



**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

*City of Leavenworth, Kansas
For the Year Ended December 31, 2014*

City of Leavenworth, Kansas

Comprehensive Annual Financial Report

Fiscal Year Ended
December 31, 2014

Prepared by:

Ronald E. Hale
Director of Finance

City of Leavenworth, Kansas
Comprehensive Annual Financial Report
Year Ended December 31, 2014

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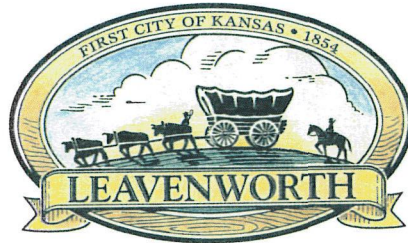
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Introductory Section



June 18, 2015

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, 2014. Kansas statutes require the City to issue an annual report on its financial position and activity, and that this report be audited by an independent firm of certified public accountants. The CAFR is prepared in accordance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB), accounting principles generally accepted (GAAP) in the United States of America, and audited in accordance with auditing standards generally accepted (GAAS) in the United States of America.

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

The City's financial statements have been audited by Berberich Trahan & Co., P.A., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unmodified opinions that the City's financial statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

The City of Leavenworth, Kansas was established in 1854 and incorporated by the first Kansas territorial legislature in 1855. The City is a legally constituted city of the First Class and the county seat of Leavenworth County. It sits on the west bank of the Missouri River approximately 28 miles northwest of Kansas City, Missouri and 45 miles northeast of Topeka, Kansas. The City has a population of 35,891 and covers an area of approximately 23.5 square miles.

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

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

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

The City provides a full range of services, including:

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

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

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

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

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

Factors Affecting Financial Condition

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

Local economy

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

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

Long-term financial planning

The City Commission recently approved a five-year capital improvements program (2014 – 2018) that contains \$25.3 million in identified projects. The following table identifies the spending requirements by category:

Infrastructure	
Streets	\$7,816,915
Bridges	1,091,330
Sidewalks, curbs, gutters	1,210,000
Sewer and stormwater	3,367,425
Economic development	862,050
Buildings & equipment	4,604,790
Parks	162,735
Other	6,226,220

To the extent possible, these projects are funded on a pay-as-you-go basis with City sales tax proceeds or other operating sources. In fact, approximately \$17,530,605, or 70%, of identified projects are funded in this manner. An additional \$1,853,470, or 7%, of identified projects are funded by federal and state grants for street and bridge construction.

Finally, approximately \$5,538,390, or 23%, of identified projects are funded with long-term capital financing. It is expected that the debt service associated with bonds issued to finance these projects will have a minimal impact on the City's mill levy rates for the next five years.

Awards and Acknowledgements

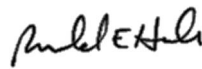
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leavenworth for its comprehensive annual financial report in the fiscal year ended December 31, 2013. This was the 20th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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



J. Scott Miller
City Manager



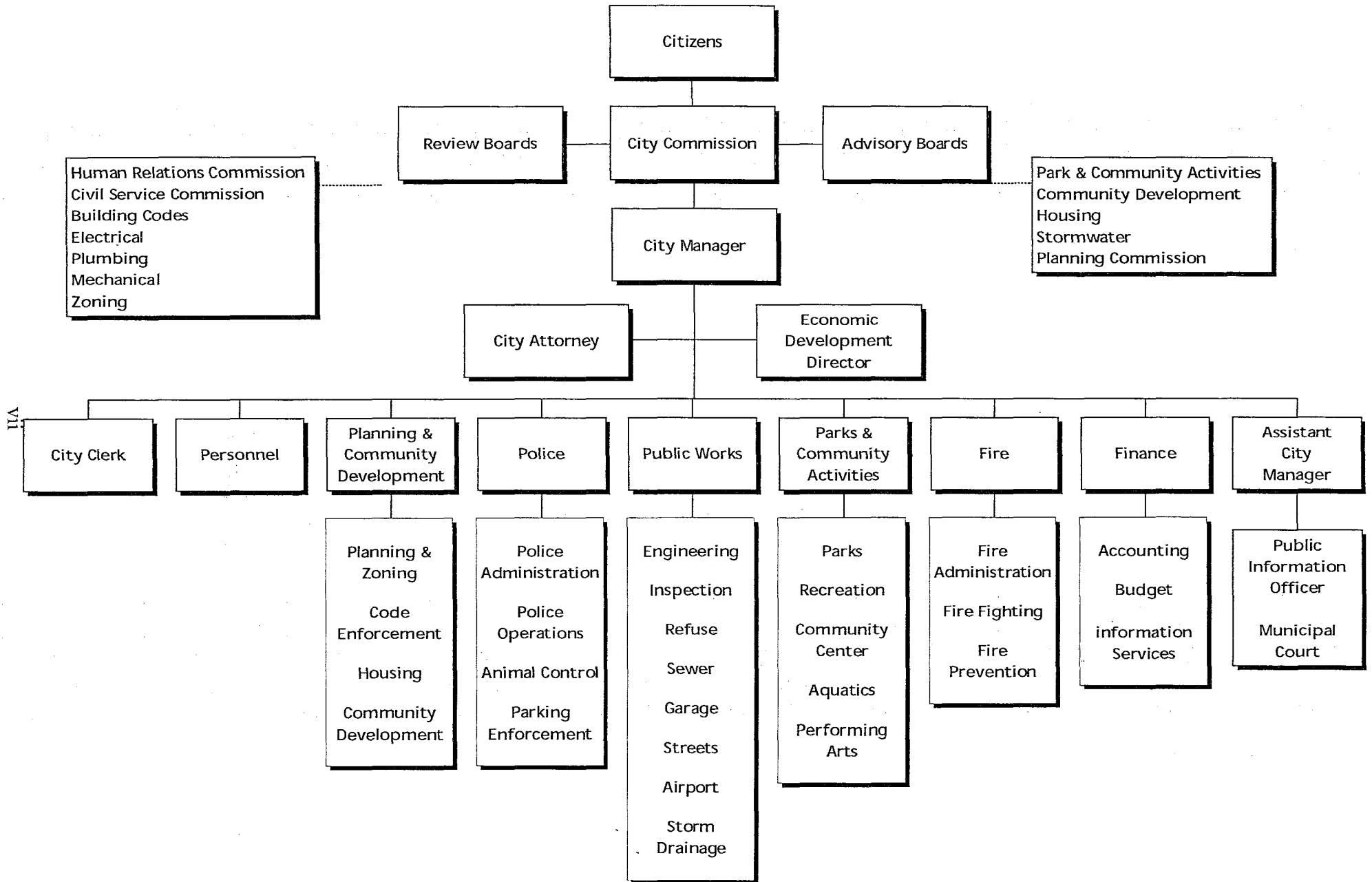
Ronald E. Hale
Finance Director

City of Leavenworth, Kansas
 List of Elected and Appointed Officials
 December 31, 2014

Elected Officials	Position	Term Expires
Mark Preisinger	Mayor	2017
Lisa Weakley	Mayor Pro Tem	2017
Larry Dedeke	Commissioner	2015
Davis Moulden	Commissioner	2015
Laura Gasbarre	Commissioner	2015

Appointed Officials	Position	Length of Service
J. Scott Miller	City Manager	7 years
Thomas Dawson	City Attorney	6 years
Paul Kramer	Assistant to the City Manager	5 years
Melissa Bower	Public Information Officer	3 years
Lona Lanter	Human Resources Director	11 years
Karen Logan	City Clerk	9 years
Ron Hale	Finance Director	1 year
Julia Anderson	Director of Parks & Community Activities	7 years
Michael McDonald	Director of Public Works	26 years
Pat Kitchens	Police Chief	7 years
Gary Birch	Fire Chief	1 year
Julie Hurley	City Planner	0 years

City of Leavenworth



11A



Government Finance Officers Association

Certificate of
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City of Leavenworth
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

Financial Section



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

INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and City Commission
City of Leavenworth, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4-16 and the required schedules for the Police and Fire Pension Plan and for other postemployment benefits on pages 75-80 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Berberich Trahan + Co., P.A.

