending	\$ -	\$ -	\$ 678,362	\$ 678,362

City of Leavenworth, Kansas

Recreation Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 455,812	\$ 455,812	\$ 449,527	\$ (6,285)
Intergovernmental	69,055	69,055	67,350	(1,705)
Charges for services	623,715	628,715	643,648	14,933
Miscellaneous	8,125	3,125	4,221	1,096
Total revenues	<u>1,156,707</u>	<u>1,156,707</u>	<u>1,164,746</u>	<u>8,039</u>
EXPENDITURES				
Current:				
Culture and recreation	1,617,744	1,705,694	1,662,585	43,109
Total expenditures	<u>1,617,744</u>	<u>1,705,694</u>	<u>1,662,585</u>	<u>43,109</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(461,037)</u>	<u>(548,987)</u>	<u>(497,839)</u>	<u>51,148</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>300,000</u>	<u>426,450</u>	<u>351,945</u>	<u>(74,505)</u>
Total other financing sources(uses)	<u>300,000</u>	<u>426,450</u>	<u>351,945</u>	<u>(74,505)</u>
Net change in fund balances	(161,037)	(122,537)	(145,894)	(23,357)
Fund balances - beginning	161,037	122,537	110,443	(12,094)
Current year encumbrances	-	-	1,126	1,126
Prior year encumbrances relieved	-	-	12,195	12,195
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (22,130)</u>	<u>\$ (22,130)</u>

City of Leavenworth, Kansas

Economic Development Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 390,198	\$ 390,198	\$ 515,066	\$ 124,868
Miscellaneous	-	-	6,419	6,419
	<u>390,198</u>	<u>390,198</u>	<u>521,485</u>	<u>131,287</u>
EXPENDITURES				
Current:				
Community and economic development	956,423	956,423	372,598	583,825
Capital outlay	-	-	51,453	(51,453)
Total expenditures	<u>956,423</u>	<u>956,423</u>	<u>424,051</u>	<u>532,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(566,225)</u>	<u>(566,225)</u>	<u>97,434</u>	<u>663,659</u>
OTHER FINANCING SOURCES (USES)				
Contributed capital	-	-	1,228,650	1,228,650
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,228,650</u>	<u>1,228,650</u>
Net change in fund balances	(566,225)	(566,225)	1,326,084	1,892,309
Fund balances - beginning	566,225	566,225	613,120	46,895
Current year encumbrances	-	-	7,500	7,500
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,946,704</u>	<u>\$ 1,946,704</u>

City of Leavenworth, Kansas

Business & Technology Park Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES				
Current:				
Community and economic development	-	497,043	16,815	480,228
Total expenditures	-	497,043	16,815	480,228
Excess (deficiency) of revenues over (under) expenditures	-	(497,043)	(16,815)	480,228
OTHER FINANCING SOURCES (USES)				
Transfers in	-	497,043	492,342	(4,701)
Net change in fund balances	-	-	475,527	475,527
Fund balances - beginning	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 475,527	\$ 475,527

City of Leavenworth, Kansas

CIP Sales Tax Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Sales tax	\$ 2,209,028	\$ 2,209,028	\$ 1,971,380	\$ (237,648)
Total revenues	2,209,028	2,209,028	1,971,380	(237,648)
EXPENDITURES				
Current:				
Capital outlay	2,528,067	2,528,067	704,284	1,823,783
Total expenditures	2,528,067	2,528,067	704,284	1,823,783
Excess of revenues over expenditures	(319,039)	(319,039)	1,267,096	1,586,135
OTHER FINANCING SOURCES (USES)				
Sales of assets	-	-	5,240	5,240
Transfers in	-	-	26,200	26,200
Transfers out	(733,896)	(733,896)	(1,154,922)	(421,026)
Total other financing sources (uses)	(733,896)	(733,896)	(1,123,482)	(389,586)
Net change in fund balances	(1,052,935)	(1,052,935)	143,614	1,196,549
Fund balances - beginning	1,052,935	1,052,935	1,370,895	317,960
Current year encumbrances	-	-	90,077	90,077
Fund balances - ending	\$ -	\$ -	\$ 1,604,586	\$ 1,604,586

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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 2,207,651	\$ 2,207,651	\$ 2,361,156	\$ 153,505
Total revenues	2,207,651	2,207,651	2,361,156	153,505
EXPENDITURES				
Current:				
Capital outlay	-	-	191,719	(191,719)
Total expenditures	-	-	191,719	(191,719)
Excess of revenues over expenditures	2,207,651	2,207,651	2,169,437	(38,214)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,534,892)	(2,534,892)	(2,210,763)	324,129
Total other finance sources (uses)	(2,534,892)	(2,534,892)	(2,210,763)	324,129
Net change in fund balances	(327,241)	(327,241)	(41,326)	285,915
Fund balances - beginning	327,241	327,241	1,102,484	775,243
Current year encumbrances	-	-	31,348	31,348
Fund balances - ending	\$ -	\$ -	\$ 1,092,506	\$ 1,092,506

City of Leavenworth, Kansas

Tax Increment - Zeck Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Tax increment taxes	\$ 815,954	\$ 815,954	\$ 605,848	\$ (210,106)
Charges for services	8,000	8,000	2,710	(5,290)
Total revenues	<u>823,954</u>	<u>823,954</u>	<u>608,558</u>	<u>(215,396)</u>
EXPENDITURES				
Current:				
Community and economic development	866,871	866,871	616,106	250,765
Total expenditures	<u>866,871</u>	<u>866,871</u>	<u>616,106</u>	<u>250,765</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(42,917)</u>	<u>(42,917)</u>	<u>(7,548)</u>	<u>35,369</u>
Net change in fund balances	(42,917)	(42,917)	(7,548)	35,369
Fund balances - beginning	<u>42,917</u>	<u>42,917</u>	<u>117,497</u>	<u>74,580</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,949</u>	<u>\$ 109,949</u>

City of Leavenworth, Kansas

Tax Increment - Hotels Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Tax increment taxes	\$ 250,000	\$ 250,000	\$ 239,472	\$ (10,528)
Charges for services	10,000	10,000	-	(10,000)
Interest	-	-	1,520	1,520
Miscellaneous	-	-	187,384	187,384
Total revenues	<u>260,000</u>	<u>260,000</u>	<u>428,376</u>	<u>168,376</u>
EXPENDITURES				
Current:				
Community and economic development	430,801	430,801	293,095	137,706
Total expenditures	<u>430,801</u>	<u>430,801</u>	<u>293,095</u>	<u>137,706</u>
Net change in fund balances	(170,801)	(170,801)	135,281	306,082
Fund balances - beginning	<u>170,801</u>	<u>170,801</u>	<u>227,287</u>	<u>56,486</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,568</u>	<u>\$ 362,568</u>