June 18, 2015
Topeka, Kansas

Management's Discussion and Analysis

As management of the City of Leavenworth, Kansas, (the City) we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i – v of this report.

Financial Highlights

- The assets 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 \$54,918,662 (*net position*). Of this amount, \$5,527,140 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,050,224, or 2.0 percent, during the fiscal year.
- As of December 31, 2014, the City's governmental funds reported combined ending fund balances of \$9,774,271, an increase of \$805,999 over the prior year.
- At the end of the current fiscal year, the fund balance of the General Fund was \$5,336,338, or 30.9 percent of total General Fund expenditures.
- The City's total bonded debt decreased by \$1,590,000 (five percent) during the current fiscal year. General obligation bonds totaling \$2,900,000 were issued for governmental activities to provide for general infrastructure improvements and \$2,630,000 was issued for business-type activities to refund a previous issue at a lower interest rate for a total of \$5,530,000. However, \$7,120,000 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, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

The government-wide financial statements can be found on pages 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 revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

The basic governmental fund financial statements can be found on pages 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 and refuse operations.

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

The basic proprietary fund financial statements can be found on pages 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 – 73 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 74 – 80 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 81 – 99 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 \$54,918,662 at the close of the current fiscal year.

By far, the largest portion of the City's net position (85 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Leavenworth's Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 19,314,200	\$ 22,369,194	\$ 2,840,874	\$ 2,444,266	\$22,155,074	\$24,813,460
Capital assets	59,767,416	59,765,915	15,706,217	16,938,337	75,473,633	76,704,252
Total assets	79,081,616	82,135,109	18,547,091	19,382,603	97,628,707	101,517,712
Long-term liabilities						
outstanding	20,406,404	21,046,037	8,536,936	9,323,067	28,943,340	30,369,104
Other liabilities	7,583,145	7,410,070	1,225,012	873,799	8,808,157	8,283,869
Total liabilities	27,989,549	28,456,107	9,761,948	10,196,866	37,751,497	38,652,973
Total deferred inflows of						
resources	4,958,548	9,054,695	0	0	4,958,548	9,054,695
Net position:						
Net investment in capital						
assets	39,488,841	40,049,777	6,926,217	7,518,337	46,415,058	47,568,114
Restricted	2,976,464	2,322,020	0	0	2,976,464	2,322,020
Unrestricted	3,668,214	2,252,510	1,858,926	1,667,400	5,527,140	3,919,910
Total net position	\$ 46,133,519	\$ 44,624,307	\$ 8,785,143	\$ 9,185,737	\$54,918,662	\$53,810,044

An additional portion of the City's net position (\$2,976,464) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,527,140 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's overall net position increased \$1,050,224 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities

Governmental activities increased the City's net position \$1,450,818, thereby accounting for 138 percent of the total increase in net position of the City. In the prior year, the City experienced a decrease of \$1,277,009 for governmental activities. Key elements of the increase in the current year are as follows:

- Charges for services decreased \$284,312 (five percent) during the year due primarily to a \$225,793 refund in the prior year from the State of Kansas resulting from a prior period overpayment made by the City on a capital project that was subsequently financed with general obligation bonds.

Also, revenues from fines and forfeitures declined \$79,961 due a decrease in revenues from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.

- Operating grants and contributions declined by \$221,087 (6 percent) during the year. The City received \$27,045 more federal financial assistance for Section 8 and the Veterans Affairs Supportive Housing (VASH) low income housing voucher programs and \$72,569 less federal financial assistance for the Planters II elderly facility than in the prior year.

The Police Grant for HIDTA was discontinued during the year resulting in a decrease of \$68,732.

Also, Small Business Administration grant funds decreased \$126,353 and Community Development Block Grant funds decreased \$73,081. Transient guest tax revenues increased \$40,695 from the prior year with the addition of a major new hotel in October.

- Capital grants and contributions increased \$420,666 (96 percent) during the year. The primary reason was an increase of \$353,359 due to a new federal grant for the Community Center stone restoration.

The City received \$116,265 more federal financial assistance for the Neighborhood Revitalization Grant program and \$40,695 less special assessment tax revenue than in the prior year. However federal financial assistance for capital improvements to the Planters II elderly high-rise facility increased \$45,199 over the prior year while federal grants for police equipment decreased \$25,381.

- Revenues from all taxes, including property taxes, increased \$2,878,725 (fourteen percent) during the year. In February of the current year, voters approved a referendum to increase the City's sales tax rate by 1% which will be rolled back in the property tax levy starting in 2015. Accordingly, sales tax revenues increased \$2,513,801. Of this amount, \$2,090,081 is from the new 1% tax and will be placed in a property tax stabilization reserve.

Property tax revenues declined \$23,633 since the City's assessed valuation declined from the prior year while the mill levy rate remained static. Also, revenues from motor vehicles taxes decreased \$98,525 while compensating use tax increased by \$343,341. Revenues from franchise taxes also increased \$124,737.

- Generally, increases in expenses closely paralleled inflation and growth in the demand for services. Overall, expenses fell by \$192,738, or about one percent from the prior year.

General government expenses decreased \$1,117,019, or about 23 percent, during the year due to the inclusion of a \$1,164,117 loss on the disposal of capital assets in the prior year resulting from land being provided to a developer as an incentive to construct a hotel.

Public safety expenses increased \$585,387, or about five percent, from the prior year. In the prior year, the Police Department had a savings of \$248,874 in personnel costs resulting from position vacancies throughout the year. These positions have mostly been filled in the current year resulting in increased costs of \$244,939. There was also a \$225,889 increase in fire suppression personnel costs over the prior year.

Public works increased \$221,639, or about five percent, from the prior year. Personnel costs increased by \$19,747 and street lighting costs by \$37,963 from the prior year, respectively.

Housing and urban redevelopment expenses declined \$95,792, or about three percent, from the prior year. Expenses declined \$76,925 in the Community Development Block Grant program due to a decline in the federal financial funding for these programs.

Interest and fiscal charges on long term debt increased \$60,777, or about 10 percent, from the prior year due to an increase in interest payments on outstanding debt.

- The City took over operation of the Convention & Visitors Bureau (CVB) in July of 2014 and created a new fund for the merged entity. As a result of this merger, the operations of the old CVB have been included in the City’s financial statements as of the start of the fiscal year per governmental standards. The newly created Convention & Visitors Bureau fund also included the balance of the old CVB as of January 1 of \$58,394 as its beginning fund balance. The inclusion of this balance increases the “Total Net Position - Beginning” in the Statement of Activities by the same amount. Additional information can be found in Note 4.I.

City of Leavenworth’s Changes in Net Position

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$5,008,167	\$5,292,479	\$5,919,112	\$5,854,573	\$10,927,279	\$11,147,052
Operating grants and contributions	3,296,130	3,517,217	0	0	3,296,130	3,517,217
Capital grants and contributions	860,690	440,024	0	0	860,690	440,024
General revenues:						
Property taxes	9,259,644	9,283,277	0	0	9,259,644	9,283,277
Other taxes	13,708,900	10,806,542	0	0	13,708,900	10,806,542
Grants and contributions not restricted to specific programs	98,434	98,074	0	0	98,434	98,074
Unrestricted investment earnings	20,548	21,387	0	0	20,548	21,387
Total revenues	32,252,513	29,459,000	5,919,112	5,854,573	38,171,625	35,313,573
Expenses:						
General government	3,773,326	4,890,345	0	0	3,773,326	4,890,345
Public safety	12,227,523	11,642,136	0	0	12,227,523	11,642,136
Public works	4,326,643	4,105,004	0	0	4,326,643	4,105,004
Culture and recreation	3,286,242	3,173,151	0	0	3,286,242	3,173,151
Housing and urban redevelopment	2,884,617	2,980,409	0	0	2,884,617	2,980,409
Unallocated depreciation expense	3,652,203	3,613,024	0	0	3,652,203	3,613,024
Interest on long-term debt	651,141	590,364	0	0	651,141	590,364
Sewer	0	0	4,399,423	4,318,011	4,399,423	4,318,011
Refuse	0	0	1,920,283	1,805,972	1,920,283	1,805,972
Total expenses	30,801,695	30,994,433	6,319,706	6,123,983	37,121,401	37,118,416
Change in net position before transfers	1,450,818	(1,535,433)	(400,594)	(269,410)	1,050,224	(1,804,843)
Transfers	0	258,424	0	(258,424)	0	0
Change in net position	1,450,818	(1,277,009)	(400,594)	(527,834)	1,050,224	(1,804,843)
Net position – beginning	44,682,701	45,901,316	9,185,737	9,713,571	53,868,438	55,614,887
Net position – ending	\$46,133,519	\$44,624,307	\$8,785,143	\$9,185,737	\$54,918,662	\$53,810,044

Business-type activities

Business-type activities decreased the City's net position \$400,594, accounting for -37 percent of the total increase in the City's net position. Key elements of this decline are as follows:

- Sewer Fund revenues increased \$66,128, or about 2 percent, over the prior year due 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.

Sewer Fund expenses increased \$81,412, or about two percent due to inflationary cost increases.

- Refuse Fund expenses increased \$114,311, or about 6 percent, due mainly to personnel cost increases of \$66,736 and vehicle maintenance costs of \$28,843, respectively.

Financial Analysis of the Government's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,774,271, an increase of \$805,999 over the prior year. Approximately 30 percent of this amount (\$2,935,340) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is either *restricted*, *committed*, or *assigned* to indicate that it is 1) restricted for particular purposes (\$2,885,228), 2) committed for particular purposes (\$3,921,241), or 3) assigned for particular purposes (\$32,462).

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 \$5,336,338. Approximately 55 percent of this amount (\$2,935,340) is designated as unassigned fund balance, which is available for spending at the City's discretion. \$2,400,998 of total fund balance is designated as either committed or assigned to reflect amounts either committed to or intended for specific purposes by the City Commission.

As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 17.0 percent of total General Fund expenditures, while total fund balance represents 30.1 percent of total General Fund expenditures.

The fund balance of the City's General Fund increased \$1,983,553 to \$5,336,338 during the current fiscal year. Revenues from all sources increased \$2,231,330 over the prior year and total expenses increased \$486,918 for reasons that are highlighted in the analysis of governmental activities. Transfers to other funds increased \$135,083 primarily due to a \$30,000 increase in the transfer to the Recreation fund to subsidize the operations of the Fund, a decrease of \$101,014 to the Streets fund due to a mild winter, and to a \$207,304 increase in the transfer of local sales tax revenues dedicated for capital improvements to the Capital Projects Fund.

The Debt Service Fund had a restricted fund balance of \$677,320 at the end of the current year, a \$357,098 increase over the prior year. Revenues increased \$56,908 over the prior year due primarily to a \$225,793 refund from the State of Kansas in the prior year and offset by an increase in taxes of \$248,285. Debt service expenditures increased \$1,106,943 from the prior year primarily due to an increase in principal retirement of \$1,125,000 with the retirement of a previous bond issue refunded to lower interest rates. Finally, other financing sources increased \$1,404,063 due to \$1,030,000 of bond proceeds from the issuance of the refunding bond series during the year and transfers from other funds increased by \$374,063.

At the end of the year, the fund balance of the Capital Projects Fund was \$1,551,267, a decrease of \$1,843,548 from the prior year. Several factors contributed to this decrease:

- Total revenue increased \$179,230 during the year due primarily to a \$244,516 increase in federal and state grant payments offset by a loss in charges for services of \$69,012 as the prior year included an insurance payment of \$71,995.
- Total expenditures decreased \$156,033 primarily due to a decrease in capital outlay of \$65,377 during the year.
- Proceeds from general obligation bonds decreased \$1,990,000 during the year and other net transfers in decreased \$1,581,410 from the prior year.

Proprietary funds

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

Unrestricted net position of the Sewer Fund at the end of the year amounted to \$1,825,884, and those for the Refuse Fund amounted to \$33,042. In comparison with the prior year, unrestricted net position for the Sewer Fund increased \$219,484 while unrestricted net position for the Refuse Fund declined \$27,958. 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 2014.

During the year, revenues were \$2,840,727, or about fifteen percent, greater than budgetary estimates due to:

- Revenues from tax sources were \$3,025,978, or twenty-one percent, over budgetary expectations. Sales tax, franchise tax, motor vehicle tax, and compensating use tax revenues exceeded budgetary expectations by \$2,251,502, \$201,614, \$41,713, and \$309,372, respectively. The large increase in sales tax is from the previously mentioned voter approved 1% increase to be offset in future year's property tax levies.

- Revenues from intergovernmental sources were \$100,721 below budgetary expectations due to the loss of the federal grant for Police operations of \$68,732. Also, with the creation of the new Convention & Visitors Bureau Fund when the City took over operations, all Transient Guest taxes went to the new fund in July resulting in a loss of planned revenue to the General Fund of \$51,151.
- Revenues from licenses and permits were \$6,522 less than budgetary expectations as residential permits for new homes and remodeling were less than anticipated.
- Revenues from charges for services were \$31,795 below budgetary expectations due to revenues from fuel sales and vehicle repairs in the Garage operation being \$63,886 below budget.
- Revenues from fines and forfeitures were \$152,896 below budgetary expectations due a decrease in revenues from Municipal Court fines resulting from fewer traffic citations being processed by the Police Department.
- Miscellaneous revenues were \$109,111 over budgetary expectations due primarily to an unanticipated premium reimbursement of \$113,603 received from the City's workers compensation insurance carrier.

During the year, expenditures were \$519,227, or nearly three percent, less than budgetary estimates due to:

- General government expenditures were \$123,445, or about three percent, below budgetary expectations. The primary reason was a decrease of \$51,151 in operating transfers of the Transient Guest taxes after the City assumed operations of the Convention & Visitors Bureau.
- Public safety expenditures were \$358,017, or about three percent, below budgetary expectations due to savings of \$393,986 in Police Department personnel costs resulting from position vacancies throughout the year.
- Culture and recreation expenditures were \$49,664, or six percent, below budgetary expectations due to savings of \$28,655 in Parks personnel costs resulting from position vacancies throughout the year. Also, costs for park maintenance activities were \$13,566 below budget.

Transfers to other funds were \$242,676 over budgetary expectations during the year. The one-half cent sales tax dedicated to capital projects generated more revenue than was anticipated during the year; accordingly, the transfer to the Capital Projects Fund was \$245,638 higher than anticipated.

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

Capital Asset and Debt Administration

Capital assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounts to \$75,473,633 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, streets, and bridges. The total decline in the City's investment in capital assets for the current fiscal year was 1.6 percent (a 0.0 percent decline for governmental funds and an 8.2 percent decline for business-type activities).

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

- A total of \$228,821 of land purchases were made during the current year with the major portions consisting of the purchase of two lots near the Sportsfield Complex entrance at a combined cost of \$226,496.
- Numerous street and bridge reconstruction projects were completed at a cost of \$1,730,879. A variety of street and bridge projects continued; construction in progress for such projects as of the close of the fiscal year had reached \$3,420,491.
- A variety of building improvements were started during the fiscal year at a cost of \$546,695, including \$540,057 for improvements to the Community Center stone project, the City Hall roof \$4,358 and to the Library HVAC \$2,280. The total construction in progress for building improvements at the end of the year totaled \$739,663.
- The new Animal Control facility was completed and placed in service at a cost of \$2,345,214. Of this total, \$1,181,015 was spent in the current year.
- Several sidewalk projects were completed at a cost of \$208,147 during the fiscal year. In addition, other stormwater projects were started totaling \$512,359 which is in the construction in progress total.
- Equipment for \$1,356,174 was purchased during the fiscal year, including \$23,009 for the replacement of various cars, \$12,960 for a mower for the Parks Department, and \$209,991 for a new street sweeper. Radio equipment totaling \$544,859 went for the replacement of all City radio's to meet the new standard and the Fire Department upgraded their Self Contained Breathing Apparatus (SCBA) gear and replacement air cylinders at a cost of \$135,473 and \$9,645 respectively. The Parks department replaced the lockers at the Community Center, track, and Wollman Pool at a cost of \$44,900. Also, \$37,165 was used for replacing obsolete computer equipment.
- Finally, \$137,030 was used to start the process of converting the City's financial software. This is also in the construction in progress total.
- In the business-type activities, several sewer line improvement projects were completed at a cost of \$202,834. Finally, a project to build a detention pond was completed during the year at a cost of \$313,275.