City of Leavenworth, Kansas

Tax Increment - Home Depot Fund
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
 For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Tax increment taxes	\$ 254,000	\$ 281,704	\$ 286,867	\$ 5,163
Investment earnings	250	650	1,707	1,057
Total revenues	254,250	282,354	288,574	6,220
EXPENDITURES				
Current:				
Community and economic development	255,454	281,704	281,704	-
Total expenditures	255,454	281,704	281,704	-
Net change in fund balances	(1,204)	650	6,870	6,220
Fund balances - beginning	1,204	97,917	135,094	37,177
Fund balances - ending	\$ -	\$ 98,567	\$ 141,964	\$ 43,397

City of Leavenworth, Kansas

Agency Funds

December 31, 2018

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, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
Library				
Assets:				
Cash in bank	\$ 3,940	\$ -	\$ 3,940	\$ -
Property tax receivable	924,276	102,451	-	1,026,727
	<u>\$ 928,216</u>	<u>\$ 102,451</u>	<u>\$ 3,940</u>	<u>\$ 1,026,727</u>
Liabilities				
Accounts payable	\$ 3,940	\$ -	\$ 3,940	\$ -
Amounts due other parties	924,276	102,451	-	1,026,727
	<u>\$ 928,216</u>	<u>\$ 102,451</u>	<u>\$ 3,940</u>	<u>\$ 1,026,727</u>

Statistical Section

Statistical Section

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

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	113-124
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	125-130
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	131-135
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	136-137
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	138-143

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

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

	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	\$ 43,256,157	\$ 42,320,043	\$ 40,913,632	\$ 40,411,904	\$ 40,049,777
Restricted	-	-	3,527,423	3,078,003	2,318,950
Unrestricted	6,765,799	6,953,098	2,864,839	2,411,409	2,255,580
Total governmental activities net position	<u>\$ 50,021,956</u>	<u>\$ 49,273,141</u>	<u>\$ 47,305,894</u>	<u>\$ 45,901,316</u>	<u>\$ 44,624,307</u>
Business-type activities					
Net investment in capital assets	\$ 8,127,188	\$ 7,974,877	\$ 8,272,844	\$ 7,631,457	\$ 7,478,339
Unrestricted	2,611,536	2,384,532	1,686,816	2,082,114	1,707,398
Total business-type activities net position	<u>\$ 10,738,724</u>	<u>\$ 10,359,409</u>	<u>\$ 9,959,660</u>	<u>\$ 9,713,571</u>	<u>\$ 9,185,737</u>
Primary government					
Net investment in capital assets	\$ 51,383,345	\$ 50,294,920	\$ 49,186,476	\$ 48,043,361	\$ 47,528,116
Restricted	-	-	3,527,423	3,078,003	2,318,950
Unrestricted	9,377,335	9,337,630	4,551,655	4,493,523	3,962,978
Total primary government net position	<u>\$ 60,760,680</u>	<u>\$ 59,632,550</u>	<u>\$ 57,265,554</u>	<u>\$ 55,614,887</u>	<u>\$ 53,810,044</u>

2014	2015	2016	2017	2018
\$ 39,488,841	\$ 38,894,256	\$ 36,850,763	\$ 43,804,306	\$ 37,978,770
2,976,464	4,318,029	5,441,382	6,505,234	8,271,724
3,668,214	(11,465,656)	(11,091,415)	(12,840,376)	(19,160,039)
<u>\$ 46,133,519</u>	<u>\$ 31,746,629</u>	<u>\$ 31,200,730</u>	<u>\$ 37,469,164</u>	<u>\$ 27,090,455</u>
\$ 6,926,217	\$ 6,502,359	\$ 7,732,377	\$ 8,154,554	\$ 8,435,825
1,858,926	1,185,510	821,504	504,747	2,054,060
<u>\$ 8,785,143</u>	<u>\$ 7,687,869</u>	<u>\$ 8,553,881</u>	<u>\$ 8,659,301</u>	<u>\$ 10,489,885</u>
\$ 46,415,058	\$ 45,396,615	\$ 44,583,140	\$ 51,958,860	\$ 46,414,595
2,976,464	4,318,029	5,441,382	6,505,234	8,271,724
5,527,140	(10,280,146)	(10,269,911)	(12,335,629)	(17,105,979)
<u>\$ 54,918,662</u>	<u>\$ 39,434,498</u>	<u>\$ 39,754,611</u>	<u>\$ 46,128,465</u>	<u>\$ 37,580,340</u>

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

	2009	2010	2011	2012	2013
Expenses					
Governmental activities:					
General government	\$ 3,752,966	\$ 4,030,168	\$ 4,352,118	\$ 3,731,226	\$ 4,890,345
Public safety	11,631,240	11,843,745	12,008,431	11,882,932	11,642,136
Public works	4,036,853	4,108,248	4,443,172	4,073,389	4,105,004
Culture and recreation	2,985,096	3,242,768	3,238,794	3,226,421	3,173,151
Housing and urban redevelopment	3,121,926	2,898,887	3,307,860	3,096,295	2,980,409
Community and economic development	-	-	-	-	-
Unallocated depreciation expense	3,418,630	3,383,422	3,593,817	3,506,457	3,613,024
Interest on long-term debt	978,152	936,659	1,077,433	800,498	590,364
Total governmental activities expenses	29,924,863	30,443,897	32,021,625	30,317,218	30,994,433
Business-type activities:					
Sewer	3,470,050	3,776,559	3,766,429	4,090,751	4,318,011
Storm Water	-	-	-	-	-
Refuse	1,636,297	1,671,076	1,710,490	1,484,989	1,805,972
Total business-type activities expenses	5,106,347	5,447,635	5,476,919	5,575,740	6,123,983
Total primary government expenses	\$ 35,031,210	\$ 35,891,532	\$ 37,498,544	\$ 35,892,958	\$ 37,118,416
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,893,375	\$ 1,919,296	\$ 1,889,468	\$ 1,929,579	\$ 2,113,229
Public safety	634,969	634,801	726,273	702,342	687,666
Public works	1,266,949	1,273,124	1,529,150	1,311,654	1,311,813
Culture and recreation	791,542	910,377	735,381	644,688	575,244
Housing and urban redevelopment	396,551	578,098	776,573	546,902	604,527
Operating grants and contributions	4,134,068	3,301,500	3,621,432	3,116,968	3,517,217
Capital grants and contributions (1)	1,673,619	1,677,095	1,100,609	448,448	440,024
Total governmental activities program revenues	10,791,073	10,294,291	10,378,886	8,700,581	9,249,720
Business-type activities:					
Charges for services:					
Sewer	3,447,930	3,271,676	3,211,525	3,507,038	4,027,182
Storm Water	-	-	-	-	-
Refuse	1,783,981	1,796,644	1,835,014	1,822,613	1,827,391
Operating grants and contributions	-	-	35,831	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	5,231,911	5,068,320	5,082,370	5,329,651	5,854,573
Total primary government program revenues	\$ 16,022,984	\$ 15,362,611	\$ 15,461,256	\$ 14,030,232	\$ 15,104,293
Net (Expense)/Revenue					
Governmental activities	\$ (19,133,790)	\$ (20,149,606)	\$ (21,642,739)	\$ (21,616,637)	\$ (21,744,713)