City of Leavenworth's Capital Assets

(net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$2,695,054	\$2,465,108	\$58,634	\$58,634	\$2,753,688	\$2,523,742
Buildings	11,617,497	10,608,084	7,443,210	8,353,816	19,060,707	18,961,900
Improvements other than buildings	7,654,355	7,748,444	7,589,725	7,506,200	15,244,080	15,254,644
Machinery and equipment	4,118,114	3,764,046	614,648	708,337	4,732,762	4,472,383
Infrastructure	28,807,375	30,744,461	0	0	28,807,375	30,744,461
Construction in progress	4,875,021	4,435,772	0	311,350	4,875,021	4,747,122
Total	\$59,767,416	\$59,765,915	\$15,706,217	\$16,938,337	\$75,473,633	\$76,704,252

Additional information on the City of Leavenworth's capital assets can be found in note 4.B on pages 47 – 50 of this report.

Long-term debt

At the end of the year, the City had total bonded debt outstanding of \$26,770,000, all of which is debt backed by the full faith and credit of the City. Of this amount, \$17,990,000 relates to governmental activities while \$8,780,000 relates to business-type activities.

The City's total bonded debt decreased by \$1,590,000 (six percent) during the current fiscal year. General obligation bonds totaling \$2,900,000 were issued for governmental activities to provide permanent financing for general infrastructure of \$2,410,000 and \$490,000 for computer hardware and software. In addition, \$2,630,000 was issued for business-type activities as a refunding issue to lower interest on previous issues. However, \$7,120,000 of previously existing debt for governmental and business-type activities was retired during the year.

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

State statutes limit the amount of general obligation debt a governmental entity may issue to 30 percent of its total equalized assessed valuation. The current debt limit for the City is \$66,619,977, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 4.D on pages 51 – 56 of this report.

Economic Factors and Next Year's Budgets and Rates

The recovery since the major recession of 2008 is ongoing but has been slow and fitful. The impact upon the City's resources and overall condition and resources has been well documented, including:

- The loss of approximately \$750,000 of interest earnings per year given that rates have been and remain at all-time lows.

- The decline of the City's tax base as illustrated by a 3.30% decrease in assessed valuation from 2009 through 2014 due to the depressed residential housing market and lack of commercial sector growth. This decline in valuation translates into a loss of approximately \$355,000 of property tax revenues per year.
- The loss of approximately \$250,000 of building permit fees per year due to the depressed construction market.

The City's response to these losses of resources over the past six years has been twofold. First, prior to the economic downturn, the City carried substantial fund balances in the General Fund that allowed the City to absorb deficit spending without adversely affecting the ability of the City to deliver services to its citizens and to avoid property tax increases. The General Fund balance at the end of 2009 was \$4,456,121 which allowed the General Fund to absorb deficits of \$724,820 in 2010 and \$702,418 in 2011 without adversely affecting the financial stability of the City.

Second, acknowledging that the ability to absorb deficit spending by depleting fund balances over time is limited, the City also reduced spending to the extent possible, again, without adversely affecting the ability of the City to deliver essential services to its citizens. Through 2014, the City eliminated numerous vacant positions, realigned staffing, and reduced other expenses sufficient to generate approximately \$1,565,000 of savings in the various City Tax Fund budgets.

As a result of these cost-cutting efforts, in 2012 the City incurred a deficit in the General Fund of only \$16,030, thereby stabilizing the fund balance of the Fund at a level of \$3,012,853. In 2014, the City's continued use of these stabilization efforts which resulted in a Fund surplus of \$339,932 and raised the fund balance to \$3,352,785. In 2014, the citizens passed a new 1% sales tax referendum to be offset by property taxes starting in 2015. However, the new tax generated over \$2 million in revenue which is being placed in reserves to augment the stabilization efforts.

Given this background, consider the challenges confronting staff while preparing the 2015 City operating budget:

- Based upon data recently received from the County Clerk, the City experienced a decline in the initial assessed valuation from \$200,651,677 in 2014 to \$198,768,403 in 2015 – a decrease of 0.94%.

In total, the assessed valuation has declined 3.62% since 2009, resulting in a loss of approximately \$380,000 of property taxes per year.

- As the new 1% sales tax is replacing the decrease in the mill levy, the projected revenue is simply an offset and produces no "new" revenue. Accordingly, the \$4,174,000 of projected proceeds from this sales tax is not used in the analysis of available resources in the following numbers. In addition, as pledged, the 2014 receipts from the new 1% sales tax are being placed in a reserve for property tax rate stabilization. This is projected to be about \$1.2 million.
- Not including the 1% sales tax revenue, the 2015 revenues in the Tax Funds are expected to increase \$520,000, or 3.7%, over 2014. Several revenue sources increase significantly, such as gas franchise fees (\$125,000 increase), electric franchise fees (\$50,000), sales taxes (\$250,000), and compensating use taxes (\$400,000). However, several revenue sources decline significantly, such as federal grants (\$57,000), and building permit fees (\$74,000).

Therefore, the amount of resources (revenues and fund balances) available to support additional spending in the 2015 Tax Fund budget is \$558,000. Note: The new Property Tax Stabilization reserve is not included in this number as it is pledged to help stabilize the mill levy.

However, there are a variety of expenses that the City must incur in 2015 that are unavoidable. For example:

- City contributions to the Police and Fire KP&F State Pension system and in the KPERS State Pension system contribution rate for all other City employees saw an increase for 2015 of \$48,000.
- Electricity costs are expected to increase by \$52,000 due to rate increases.
- Debt services payments will rise by \$43,000.
- The transfer to the Streets Fund increases \$50,000 as a result of declining motor vehicle taxes.

It is also anticipated that the 2015 compensation plan for employees will remain the same as in 2014, which included an average salary increase of 2.2% for employees in the form of a performance recognition increase on the anniversary date of employment or promotion. This level of raise is consistent with that being provided by most municipalities in the region.

In total, the 2015 expense budgets for the Tax Funds rise \$558,000, or 7.2%.

Thus, the recommended budget is balanced and allows for the 21 mill drop in ad valorem mill levy.

In summary, the 2015 operating budget represents an appropriate and responsible budget in response to difficult economic circumstances. The budget maintains the ability of the City to deliver essential municipal services, maintains an appropriate General Fund non-appropriated reserve position, and decreases property taxes. The recommended 2015 City operating budget drops the mill levy by 21 mills to 31.029.

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, 2014

	Primary Government			Component Unit Library
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 11,389,556	\$ 2,341,689	\$ 13,731,245	\$ 924,415
Deposits restricted for tenant deposit refunds	30,672	-	30,672	-
Receivables (net of uncollectibles)				
Property tax	4,958,548	-	4,958,548	890,945
Special assessment tax	225,543	-	225,543	-
Sales tax	1,987,671	-	1,987,671	-
Due from other governments	60,438	-	60,438	-
Accounts receivable	661,772	499,185	1,160,957	-
Capital assets (net of accumulated depreciation)				
Land	2,695,054	58,634	2,753,688	-
Buildings and systems	11,617,497	7,443,210	19,060,707	-
Improvements other than buildings	7,654,355	7,589,725	15,244,080	-
Machinery and equipment	4,118,114	614,648	4,732,762	706,380
Infrastructure	28,807,375	-	28,807,375	-
Construction in progress	4,875,021	-	4,875,021	-
Total assets	79,081,616	18,547,091	97,628,707	2,521,740
LIABILITIES				
Accounts payable	617,238	359,904	977,142	-
Accrued compensation	507,928	46,007	553,935	-
Accrued interest payable	134,307	65,214	199,521	-
Tenant deposits	30,672	-	30,672	-
Bond anticipation notes payable	3,200,000	-	3,200,000	-
Long-term liabilities:				
Due within one year	3,093,000	753,887	3,846,887	-
Due in more than one year	20,406,404	8,536,936	28,943,340	-
Total liabilities	27,989,549	9,761,948	37,751,497	-
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	4,958,548	-	4,958,548	890,945
NET POSITION				
Net investment in capital assets	39,488,841	6,926,217	46,415,058	706,380
Restricted for:				
Capital improvements	978,526	-	978,526	-
Tax increment financing	116,224	-	116,224	-
Law enforcement	149,531	-	149,531	-
Recreation programs	27,162	-	27,162	-
Housing services	833,676	-	833,676	-
Community redevelopment	39,089	-	39,089	-
General obligation debt	768,556	-	768,556	-
Tourism & convention activities	63,700	-	63,700	-
Unrestricted	3,668,214	1,858,926	5,527,140	924,415
Total net position	\$ 46,133,519	\$ 8,785,143	\$ 54,918,662	\$ 1,630,795