	2014	2015	2016	2017	2018
\$	3,773,326	\$ 4,385,410	\$ 3,582,125	\$ 4,725,105	\$ 3,420,563
	12,227,523	11,467,939	12,819,901	12,409,485	12,313,792
	4,326,643	4,146,573	3,476,393	7,509,361	8,134,057
	3,286,242	3,282,317	3,864,795	3,595,821	2,807,665
	2,884,617	3,872,406	4,716,419	4,836,524	2,477,772
	-	-	-	-	3,450,479
	3,652,203	3,635,561	3,790,328	-	2,014,075
	651,141	620,490	628,329	538,079	582,720
	<u>30,801,695</u>	<u>31,410,696</u>	<u>32,878,290</u>	<u>33,614,375</u>	<u>35,201,123</u>

	4,399,423	4,148,953	4,123,179	4,709,551	4,480,655
	-	-	-	-	3,172
	1,920,283	1,931,036	1,809,659	1,963,188	1,934,057
	<u>6,319,706</u>	<u>6,079,989</u>	<u>5,932,838</u>	<u>6,672,739</u>	<u>6,417,884</u>

\$	<u>37,121,401</u>	\$ <u>37,490,685</u>	\$ <u>38,811,128</u>	\$ <u>40,287,114</u>	\$ <u>41,619,007</u>
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\$	1,848,902	\$ 1,948,419	\$ 2,063,853	\$ 1,894,875	\$ 1,406,657
	676,940	588,486	452,930	392,715	382,530
	1,383,007	1,244,162	896,938	2,618,014	1,913,001
	638,330	670,945	705,652	710,596	681,841
	460,988	602,145	506,280	563,009	548,668
	3,296,130	3,459,665	4,031,401	3,686,980	3,595,712
	860,690	1,534,648	970,391	4,885,013	1,416,286
	<u>9,164,987</u>	<u>10,048,470</u>	<u>9,627,445</u>	<u>14,751,202</u>	<u>9,944,695</u>

	4,093,310	4,076,766	4,176,334	4,323,162	4,513,874
	-	-	-	-	1,407,065
	1,825,802	1,882,466	1,896,702	1,962,730	2,014,217
	-	-	-	-	-
	-	-	772,325	512,256	396,881
	<u>5,919,112</u>	<u>5,959,232</u>	<u>6,845,361</u>	<u>6,798,148</u>	<u>8,332,037</u>

\$	<u>15,084,099</u>	\$ <u>16,007,702</u>	\$ <u>16,472,806</u>	\$ <u>21,549,350</u>	\$ <u>18,276,732</u>
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\$	(21,636,708)	\$ (21,362,226)	\$ (23,250,845)	\$ (18,863,173)	\$ (25,256,428)
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City of Leavenworth, Kansas
Changes in Net Position
Last Ten Fiscal years
(accrual basis of accounting)

	2009	2010	2011	2012	2013
Business-type activities	125,564	(379,315)	(394,549)	(246,089)	(269,410)
Total primary government net expense	\$ (19,008,226)	\$ (20,528,921)	\$ (22,037,288)	\$ (21,862,726)	\$ (22,014,123)
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes					
Property taxes	\$ 9,643,197	\$ 9,337,269	\$ 9,491,948	\$ 9,487,704	\$ 9,283,277
Franchise taxes	2,395,005	2,502,959	2,565,587	2,540,990	2,736,877
Sales taxes	5,334,666	5,519,376	5,712,203	5,721,451	5,950,513
Motor vehicle taxes	1,000,334	1,016,050	922,183	917,453	1,113,514
Other taxes	996,700	914,034	870,810	916,065	1,005,638
Intergovernmental revenue not restricted to specific programs	87,643	88,794	87,420	88,957	98,073
Gain on sale of assets	-	-	-	516,869	-
Payments in lieu of property taxes	-	-	-	-	-
Investment earnings	52,722	22,309	20,141	22,570	21,388
Miscellaneous	-	-	-	-	-
Transfers	-	-	5,200	-	258,424
Total governmental activities	19,510,267	19,400,791	19,675,492	20,212,059	20,467,704
Business-type activities:					
Gain on sale of assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Transfers	-	-	(5,200)	-	(258,424)
Total business-type activities	-	-	(5,200)	-	(258,424)
Total primary government	\$ 19,510,267	\$ 19,400,791	\$ 19,670,292	\$ 20,212,059	\$ 20,209,280
Change in Net Position					
Governmental activities	\$ 376,477	\$ (748,815)	\$ (1,967,247)	\$ (1,404,578)	\$ (1,277,009)
Business-type activities	125,564	(379,315)	(399,749)	(246,089)	(527,834)
Total primary government	\$ 502,041	\$ (1,128,130)	\$ (2,366,996)	\$ (1,650,667)	\$ (1,804,843)

2014	2015	2016	2017	2018
(400,594)	(120,757)	912,523	125,409	1,914,153
\$ (22,037,302)	\$ (21,482,983)	\$ (22,338,322)	\$ (18,737,764)	\$ (23,342,275)

\$ 9,259,644	\$ 5,149,544	\$ 5,351,495	\$ 5,359,986	\$ 5,621,684
2,861,614	2,676,007	10,896,918	12,557,687	2,880,135
8,464,314	10,654,420	2,802,922	2,796,945	14,007,389
1,014,989	1,074,498	729,991	714,825	764,659
1,367,983	2,333,684	2,792,915	1,378,371	414,264
98,434	98,849	-	-	-
-	-	52,397	36,438	-
-	-	-	-	-
20,548	21,192	30,963	123,383	212,681
-	-	-	39,010	565,149
-	70,185	47,345	47,345	-
23,087,526	22,078,379	22,704,946	23,053,990	24,465,961

-	-	834	4,908	-
-	-	-	22,448	15,147
-	(70,185)	(47,345)	(47,345)	-
-	(70,185)	(46,511)	(19,989)	15,147
\$ 23,087,526	\$ 22,008,194	\$ 22,658,435	\$ 23,034,001	\$ 24,481,108

\$ 1,450,818	\$ 716,153	\$ (545,899)	\$ 4,190,817	\$ (790,467)
(400,594)	(190,942)	866,012	105,420	1,929,300
\$ 1,050,224	\$ 525,211	\$ 320,113	\$ 4,296,237	\$ 1,138,833

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

	2009	2010	2011	2012	2013
General Fund					
Reserved	\$ 28,440	\$ 35,387	\$ -	\$ -	\$ -
Unreserved	4,427,681	3,695,914	-	-	-
Restricted	-	-	6,666	5,208	3,457
Committed	-	-	387,057	357,962	366,560
Assigned	-	-	2,816	9,049	12,156
Unassigned	-	-	2,632,344	2,640,634	2,970,612
Total general fund	<u>\$ 4,456,121</u>	<u>\$ 3,731,301</u>	<u>\$ 3,028,883</u>	<u>\$ 3,012,853</u>	<u>\$ 3,352,785</u>
All Other Governmental Funds					
Reserved	\$ 1,257,599	\$ 2,006,141	\$ -	\$ -	\$ -
Unreserved, reported in:					
Special revenue funds	2,810,245	3,412,515	-	-	-
Capital projects funds (1)	(2,594,109)	(3,117,025)	-	-	-
Debt service funds	433,524	446,225	-	-	-
Restricted for:					
Capital outlay	-	-	-	-	-
General government	-	-	1,427,175	1,604,878	863,676
Public safety	-	-	323,532	319,368	167,851
Public works	-	-	-	1,383	-
Tourism and convention activities	-	-	-	-	-
Culture and recreation	-	-	30,673	35,916	31,414
Housing and urban redevelopment	-	-	1,205,584	681,635	809,472
Community and economic developemnt	-	-	-	-	-
Debt service	-	-	418,901	317,152	320,222
Probation services	-	-	-	-	-
Committed for:					
Capital outlay	-	-	604,280	1,114,249	2,094,072
Public works	-	-	472,904	485,212	608,605
Culture and recreation	-	-	147,130	309,989	497,958
Housing and urban redevelopment	-	-	71,916	103,504	173,918
Assigned to:					
General government	-	-	19,469	19,262	20,262
Culture and recreation	-	-	84,652	78,992	-
Unassigned	-	-	-	-	(30,357)
Total all other governmental funds	<u>\$ 1,907,259</u>	<u>\$ 2,747,856</u>	<u>\$ 4,806,216</u>	<u>\$ 5,071,540</u>	<u>\$ 5,557,093</u>

In 2011, the City implemented GASB Statement No. 54, under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned compared to the previous categories of reserved and unreserved.

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

	2014	2015	2016	2017	2018
\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
	2,390,081	-	-	-	-
	-	54,523	47,985	25,749	1,806
	2,946,257	5,566,724	5,974,476	6,451,103	5,901,914
\$	\$ 5,336,338	\$ 5,621,247	\$ 6,022,461	\$ 6,476,852	\$ 5,903,720

\$	-	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	2,697,092
	1,197,539	2,925,495	2,418,165	2,846,524	-
	149,531	150,246	161,607	169,573	127,583
	-	945	72,658	942,987	678,362
	-	-	-	-	464,035
	27,162	59,080	113,605	156,810	42,743
	833,676	942,072	2,331,702	2,284,631	1,361,341
	-	-	-	-	3,036,712
	677,320	306,415	415,724	315,640	361,513
	-	-	-	-	59,998
	468,646	162,483	2,352,854	2,240,305	1,779,484
	825,454	1,214,744	-	-	-
	147,212	(28,259)	-	-	-
	89,848	86,755	-	-	-
	20,107	20,507	-	-	-
	1,438	-	-	-	-
	-	-	-	-	(2,005,400)
\$	\$ 4,437,933	\$ 5,840,483	\$ 7,866,315	\$ 8,956,470	\$ 8,603,463

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

	2009	2010	2011	2012	2013
Revenues					
Taxes	\$ 19,621,593	\$ 19,635,158	\$ 19,868,108	\$ 19,886,015	\$ 20,267,917
Intergovernmental	5,284,788	4,781,818	4,383,780	3,420,383	4,124,981
Licenses and permits	389,583	398,837	409,844	420,084	351,826
Charges for services	2,873,306	2,984,685	2,996,210	3,064,573	3,108,222
Fines and forfeitures	1,092,079	1,139,945	1,115,114	1,101,533	910,243
Investment earnings	55,217	40,303	46,502	22,570	21,387
Other revenues	803,890	717,577	1,059,723	509,540	635,097
Total revenues	30,120,456	29,698,323	29,879,281	28,424,698	29,419,673
Expenditures					
General government	3,648,781	3,715,791	3,664,873	3,630,286	3,612,126
Public safety	10,481,825	10,900,873	11,022,513	10,799,019	10,522,795
Public works	3,562,664	3,647,884	3,972,206	3,659,854	3,663,486
Culture and recreation	2,203,936	2,294,126	2,192,258	2,303,854	2,252,866
Housing and urban redevelopment	2,857,240	2,608,889	3,007,367	2,644,508	2,472,611
Community and economic development	-	-	-	-	-
Capital outlay	10,282,578	7,225,679	5,124,530	3,727,392	6,714,098
Debt service					
Principal	2,359,951	1,998,982	3,066,945	2,870,705	2,880,249
Interest	948,624	1,055,106	1,149,587	846,655	594,381
Issuance costs	-	-	-	-	-
Total expenditures	36,345,599	33,447,330	33,200,279	30,482,273	32,712,612
Excess of revenues over (under) expenditures	(6,225,143)	(3,749,007)	(3,320,998)	(2,057,575)	(3,292,939)
Other Financing Sources (Uses)					
Bonds issued	1,930,000	3,250,000	3,465,000	1,740,000	3,860,000
Refunding bonds issued	-	-	6,250,000	1,825,000	-
Bond anticipation notes issued	-	4,905,000	-	-	-
Insurance proceeds	-	-	-	-	-
Capital leases	-	614,784	196,740	-	-
Sale of capital assets	-	-	-	-	-
Sale of land	-	-	-	516,869	-
Contributed capital	-	-	-	-	-
Payments to escrow agent	-	-	(5,240,000)	(1,775,000)	-
Transfers in	5,419,899	3,600,395	6,138,173	4,983,085	6,610,615
Transfers out	(5,419,899)	(3,600,395)	(6,132,973)	(4,983,085)	(6,352,191)
Total other financing sources (uses)	1,930,000	8,769,784	4,676,940	2,306,869	4,118,424
Net change in fund balances	\$ (4,295,143)	\$ 5,020,777	\$ 1,355,942	\$ 249,294	\$ 825,485
Debt service as a percentage of noncapital expenditures	12.7%	11.6%	15.0%	13.9%	13.4%