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Activities

For the Year Ended December 31, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Position			Component Unit Library
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 3,773,326	\$ 1,848,902	\$ 173,988	\$ 78,086	\$ (1,672,350)	\$ -	\$ (1,672,350)	\$ -
Public safety	12,227,523	676,940	70,117	24,247	(11,456,219)	-	(11,456,219)	-
Public works	4,326,643	1,383,007	1,036,955	90,535	(1,816,146)	-	(1,816,146)	-
Culture and recreation	3,286,242	638,330	56,026	353,359	(2,238,527)	-	(2,238,527)	-
Housing and urban redevelopment	2,884,617	460,988	1,959,044	314,463	(150,122)	-	(150,122)	-
Unallocated depreciation expense	3,652,203	-	-	-	(3,652,203)	-	(3,652,203)	-
Interest on long term debt	651,141	-	-	-	(651,141)	-	(651,141)	-
Total governmental activities	30,801,695	5,008,167	3,296,130	860,690	(21,636,708)	-	(21,636,708)	-
Business-type activities:								
Sewer	4,399,423	4,093,310	-	-	-	(306,113)	(306,113)	-
Refuse	1,920,283	1,825,802	-	-	-	(94,481)	(94,481)	-
Total business-type activities	6,319,706	5,919,112	-	-	-	(400,594)	(400,594)	-
Total primary government	\$ 37,121,401	\$ 10,927,279	\$ 3,296,130	\$ 860,690	(21,636,708)	(400,594)	(22,037,302)	-
Component unit:								
Library	1,063,445	33,488	19,435	-				(1,010,522)
Total component unit	\$ 1,063,445	\$ 33,488	\$ 19,435	\$ -				(1,010,522)
General revenues:								
Taxes:								
Property taxes					9,259,644	-	9,259,644	1,011,812
Sales taxes					8,464,314	-	8,464,314	-
Tax increment sales taxes					233,895	-	233,895	-
Compensating use taxes					1,134,088	-	1,134,088	-
Franchise taxes					2,861,614	-	2,861,614	-
Motor vehicle taxes					1,014,989	-	1,014,989	45,039
Intergovernmental revenue not restricted to specific programs					98,434	-	98,434	8,514
Miscellaneous					-	-	-	-
Unrestricted investment earnings					20,548	-	20,548	3,658
Total general revenues					23,087,526	-	23,087,526	1,069,023
Change in net position					1,450,818	(400,594)	1,050,224	58,501
Total net position - beginning					44,682,701	9,185,737	53,868,438	1,572,294
Total net position - ending					\$ 46,133,519	\$ 8,785,143	\$ 54,918,662	\$ 1,630,795

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Balance Sheet

Governmental Funds

December 31, 2014

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 4,054,889	\$ 677,320	\$ 4,874,897	\$ 1,782,450	\$ 11,389,556
Deposits restricted for tenant deposit refunds	-	-	-	30,672	30,672
Receivables (net of uncollectibles)					
Special assessments	137,691	87,852	-	-	225,543
Property tax	2,907,751	1,576,485	-	474,312	4,958,548
Sales tax	1,503,121	-	-	484,550	1,987,671
Due from other governments	7,970	-	500	51,968	60,438
Due from other funds	13,658	-	-	-	13,658
Accounts receivable	395,204	-	226,588	39,980	661,772
Total assets	<u>\$ 9,020,284</u>	<u>\$ 2,341,657</u>	<u>\$ 5,101,985</u>	<u>\$ 2,863,932</u>	<u>\$ 19,327,858</u>
LIABILITIES					
Accounts payable	\$ 187,704	\$ -	\$ 350,718	\$ 78,816	\$ 617,238
Accrued compensation	450,800	-	-	57,128	507,928
Due to other funds	-	-	-	13,658	13,658
Bond anticipation notes payable	-	-	3,200,000	-	3,200,000
Tenant deposits	-	-	-	30,672	30,672
Total liabilities	<u>638,504</u>	<u>-</u>	<u>3,550,718</u>	<u>180,274</u>	<u>4,369,496</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	2,907,751	1,576,485	-	474,312	4,958,548
Unavailable revenues - special assessments	137,691	87,852	-	-	225,543
Total deferred inflows of resources	<u>3,045,442</u>	<u>1,664,337</u>	<u>-</u>	<u>474,312</u>	<u>5,184,091</u>
FUND BALANCES					
Restricted	-	677,320	-	2,207,908	2,885,228
Committed	2,390,081	-	1,531,160	-	3,921,241
Assigned	10,917	-	20,107	1,438	32,462
Unassigned	2,935,340	-	-	-	2,935,340
Total fund balances	<u>5,336,338</u>	<u>677,320</u>	<u>1,551,267</u>	<u>2,209,346</u>	<u>9,774,271</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,020,284</u>	<u>\$ 2,341,657</u>	<u>\$ 5,101,985</u>	<u>\$ 2,863,932</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. 59,767,416

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds 225,543

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (23,633,711)

Net position of governmental activities \$ 46,133,519

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

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

Governmental Funds

For the Year Ended December 31, 2014

	General	Debt Service	Capital Projects	Other NonMajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 17,544,428	\$ 2,023,932	\$ -	\$ 3,578,879	\$ 23,147,239
Intergovernmental	196,279	-	505,244	3,451,356	4,152,879
Licenses and permits	378,728	-	-	-	378,728
Charges for services	2,142,220	-	6,606	1,009,941	3,158,767
Fines and forfeitures	797,104	-	-	23,615	820,719
Investment earnings	20,072	-	13	463	20,548
Miscellaneous	256,766	35,573	208,929	88,813	590,081
Total revenues	<u>21,335,597</u>	<u>2,059,505</u>	<u>720,792</u>	<u>8,153,067</u>	<u>32,268,961</u>
EXPENDITURES					
Current:					
General government	3,127,580	-	145,662	113,191	3,386,433
Public safety	10,846,980	-	101,460	97,057	11,045,497
Public works	2,502,483	-	53,207	1,175,048	3,730,738
Culture and recreation	759,061	-	79,866	1,514,583	2,353,510
Housing and urban redevelopment	-	-	66,284	2,531,832	2,598,116
Debt service:					
Principal retirement	-	3,810,000	199,929	-	4,009,929
Interest and fiscal charges	-	359,416	72,579	225,149	657,144
Capital outlay	4,912	-	6,453,822	122,861	6,581,595
Total expenditures	<u>17,241,016</u>	<u>4,169,416</u>	<u>7,172,809</u>	<u>5,779,721</u>	<u>34,362,962</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,094,581</u>	<u>(2,109,911)</u>	<u>(6,452,017)</u>	<u>2,373,346</u>	<u>(2,094,001)</u>
OTHER FINANCING SOURCES (USES)					
General obligation bonds issued	-	1,030,000	1,870,000	-	2,900,000
Transfers in	107,028	1,437,009	3,666,863	508,687	5,719,587
Transfers out	(2,218,056)	-	(928,394)	(2,573,137)	(5,719,587)
Total - other financing sources (uses)	<u>(2,111,028)</u>	<u>2,467,009</u>	<u>4,608,469</u>	<u>(2,064,450)</u>	<u>2,900,000</u>
Net change in fund balances	1,983,553	357,098	(1,843,548)	308,896	805,999
Fund balances - beginning	<u>3,352,785</u>	<u>320,222</u>	<u>3,394,815</u>	<u>1,900,450</u>	<u>8,968,272</u>
Fund balances - ending	<u>\$ 5,336,338</u>	<u>\$ 677,320</u>	<u>\$ 1,551,267</u>	<u>\$ 2,209,346</u>	<u>\$ 9,774,271</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