	2014	2015	2016	2017	2018
\$	23,147,239	\$ 22,079,326	\$ 22,574,241	\$ 22,807,814	\$ 23,688,132
	4,152,879	4,929,915	4,482,983	8,564,188	3,822,365
	378,728	401,505	402,462	392,950	441,537
	3,158,767	2,996,356	2,658,253	3,101,482	3,215,038
	820,719	862,554	824,540	639,850	616,627
	20,548	21,193	30,963	123,383	218,023
	590,081	703,851	1,249,801	2,045,589	1,189,946
	<u>32,268,961</u>	<u>31,994,700</u>	<u>32,223,243</u>	<u>37,675,256</u>	<u>33,191,668</u>
	3,386,433	3,629,457	3,549,462	3,670,272	4,005,880
	11,045,497	11,054,380	11,367,068	11,160,771	11,783,843
	3,730,738	3,643,703	3,343,760	3,917,574	5,473,003
	2,353,510	2,357,827	2,883,746	2,514,505	2,735,930
	2,597,516	3,038,327	4,464,750	4,550,691	2,661,033
	-	-	-	-	3,450,479
	6,581,595	5,698,832	4,755,873	14,073,071	3,129,648
	4,010,529	2,926,748	5,484,348	2,843,553	2,899,531
	657,144	620,978	621,932	401,116	646,467
	-	-	-	149,635	-
	<u>34,362,962</u>	<u>32,970,252</u>	<u>36,470,939</u>	<u>43,281,188</u>	<u>36,785,814</u>
	<u>(2,094,001)</u>	<u>(975,552)</u>	<u>(4,247,696)</u>	<u>(5,605,932)</u>	<u>(3,594,146)</u>
	2,900,000	2,300,000	6,575,000	6,550,000	1,410,000
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	24,117
	-	-	-	477,685	-
	-	-	52,397	36,438	5,240
	-	292,826	-	-	-
	-	-	-	-	1,228,650
	-	-	-	39,010	-
	5,719,587	6,112,012	5,717,005	4,194,786	5,123,232
	<u>(5,719,587)</u>	<u>(6,041,827)</u>	<u>(5,669,660)</u>	<u>(4,147,441)</u>	<u>(5,123,232)</u>
	<u>2,900,000</u>	<u>2,663,011</u>	<u>6,674,742</u>	<u>7,150,478</u>	<u>2,668,007</u>
\$	805,999	\$ 1,687,459	\$ 2,427,046	\$ 1,544,546	\$ (926,139)

16.8%	13.0%	19.3%	11.6%	11.0%
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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	Tax Increment Sales Tax
2009	\$ 9,643,197	\$ -	\$ 5,334,666	\$ 798,374	\$ 198,326
2010	9,337,269	-	5,519,376	716,724	197,310
2011	9,491,948	-	5,712,203	685,653	185,157
2012	9,487,704	-	5,721,451	708,861	207,204
2013	9,283,277	-	5,950,513	790,747	214,891
2014	9,259,644	-	8,464,314	1,134,088	233,895
2015	5,149,544	36,612	10,654,420	1,604,125	484,431
2016	5,221,569	126,217	10,896,917	1,508,063	808,166
2017	5,227,897	142,450	10,958,814	1,598,873	894,604
2018	5,329,170	182,648	11,318,049	1,739,801	949,539
Change 2009 - 2018	-44.7%	100.0%	112.2%	117.9%	378.8%

	Franchise Tax	Motor Vehicle Tax	Special Assessment Tax	Other Tax	Total
\$	2,395,005	\$ 1,000,334	\$ 251,691	\$ -	\$ 19,621,593
	2,502,959	1,016,050	345,470	-	19,635,158
	2,565,587	922,183	305,377	-	19,868,108
	2,540,990	917,453	302,352	-	19,886,015
	2,736,877	1,113,514	178,098	-	20,267,917
	2,861,614	1,014,989	178,695	-	23,147,239
	2,676,007	1,074,498	191,173	208,516	22,079,326
	2,802,922	729,991	129,925	350,470	22,574,240
	2,796,945	714,825	132,089	341,317	22,807,815
	2,880,135	764,659	109,867	414,264	23,688,132
	20.3%	-23.6%	-56.3%	100.0%	20.7%

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	State Assessed Utilities
	Residential Property	Commercial Property	Total		
2009	\$ 132,784,625	\$ 53,005,829	\$ 185,790,454	\$ 10,613,929	\$ 10,296,290
2010	133,077,189	53,122,616	186,199,805	8,200,207	9,692,087
2011	133,998,063	53,490,216	187,488,279	7,347,200	9,853,412
2012	133,128,072	53,142,928	186,271,000	7,141,023	10,048,621
2013	131,388,896	52,448,672	183,837,568	6,663,472	10,869,314
2014	129,674,855	51,764,450	181,439,305	6,984,423	11,446,519
2015	130,269,055	52,001,647	182,270,702	5,412,888	11,084,363
2016	129,723,607	57,449,951	187,173,558	4,497,671	11,983,704
2017	131,984,490	59,297,564	191,282,054	4,114,339	11,838,522
2018	135,446,398	60,852,730	196,299,128	4,008,053	12,037,816

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.

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
NA	\$ 206,700,673	51.921	\$ 1,450,794,335	14.25%
NA	204,092,099	51.922	1,437,966,087	14.19%
NA	204,688,891	51.883	1,433,229,801	14.28%
NA	203,460,644	51.865	1,393,132,353	14.60%
NA	201,370,354	51.841	1,394,124,698	14.44%
NA	199,870,247	52.029	1,430,085,770	13.98%
NA	198,767,953	31.023	1,421,438,551	13.98%
NA	203,654,933	31.027	1,433,255,606	14.21%
NA	207,234,915	31.348	1,456,532,643	14.23%
NA	212,344,997	31.348	1,492,536,552	14.23%

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

Fiscal Year	City of Leavenworth			Overlapping Rates Leavenworth County		
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage
2009	44.330	7.591	51.921	30.519	1.041	31.560
2010	44.541	7.381	51.922	30.735	1.317	32.052
2011	43.993	7.890	51.883	31.809	1.276	33.085
2012	44.394	7.471	51.865	35.348	0.165	35.513
2013	44.465	7.376	51.841	36.065	0.449	36.514
2014	43.227	8.802	52.029	36.196	0.374	36.570
2015	22.854	8.169	31.023	36.544	0.000	36.544
2016	22.803	8.224	31.027	37.608	0.000	37.608
2017	23.713	7.635	31.348	23.228	8.133	31.361
2018	24.110	7.637	31.747	37.112	0.000	37.112

Source: Leavenworth County Clerk

Overlapping Rates

School District				Total Direct & Overlapping Rates
Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
44.805	5.876	50.681	1.500	135.662
40.840	22.350	63.190	1.500	148.664
39.880	23.296	63.176	1.500	149.644
41.447	21.719	63.166	1.500	152.044
45.480	20.668	66.148	1.500	156.003
49.603	19.750	69.353	1.500	159.452
43.569	19.778	63.347	1.500	132.414
43.841	19.484	63.325	1.500	133.460
43.836	19.489	63.335	1.500	127.544
41.925	17.397	59.322	1.500	129.690

City of Leavenworth, Kansas
Principal Property Taxpayers
December 31, 2018

Taxpayer	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Westar Energy	\$ 31,760,205	1	16.0%	\$ 9,093,255.00	1	4.7%
Corrections Corpo	6,824,478	2	3.4%	3,757,867	2	1.9%
Union Pacific	6,465,897	3	3.3%	1,649,351	5	0.8%
Southern Star	4,111,029	4	2.1%	-	-	0.0%
Kansas Gas Servic	3,278,175	5	1.6%	1,707,603	4	0.9%
Wal-Mart Real Est	3,254,511	6	1.6%	1,199,871	9	0.6%
Greenamyre Rental	2,193,010	7	1.1%	1,518,257	7	0.8%
Freestate Electri	2,264,629	8	1.1%	-	-	0.0%
Mdg-Leavenworth L	1,692,595	9	0.9%	-	-	0.0%
Hallmark Marketin	1,643,757	10	0.8%	1,422,299	8	0.7%
Development Inc	1,576,077	-	0.8%	1,484,618	6	0.8%
Southwestern Bell	1,565,827	-	0.8%	2,388,719	3	1.2%
Dillions	-	-	-	1,131,775	10	0.6%
	<u>\$ 66,630,190</u>		<u>33.5%</u>	<u>\$ 25,353,615</u>		<u>13.0%</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
2009	\$ 10,710,730	\$ 10,423,269	97.3%	\$ 271,787	\$ 10,695,056	99.9%
2010	10,575,737	10,216,927	96.6%	327,134	10,544,061	99.7%
2011	10,619,874	10,297,377	97.0%	247,715	10,545,092	99.3%
2012	10,552,486	10,265,866	97.3%	192,913	10,458,779	99.1%
2013	10,439,241	10,176,683	97.5%	129,665	10,306,348	98.7%
2014	10,399,049	10,133,604	97.4%	109,528	10,243,132	98.5%
2015	6,166,379	6,038,709	97.9%	9,418	6,048,127	98.1%
2016	6,282,188	6,128,032	97.5%	94,673	6,222,705	99.1%
2017	6,383,650	6,183,776	96.9%	112,717	6,278,449	98.4%
2018	6,151,331	6,084,899	98.9%	-	6,197,616	100.8%

Source: Leavenworth County Treasurer

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2009	\$ 20,615,000	\$ 98,982	\$ 7,300,000	\$ -	\$ 28,013,982	2.3%	\$ 807
2010	22,825,000	614,784	6,820,000	-	30,259,784	2.5%	858
2011	21,485,000	664,579	6,390,000	-	28,539,579	2.2%	800
2012	19,960,000	473,874	10,115,000	-	30,548,874	2.3%	856
2013	21,270,000	278,625	9,460,000	-	31,008,625	2.3%	866
2014	17,990,000	78,696	8,780,000	-	26,848,696	1.9%	748
2015	17,405,000	39,348	8,050,000	-	25,494,348	1.8%	708
2016	18,535,000	-	7,305,000	-	25,840,000	1.8%	718
2017	22,405,000	314,132	6,555,000	-	29,274,132	2.8%	808
2018	21,070,000	159,601	5,800,000	375,000	27,404,601	1.9%	705

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 136 for personal income and population data.

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

Fiscal Year	General Obligation Bonds		Less: Amounts Available in Debt Service Fund	Total Primary Government	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
	Governmental Activities	Business-type Activities				
2009	\$ 20,615,000	\$ 7,300,000	\$ 433,524	\$ 27,481,476	1.9%	\$ 791
2010	22,825,000	6,820,000	446,225	29,198,775	2.0%	828
2011	21,485,000	6,390,000	418,901	27,456,099	1.9%	770
2012	19,960,000	10,115,000	319,652	29,755,348	2.1%	834
2013	21,270,000	9,460,000	320,222	30,409,778	2.2%	849
2014	17,990,000	8,780,000	677,320	26,092,680	1.8%	727
2015	17,405,000	8,050,000	320,346	25,134,654	1.8%	698
2016	18,535,000	7,305,000	415,724	25,424,276	1.8%	706
2017	22,405,000	6,555,000	315,640	28,644,360	2.0%	790
2018	21,070,000	5,800,000	361,513	26,508,487	1.8%	732

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 136 for population data.

City of Leavenworth, Kansas
Direct and Overlapping Governmental Activities Debt
As of December 31, 2018

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	\$ 47,260,000	\$ 20,794,400	98.0%	\$ 20,378,512
Leavenworth County	23,056,080	15,447,574	29.0%	<u>4,479,796</u>
Subtotal, overlapping debt				24,858,308
City direct debt				<u>21,229,601</u>
Total direct and overlapping debt				<u><u>\$ 46,087,909</u></u>

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

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

(1) A portion of Unified School District 453's overlapping debt will be paid by the State of Kansas pursuant to current percentages for Bond and Interest Fund State Aid Payments. The current percentage for reimbursement for the Unified School District 453 is 44% for bonds issued after July 1, 2002.

(2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt Limit	\$ 69,380,778	\$ 68,465,048	\$ 67,999,247	\$ 67,244,547	\$ 66,950,665
Total net debt applicable to limit	16,017,666	18,551,322	12,849,782	10,475,866	12,973,064
Legal debt margin	\$ 53,363,112	\$ 49,913,726	\$ 55,149,465	\$ 56,768,681	\$ 53,977,601
 Total net debt applicable to the limit as a percentage of debt limit	 23.1%	 27.1%	 18.9%	 15.6%	 19.4%

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

	2014	2015	2016	2017	2018
\$	66,619,977	\$ 68,350,691	\$ 69,128,610	\$ 70,316,891	\$ 72,214,115
	10,741,429	11,004,905	10,659,848	15,034,277	13,552,110
\$	55,878,548	\$ 57,345,786	\$ 58,468,762	\$ 55,282,614	\$ 58,662,005

16.1% 16.1% 15.4% 21.4% 18.8%

Legal Debt Margin Calculation for Fiscal Year 2018

Adjusted equalized assessed valuation	\$ 240,713,717
Debt limit (30% of total equalized assessed value)	72,214,115
Debt applicable to limit	<u>13,552,110</u>
Legal debt margin	<u>\$ 58,662,005</u>