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

For the Year Ended December 31, 2014

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds	\$ 805,999
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	188,209
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	(186,708)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(40,695)
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.	1,109,929
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>(425,916)</u>
Change in net position of governmental activities	<u><u>\$ 1,450,818</u></u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

General Fund

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

For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 14,518,450	\$ 14,518,450	\$ 17,544,428	\$ 3,025,978
Intergovernmental	297,000	297,000	196,279	(100,721)
Licenses and permits	385,250	385,250	378,728	(6,522)
Charges for services	2,174,015	2,174,015	2,142,220	(31,795)
Fines and forfeitures	950,000	950,000	797,104	(152,896)
Investment earnings	22,500	22,500	20,072	(2,428)
Miscellaneous	147,655	147,655	256,766	109,111
Total revenues	<u>18,494,870</u>	<u>18,494,870</u>	<u>21,335,597</u>	<u>2,840,727</u>
EXPENDITURES				
Current:				
General government	3,251,025	3,251,025	3,127,580	123,445
Public safety	11,211,725	11,211,725	10,853,708	358,017
Public works	2,499,685	2,499,685	2,506,672	(6,987)
Culture and recreation	808,725	808,725	759,061	49,664
Capital outlay	-	-	4,912	(4,912)
Total expenditures	<u>17,771,160</u>	<u>17,771,160</u>	<u>17,251,933</u>	<u>519,227</u>
Excess of revenues over expenditures	<u>723,710</u>	<u>723,710</u>	<u>4,083,664</u>	<u>3,359,954</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	126,815	126,815	107,028	(19,787)
Transfers out	(1,975,380)	(1,975,380)	(2,218,056)	(242,676)
Total - other financing sources (uses)	<u>(1,848,565)</u>	<u>(1,848,565)</u>	<u>(2,111,028)</u>	<u>(262,463)</u>
Net change in fund balances	(1,124,855)	(1,124,855)	1,972,636	3,097,491
Fund balances - beginning	1,424,855	1,424,855	3,340,629	1,915,774
Prior year encumbrances relieved	-	-	12,156	12,156
Fund balances - ending	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 5,325,421</u>	<u>\$ 5,025,421</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Proprietary Funds

December 31, 2014

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,983,674	\$ 358,015	\$ 2,341,689
Accounts receivable	357,479	141,706	499,185
Total current assets	<u>2,341,153</u>	<u>499,721</u>	<u>2,840,874</u>
Noncurrent assets:			
Capital assets:			
Land	14,000	44,634	58,634
Buildings and system	17,054,789	6,575	17,061,364
Improvements other than buildings	12,287,522	37,440	12,324,962
Machinery and equipment	2,006,829	1,219,774	3,226,603
Less accumulated depreciation	(16,140,591)	(824,755)	(16,965,346)
Total capital assets (net of accumulated depreciation)	<u>15,222,549</u>	<u>483,668</u>	<u>15,706,217</u>
Total noncurrent assets	<u>15,222,549</u>	<u>483,668</u>	<u>15,706,217</u>
Total assets	<u>17,563,702</u>	<u>983,389</u>	<u>18,547,091</u>
LIABILITIES			
Current liabilities:			
Accounts payable	324,054	35,850	359,904
Accrued compensation	24,091	21,916	46,007
Accrued compensated absences	2,871	6,016	8,887
Bonds payable	730,000	-	730,000
Accrued interest payable	65,214	-	65,214
Accrued landfill closure/postclosure care costs	-	15,000	15,000
Total current liabilities	<u>1,146,230</u>	<u>78,782</u>	<u>1,225,012</u>
Noncurrent liabilities:			
Accrued compensated absences	22,062	46,219	68,281
Other post-employment benefits	76,977	55,882	132,859
Bonds payable	8,050,000	-	8,050,000
Accrued landfill closure/postclosure care costs	-	285,796	285,796
Total noncurrent liabilities	<u>8,149,039</u>	<u>387,897</u>	<u>8,536,936</u>
Total liabilities	<u>9,295,269</u>	<u>466,679</u>	<u>9,761,948</u>
NET POSITION			
Net investment in capital assets	6,442,549	483,668	6,926,217
Unrestricted	1,825,884	33,042	1,858,926
Total net position	<u>\$ 8,268,433</u>	<u>\$ 516,710</u>	<u>\$ 8,785,143</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

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

Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
Operating revenues:			
Charges for services	\$ 4,092,023	\$ 1,825,119	\$ 5,917,142
Miscellaneous	1,287	683	1,970
Total operating revenues	<u>4,093,310</u>	<u>1,825,802</u>	<u>5,919,112</u>
Operating expenses:			
Personal services	994,382	721,759	1,716,141
Contractual services	1,645,175	875,298	2,520,473
Commodities	161,722	215,714	377,436
Depreciation	1,411,041	106,284	1,517,325
Total operating expenses	<u>4,212,320</u>	<u>1,919,055</u>	<u>6,131,375</u>
Operating income (loss)	(119,010)	(93,253)	(212,263)
Nonoperating revenues (expenses):			
Interest and fiscal charges	(187,103)	(1,228)	(188,331)
Changes in net position	(306,113)	(94,481)	(400,594)
Total net position - beginning	<u>8,574,546</u>	<u>611,191</u>	<u>9,185,737</u>
Total net position - ending	<u>\$ 8,268,433</u>	<u>\$ 516,710</u>	<u>\$ 8,785,143</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2014

	Business-type Activities - Enterprise Funds		
	Sewer	Refuse	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 4,275,431	\$ 1,825,224	\$ 6,100,655
Payments to suppliers	(1,534,356)	(1,102,587)	(2,636,943)
Payments to employees	(1,020,040)	(699,902)	(1,719,942)
Net cash provided by operating activities	<u>1,721,035</u>	<u>22,735</u>	<u>1,743,770</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from issuance of capital debt	2,630,000	-	2,630,000
Purchases of capital assets	(253,732)	(39,897)	(293,629)
Principal paid on capital debt	(3,270,000)	(40,000)	(3,310,000)
Interest paid on capital debt	(190,350)	(1,640)	(191,990)
Net cash used by capital and related financing activities	<u>(1,084,082)</u>	<u>(81,537)</u>	<u>(1,165,619)</u>
Net increase (decrease) in cash and cash equivalents	636,953	(58,802)	578,151
Cash and cash equivalents, January 1	<u>1,346,721</u>	<u>416,817</u>	<u>1,763,538</u>
Cash and cash equivalents, December 31	<u>\$ 1,983,674</u>	<u>\$ 358,015</u>	<u>\$ 2,341,689</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (119,010)	\$ (93,253)	\$ (212,263)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation expense	1,411,041	106,284	1,517,325
(Increase) decrease in receivables	182,121	(578)	181,543
Increase (decrease) in accounts payable	272,541	6,715	279,256
Increase (decrease) in accrued compensation	1,717	3,141	4,858
Increase (decrease) in compensated absences	(54,985)	5,491	(49,494)
Increase (decrease) in postemployment benefits	27,610	13,225	40,835
Increase (decrease) in accrued landfill closure/postclosure care costs	-	(18,290)	(18,290)
Net cash provided (used) by operating activities	<u>\$ 1,721,035</u>	<u>\$ 22,735</u>	<u>\$ 1,743,770</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas

Statement of Net Position

Fiduciary Funds

December 31, 2014

	Pension Trust	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 576,783	\$ -
Property tax receivable	137,915	890,945
Total assets	<u>714,698</u>	<u>890,945</u>
LIABILITIES		
Accounts payable	48	-
Deferred revenue	137,915	-
Amounts due other parties	-	890,945
Total liabilities	<u>137,963</u>	<u>890,945</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u>\$ 576,735</u>	<u>\$ -</u>

See accompanying notes to basic financial statements.