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

Fiscal Year	Population (1)	Personal Income	Per Capita Income (2)	School Enrollment (3)			Unemployment Rate (4)
				Public	Private	Total	
2009	34,729	\$ 1,221,766,220	\$ 35,180	4,075	481	4,556	10.7%
2010	35,251	1,232,057,701	34,951	3,707	484	4,191	7.9%
2011	35,675	1,284,870,800	36,016	3,755	476	4,231	7.4%
2012	35,675	1,317,228,025	36,923	3,866	429	4,295	6.7%
2013	35,816	1,342,526,944	37,484	3,886	375	4,261	5.8%
2014	35,891	1,394,078,222	38,842	3,919	338	4,257	4.6%
2015	36,000	1,405,692,000	39,047	3,843	327	4,170	4.8%
2016	36,154	1,427,251,458	39,477	3,894	323	4,217	5.7%
2017	36,240	1,041,646,320	28,743	3,873	217	4,090	4.9%
2018	36,210	1,455,424,740	40,194	3,878	212	4,090	5.5%

(1) Kansas Secretary of State

(2) Kansas Statistical Abstract & U.S. Bureau of Economic Analysis

(3) Kansas Department of Education

(4) U.S. Bureau of Labor Statistics

City of Leavenworth, Kansas
Principal Employers
December 31, 2018

Taxpayer	2018			2009		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fort Leavenworth	5,821	1	36.8%	2,279	1	29.8%
Veterans Administration	685	2	4.3%	600	4	4.6%
Leavenworth USD #453	630	3	4.0%	829	2	3.3%
Leavenworth County	405	4	2.6%	370	8	2.1%
Veterans Administration- Consolidated Patient Account Center	400	5	2.5%	-	-	0.0%
Leavenworth Federal Penitentiary	355	6	2.2%	390	6	2.2%
Walmart Supercenter	350	7	2.2%	-	-	2.1%
Northrup-Grumman	345	8	2.2%	589	5	3.0%
Hallmark Cards, Inc.	300	9	1.9%	320	3	1.8%
City of Leavenworth	267	10	1.7%	287	-	2.0%
St. John's Hospital	-	-	0.0%	292	10	3.6%
Capital Electric	-	-	0.0%	326	9	1.8%
Cushing Memorial Hospital	-	-	0.0%	350	7	1.9%
	<u>9,558</u>		<u>60.4%</u>	<u>6,632</u>		<u>58.2%</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	Full-Time Equivalent Employees as of December 31				
	2009	2010	2011	2012	2013
General government	29	30	28	26	29
Public safety					
Police	93	93	93	89	86
Fire	57	57	57	57	57
Public works	33	31	30	29	30
Culture and recreation	35	35	34	34	35
Housing and urban redevelopment	7	7	7	7	7
Sewer	19	19	19	19	18
Refuse	14	14	14	14	13
Total	287	286	282	275	275

Source: City of Leavenworth Human Resources Department

Full-Time Equivalent Employees as of December 31

2014	2015	2016	2017	2018
29	27	33	34	32
84	85	72	77	73
55	54	54	54	52
30	27	25	30	29
37	31	32	30	35
7	7	7	8	8
14	19	17	16	16
13	14	12	13	13
269	264	252	262	258

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

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Police					
Physical arrests	2,545	2,374	2,475	2,544	2,608
Traffic violations	7,377	8,698	10,403	9,148	3,974
Fire					
Calls answered	1,969	1,914	2,378	2,353	2,303
Inspections conducted	771	814	795	854	1,004
Housing and urban redevelopment					
Certificates/vouchers for low-income rental assistance	444	444	444	444	444
Sewer					
Daily average treatment (thousands of gallons)	4,289	5,156	6,423	3,325	3,609
Refuse					
Refuse disposed (tons)	12,561	11,508	11,026	10,967	11,325

Sources: Various city departments

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

Fiscal Year				
2014	2015	2016	2017	2018
2,029	1,918	1,762	2,126	2,175
5,230	4,927	4,576	4,459	2,296
2,199	2,508	2,543	2,606	2,645
796	951	830	854	873
444	444	469	469	469
3,983	4,753	4,778	4,240	4,530
11,259	11,696	11,710	11,928	11,291

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

Function/Program	Fiscal Year				
	2009	2010	2011	2012	2013
Public safety					
Police					
Stations	1	1	1	1	1
Fire					
Stations	3	3	3	3	3
*Public works					
Miles of street:					
Improved	151.7	156.6	156.6	156.6	156.6
Unimproved	0.4	0.4	0.4	0.4	0.4
Controlled intersections	41	43	43	43	43
Culture and recreation					
Community centers	1	1	1	1	1
Parks	21	21	21	22	22
Park acreage	424	424	424	441	441
Swimming pools	2	2	2	2	2
Tennis courts	8	8	8	8	8
Ball fields	9	9	9	10	12
Housing and urban redevelopment					
Elderly high-rise occupancy (units)	105	105	105	105	105
Sewer					
Sanitary sewer (miles)	130	130	130	130	130
Treatment plants	1	1	1	1	1
Treatment capacity (thousands of gallons)	6,880	6,880	6,880	6,880	6,880

* We have started the implementation of our GIS methods for determining the miles of improved, unimproved, and controlled intersections so the classification has changed.

Sources: Various city departments

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

Fiscal Year				
2014	2015	2016	2017	2018
1	1	1	1	1
3	3	3	3	3
156.6	156.6	156.6	124.4	125.8
0.4	0.4	0.4	58.5	58.5
42	42	41	1324	1331
1	1	1	1	1
22	22	22	22	22
442	442	442	442	442
2	2	2	2	2
8	8	8	8	8
12	12	12	12	12
105	105	105	105	105
130	130	130	130	158
1	1	1	1	1
6,880	6,880	6,880	6,880	6880