City of Leavenworth, Kansas
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2014

	<u>Pension Trust</u>
ADDITIONS	
Employer contributions	\$ 167,191
Interest	846
Total additions	<u>168,037</u>
 DEDUCTIONS	
Benefits	<u>154,434</u>
Total deductions	<u>154,434</u>
Changes in net position	13,603
Net position - beginning	<u>563,132</u>
Net position - ending	<u><u>\$ 576,735</u></u>

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

City of Leavenworth, Kansas
Notes to Basic Financial Statements
December 31, 2014

1. Summary of significant accounting policies

A. Reporting entity

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

Discretely presented component unit

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

Complete financial statements for the 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 nonfiduciary activities of the primary government and its component unit. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which generally rely upon fees and charges for support. Likewise, the *primary government* is reported apart from the legally separate *component unit* for which the primary government is financially accountable.

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

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

1. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

Additionally, the City reports the following fund types:

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

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

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.

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

1. Summary of significant accounting policies (continued)

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

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

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

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

D. Deposits and investments

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

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

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

1. Summary of significant accounting policies (continued)

D. Deposits and investments (continued)

Investment earnings are allocated to the funds required to accumulate interest. Other investment earnings are allocated based on management discretion based on the average daily equity balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. For the fiscal year ended December 31, 2014, investment earnings allocated to the various funds were approximately \$20,514.

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, 2014, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies of \$179,623, 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, 2014 are not significant.

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

1. Summary of significant accounting policies (continued)

F. Special assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds that are secured by the full faith and credit of the City. Special assessments received prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project fund. Special assessments and related interest received after the issuance of the general obligation bonds are recorded as revenue in the Debt Service Fund. Further, state statutes require levying additional general ad valorem taxes in the City's Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the City's Debt Service Fund. Special assessments are levied over a 10- or 20-year period, and annual installments are due and payable with annual ad valorem taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. At December 31, 2014, the special assessment taxes levied are a lien on the property and the amount due in 2014 is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$13,178, in the Debt Service Fund with a corresponding amount recorded as unavailable revenue.

State statutes and City ordinances allow special assessments to be levied against a property to reimburse the City for costs incurred for involuntary blight removal and lot clean-up. Such special assessments are levied over a one year period and are due and payable with annual ad valorem property taxes. At December 31, 2014, the amount due for such assessments is recorded in the fund financial statements as special assessments receivable, net of anticipated delinquencies of \$20,654, 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 \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

1. Summary of significant accounting policies (continued)

G. Capital assets (continued)

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

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

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

H. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as inflows of resources in the period that these amounts become available.

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

1. Summary of significant accounting policies (continued)

I. Compensated absences and other termination payments

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

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

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

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

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

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. Use of estimates

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

L. Pending Governmental Accounting Standards Board statements

At December 31, 2014, 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:

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

1. Summary of significant accounting policies (continued)

L. Pending Governmental Accounting Standards Board statements (continued)

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

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, was issued in November 2013. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

GASB Statement No. 72, *Fair Value Measurement and Application*, was issued in February 2015. The objective of this statement is to address financial reporting issues related to fair value measurements. The statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this statement are effective for periods beginning after June 15, 2015.

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

2. Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net 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 \$23,633,711 difference are as follows:

Bonds payable	\$ 17,990,000
Capital leases payable	78,696
Accrued interest payable	134,307
Accrued compensated absences	2,098,947
Other postemployment benefits	3,149,658
Net pension obligation	<u>182,103</u>
Net adjustment to decrease <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u><u>\$ 23,633,711</u></u>

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

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *change in net 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 \$188,209 difference are as follows:

Capital outlay	\$ 6,557,815
Depreciation expense	<u>(6,369,606)</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>\$ 188,209</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 \$1,109,929 difference are as follows:

Debt issued or incurred:	
Issuance of general obligations bonds	\$ (2,900,000)
Principal repayments:	
General obligation debt	3,810,000
Capital leases	<u>199,929</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>\$ 1,109,929</u>

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

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

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

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this \$(425,916) difference are as follows:

Accrued interest	\$ 6,003
Compensated absences	(135,349)
Other postemployment benefits	(304,408)
Net pension obligation – public safety	<u>7,838</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>\$ (425,916)</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 Tax Increment – Home Depot, 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.

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

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

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

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

Budgets are prepared by fund, department, and activity. City management may make transfers of appropriations at the department and activity level of a fund without seeking the approval of the governing body; however, management cannot amend the total budget of a fund without approval of the governing body. The legal level of budgetary control is the fund level and is the level at which the governing body must approve any overexpenditures of appropriations or transfers of appropriated amounts. Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Such statutes permit original fund expenditure budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of public hearing to amend the expenditure budget of a fund. Ten days after publication, a public hearing is held and the City Commission may amend the expenditure budget of the fund at that time. For the year ended December 31, 2014, actual expenditures exceeded budgeted expenditures by \$66,118 in the convention & visitors bureau fund. During the year, several budgets were amended in accordance with Kansas statutes.

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

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

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

3. Stewardship, compliance, and accountability (continued)

A. Budgetary information (continued)

A reconciliation of the General Fund budgetary basis statement to the governmental fund statement as of December 31, 2014 is as follows:

	General Fund
Expenditures and other financing sources and uses and encumbrances (Basis of budgeting)	\$ 19,362,961
Add 2013 encumbrances	12,156
Less 2014 encumbrances	(10,917)
Less 2013 encumbrances relieved	(12,156)
Expenditures and other financing sources and uses (GAAP Basis)	\$ 19,352,044

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, 2014, the City's carrying amount of deposits was \$2,638,697 and the bank balance was \$3,010,683. Of the bank balance, \$257,905 was covered by Federal depository insurance and \$2,752,778 was covered by collateral held by the City or its agent in the City's name.

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's deposits have a main or branch bank in the county in which the Library is located and the banks provide an acceptable rate of return on deposits. In addition, K.S.A. 9-1402 requires the bank to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit custodial credit risk. At December 31, 2014, the Library's deposits were not exposed to custodial credit risk.

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

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

Investments

At December 31, 2014, the City had the following investments:

	Maturities	Fair Value
Repurchase agreements	1 – 89 days	\$ 11,700,000
State investment pool	1 – 89 days	3
Total investments		\$ 11,700,003

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

Credit risk

The City’s investment policy parallels state statutes and allows for idle funds to be invested in temporary notes issued by the governing body, certificates of deposits, time deposits, repurchase agreements and United States treasury bills or notes. Inactive funds may also be invested in the state investment pool, if local financial institutions are not willing to pay an interest rate at least equal to the weekly “investment rate”, which is the equivalent yield on U.S. government securities with maturities comparable to that of the investment being offered. The City’s investments in the state investment pool were rated AA Af/S1+ by Standard & Poor’s.

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
(continued)

4. Detailed notes on all funds (continued)

A. Deposits and investments (continued)

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.