Single Audit of
Federal Financial Assistance

City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018
(With Unaudited Cumulative Totals From Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass-Through Grantor's Number	Cumulative Awards Through December 31, 2018 (Unaudited)	Reported Expenditures			Passed Through to Subrecipients
				Cumulative Through December 31, 2017 (Unaudited)	Total for the Year Ended December 31, 2018	Cumulative Through December 31, 2018	
U.S. Department of Housing and Urban Development							
CDBG - Entitlement Grants Cluster:							
2017 Community Development Block Grant-Entitlement	14.218		\$ 274,858	\$ 122,175	\$ 152,683	\$ 274,858	\$ 23,276
2018 Community Development Block Grant-Entitlement	14.218		431,680	-	133,026	133,026	20,056
Total CDBG - Entitlement Grants Cluster			<u>706,538</u>	<u>122,175</u>	<u>285,709</u>	<u>407,884</u>	<u>43,332</u>
Housing Voucher Cluster:							
Section 8 - Housing Choice Vouchers	14.871		1,673,567	-	1,700,411	1,700,411	-
Total Housing Voucher Cluster			<u>1,673,567</u>	<u>-</u>	<u>1,700,411</u>	<u>1,700,411</u>	<u>-</u>
Public Housing							
Capital Fund Program	14.850		265,676	-	265,676	265,676	-
Capital Fund Program	14.872	KS16P06850115	88,655	1,381	87,274	88,655	-
Capital Fund Program	14.872	KS01P06850116	89,959	-	89,959	89,959	-
Capital Fund Program	14.872	KS01P06850117	91,154	-	7,012	7,012	-
Capital Fund Program	14.872	KS01P06850118	139,790	-	-	-	-
Passed through the Kansas Housing Resources Corporation:							
2017 Emergency Solutions Grant	14.231	ESG-FFY2017	34,405	16,250	18,155	34,405	17,250
2018 Emergency Solutions Grant	14.231	ESG-FFY2018	43,751	-	30,160	30,160	30,160
Total Passed through the Kansas Housing Resources Corporation			<u>78,156</u>	<u>16,250</u>	<u>48,315</u>	<u>64,565</u>	<u>47,410</u>
Total U.S. Department of Housing and Urban Development			<u>3,133,495</u>	<u>139,806</u>	<u>2,484,356</u>	<u>2,624,162</u>	<u>90,742</u>
U.S. Department of Justice							
Bulletproof Vest Partnership Program - 2016	16.607		1,813	-	1,813	1,813	-
Bulletproof Vest Partnership Program - 2017	16.607		1,446	-	-	-	-
Bulletproof Vest Partnership Program - 2018	16.607		1,808	-	-	-	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2016DJBX0306	27,177	22,499	4,678	27,177	-
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2017DJBX0907	25,535	-	23,665	23,665	8,665
Edward Bryne Memorial Justice Assistance Grant Program	16.738	2018DJBX0206	25,170	-	-	-	-
Total U.S. Department of Justice			<u>82,949</u>	<u>22,499</u>	<u>30,156</u>	<u>52,655</u>	<u>8,665</u>
U.S. Department of Transportation							
Passed through the Kansas Department of Transportation							
Highway Safety Cluster:							
State and Community Highway Safety (A) (STEP)	20.600	SP-1300-18	3,500	-	390	390	-
Total Highway Safety Cluster			<u>3,500</u>	<u>-</u>	<u>390</u>	<u>390</u>	<u>-</u>
Total U.S. Department of Transportation			<u>3,500</u>	<u>-</u>	<u>390</u>	<u>390</u>	<u>-</u>
Department of Homeland Security							
Passed through Mid-America Regional Council							
Homeland Security Grant Program	97.067	(HSGP)FY2016	3,183	-	3,183	3,183	-
Homeland Security Grant Program	97.067	(HSGP)FY2017	38,111	-	38,111	38,111	-
Total Passed through Mid-America Regional Council			<u>41,294</u>	<u>-</u>	<u>41,294</u>	<u>41,294</u>	<u>-</u>
Total Department of Homeland Security			<u>41,294</u>	<u>-</u>	<u>41,294</u>	<u>41,294</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,261,238</u>	<u>\$ 162,305</u>	<u>\$ 2,556,196</u>	<u>\$ 2,718,501</u>	<u>\$ 99,407</u>

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards

December 31, 2018

1. Organization and basis of presentation

Organization

The City of Leavenworth, Kansas (the City) is the recipient of several federal grants. Grants are accounted for within governmental fund and enterprise fund types.

Basis of Presentation

Federal award expenditures are presented on a modified accrual basis, whereby expenditures are recognized in the accounting period in which the liability is incurred, if measurable. For reimbursement-type grants, only the reimbursable expenditures are shown as federal expenditures. The basis of presentation is the same as that for the basic financial statements; however, expenditures are classified in a different manner. The City has not elected to use the 10-percent de minimus indirect cost rate as allowed under Uniform Grant Guidance.

2. Purposes of Federal Programs

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

Community Development Block Grant (14.218)

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

Homeless Grant - Emergency Solutions Grant (14.231)

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

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Public Housing (14.850)

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

Capital Fund Program (14.872)

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

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

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

Bulletproof Vest Partnership Program (16.607)

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

Edward Byrne Memorial Justice Assistance Grant Program (16.738)

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

State and Community Highway Safety (20.600)

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

Department of Homeland Security Grants (97.067)

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.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

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 and efficiency and program results that may result in disallowed costs to the City. However, 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, 2018.

5. Outstanding Loans

The City had \$0 of outstanding loans under federal grants at December 31, 2018.

6. Pass Through Entity Numbers

Grant numbers are not listed for several grants on the Schedule of Expenditures of Federal Awards. For those grants, pass through grantors have not assigned passthrough numbers to the passthrough grants noted in the schedule of expenditures of federal awards.

CITY OF LEAVENWORTH, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUING
Year Ended December 31, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 – Housing Choice Vouchers

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

Auditee qualified as low-risk auditee? X Yes No

CITY OF LEAVENWORTH, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
Year Ended December 31, 2018

Section 2 – Financial Statement Findings

Summary Schedule of Current Year Audit Findings

No noted findings in the current year.

Summary Schedule of Prior Year Audit Findings

No noted findings in the prior year.

Section 3 – Federal Award Findings and Questioned Costs

Summary Schedule of Current Year Audit Findings

No noted findings in the current year.

Summary Schedule of Prior Year Audit Findings

No noted findings in the prior year.



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

Mayor and City Commission
City of Leavenworth, Kansas

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Leavenworth, Kansas, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise of the City's basic financial statements, and have issued our report thereon dated June 30, 2019. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the "Kansas Municipal Accounting and Audit Guide." Our report includes a reference to other auditors who audited the financial statements of the Leavenworth Public Library, as described in our report on the City of Leavenworth, Kansas' financial statements. The financial statement of the Leavenworth Public Library were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Leavenworth Public Library.

Internal Control Over Financial Reporting

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

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

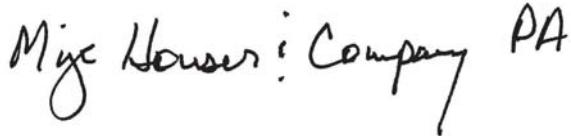
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Mike Houser: Company PA". The signature is written in a cursive, slightly slanted style.

Certified Public Accountants

Lawrence, Kansas
June 30, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Mayor and City Commission
City of Leavenworth, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of City of Leavenworth, KS (the City) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2018. The City's major federal financial programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The City's basic financial statements include the operations of the Leavenworth Public Library. Any federal awards expended by the Leavenworth Public Library are not included in the City's schedule of expenditures of federal awards during the year ended December 31, 2018. Our audit, described below, did not include the operations of the Leavenworth Public Library (the Organization) because the Organization engaged other auditors to conduct their audit.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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211 E Eighth Suite A ■ Topeka, KS 66044-2771 ■ 785.842.8844 p ■ 785.842.9049 f

Report on Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of the 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 the internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mize Houser & Company PA

Certified Public Accountants

Lawrence, Kansas
June 30, 2019