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

4. Detailed notes on all funds (continued)

B. Capital assets

Capital assets activity for the year ended December 31, 2014 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 2,465,108	\$ 229,946	\$ -	\$ 2,695,054
Construction in progress	4,435,772	2,565,538	(2,126,289)	4,875,021
Total capital assets, not being depreciated	6,900,880	2,795,484	(2,126,289)	7,570,075
Capital assets, being depreciated				
Buildings	29,871,892	2,345,214	(475,941)	31,741,165
Improvements other than buildings	15,051,551	480,600	(48,865)	15,483,286
Machinery and equipment	12,981,848	1,356,174	(2,109,477)	12,228,545
Infrastructure	81,121,345	1,730,879	(162,533)	82,689,691
Total capital assets, being depreciated	139,026,636	5,912,867	(2,796,816)	142,142,687
Less accumulated depreciation for:				
Buildings	19,263,808	1,175,625	(315,765)	20,123,668
Improvements other than buildings	7,303,107	570,154	(44,330)	7,828,931
Machinery and equipment	9,217,802	965,949	(2,073,320)	8,110,431
Infrastructure	50,376,884	3,657,878	(152,446)	53,882,316
Total accumulated depreciation	86,161,601	6,369,606	(2,585,861)	89,945,346
Total capital assets, being depreciated, net	52,865,035	(456,739)	(210,955)	52,197,341
Governmental activities capital assets, net	\$ 59,765,915	\$ 2,338,745	\$ (2,337,244)	\$ 59,767,416

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

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 58,634	\$ -	\$ -	\$ 58,634
Construction in progress	311,350	-	(311,350)	-
Total capital assets, not being depreciated	369,984	-	(311,350)	58,634
Capital assets, being depreciated				
Buildings	17,079,540	-	(18,176)	17,061,364
Improvements other than buildings	11,808,853	516,109	-	12,324,962
Machinery and equipment	3,509,599	88,873	(371,869)	3,226,603
Total capital assets, being depreciated	32,397,992	604,982	(390,045)	32,612,929
Less accumulated depreciation for:				
Buildings	8,725,724	910,606	(18,176)	9,618,154
Improvements other than buildings	4,302,653	432,584	-	4,735,237
Machinery and equipment	2,801,262	174,135	(363,442)	2,611,955
Total accumulated depreciation	15,829,639	1,517,325	(381,618)	16,965,346
Total capital assets, being depreciated, net	16,568,353	(912,343)	(8,427)	15,647,583
Business-type activities capital assets, net	\$ 16,938,337	\$ (912,343)	\$ (319,777)	\$ 15,706,217

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

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

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

Governmental activities:

General government	\$ 127,662
Public safety	899,398
Public works	469,240
Culture and recreation	912,658
Housing and urban redevelopment	308,445
Unallocated depreciation expense (depreciation of infrastructure assets)	3,652,203
Total depreciation expense – governmental activities	<u>\$ 6,369,606</u>

Business-type activities:

Sewer	\$ 1,411,041
Refuse	106,284
Total depreciation expense – business-type activities	<u>\$ 1,517,325</u>

Construction commitments

The City has active construction projects as of December 31, 2014. The projects include widening and improvements of streets and bridges, improvements of buildings, improvements of parks, and improvements of sewer system facilities. At year end, the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitments
Street improvements	\$ 2,323,292	\$ 665,893
Building improvements	667,977	894,296
Bridge improvements	104,750	18,505
Sidewalk improvements	172,018	36,680
Stormwater improvements	341,340	285,803
Sewer improvements	3,503	35,684
Total	<u>\$ 3,612,880</u>	<u>\$ 1,936,861</u>

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

4. Detailed notes on all funds (continued)

B. Capital assets (continued)

Discretely presented component unit

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Machinery and equipment	\$ 2,055,545	\$ 141,335	\$ (86,400)	\$ 2,110,480
Total capital assets, being depreciated	2,055,545	141,335	(86,400)	2,110,480
Less accumulated depreciation for:				
Machinery and equipment	1,345,608	144,837	(86,345)	1,404,100
Library capital assets, net	\$ 709,937	\$ (3,502)	\$ (55)	\$ 706,380

C. Interfund receivables, payables, and transfers

The composition of interfund balances as of December 31, 2014, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$13,658

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

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

4. Detailed notes on all funds (continued)

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

Interfund transfers for the year ended December 31, 2014, are as follows:

Interfund transfers:

Fund	Transfers In	Transfers Out
Major funds		
General Fund	\$ 107,028	\$ 2,218,056
Debt Service Fund	1,437,009	-
Capital Projects Fund	3,666,863	928,394
Nonmajor governmental funds	508,687	2,573,137
Total transfers	<u>\$ 5,719,587</u>	<u>\$ 5,719,587</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.

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 \$490,000 were issued for governmental activities to provide financing for computer hardware and software.

In 2014, the City also issued \$5,040,000 of general obligation refunding and improvement bonds to currently refund \$2,630,000 of the Series 2008A general obligation bonds for sewer system improvements and \$1,030,000 of the Series 2009A general obligation bonds for traffic and internal improvements, and to provide \$1,380,000 of permanent financing for general infrastructure improvements. The refunding transaction resulted in an economic gain of \$270,934 and a decrease in future debt service payments of \$290,726.

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

General obligation bonds currently outstanding are as follows:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2014
Governmental activities				
Traffic & Internal Improvements	2006A	3.90% - 4.00%	09/01/16	\$ 315,000
Traffic & Internal Improvements	2010A	1.00% - 3.00%	09/01/20	1,575,000
Internal Improvements - Taxable	2010B	4.00% - 4.40%	09/01/16	275,000
Traffic & Internal Improvements	2011A	1.75% - 3.45%	09/01/26	3,355,000
GO Refunding	2011B	0.75% - 2.60%	09/01/22	3,250,000
GO Refunding & Internal	2012B	1.10% - 2.30%	09/01/22	2,605,000
GO Refunding & Internal	2013A	0.65% - 2.40%	09/01/25	3,715,000
GO Refunding & Internal	2014A	2.00% - 2.50%	09/01/24	2,410,000
Computer Hardware & Software	2014B	2.50% - 3.00%	09/01/24	490,000
				<u>17,990,000</u>
Business-type activities				
GO Refunding	2011B	0.60% - 1.75%	09/01/18	585,000
Sewer System Improvements	2012A	2.00% - 2.75%	09/01/32	3,860,000
GO Refunding & Sewer	2012B	1.10% - 2.30%	09/01/25	1,705,000
GO Refunding & Sewer	2014A	2.00% - 2.50%	09/01/23	2,630,000
				<u>8,780,000</u>
Total				<u><u>\$ 26,770,000</u></u>

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

General obligation bonds (continued)

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

	Principal	Interest	Total
Governmental activities			
2015	\$ 2,885,000	\$ 362,953	\$ 3,247,953
2016	2,515,000	305,083	2,820,083
2017	2,175,000	257,838	2,432,838
2018	2,035,000	223,389	2,258,389
2019	1,875,000	187,105	2,062,105
2020 – 2024	5,835,000	446,028	6,281,028
2025 – 2029	670,000	27,600	697,600
	17,990,000	1,809,996	19,799,996
Business-type activities			
2015	730,000	185,779	915,779
2016	745,000	164,442	909,442
2017	750,000	151,755	901,755
2018	755,000	138,568	893,568
2019	640,000	125,123	765,123
2020 – 2024	3,075,000	434,418	3,509,418
2025 – 2029	1,315,000	186,175	1,501,175
2030 – 2034	770,000	41,500	811,500
	8,780,000	1,427,760	10,207,760
Total	\$ 26,770,000	\$ 3,237,756	\$ 30,007,756

At December 31, 2014, the statutory limit on indebtedness for general obligation bonds and bond anticipation notes is \$66,619,977 which, after reduction of outstanding debt of \$10,741,429, provides a debt margin of \$55,878,548. General obligation bonds of \$19,228,571 for trafficway, sewer and refuse improvements and refundings issued under K.S.A. 10-427 are exempt from this calculation.

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

4. Detailed notes on all funds (continued)

D. Long-term debt (continued)

Conduit Debt Obligations

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

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

Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2014 there is one series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of approximately \$1,895,250.

E. Capital leases

The City has entered into a lease agreement as lessee for financing of a telephone system. The City also has financed the acquisition of a fire truck by means of a lease with a down payment of \$110,500. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum payments as of the inception date.

Assets acquired as capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	\$ 809,208
Less: Accumulated depreciation	(212,023)
Total	\$ 597,185

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

4. Detailed notes on all funds (continued)

E. Capital leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2014, were as follows:

	Governmental Activities
Year Ending December 31:	
2015	\$ 39,348
2016	39,348
Total minimum lease payments	78,696
Less: amount representing interest	-
Present value of minimum lease payments	\$ 78,696

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

F. Bond anticipation notes

Kansas statutes permit the issuance of bond anticipation notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. During the year, bond anticipation notes totaling \$2,360,000 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, 2014:

	Series	Interest Rates	Final Maturity Date	Outstanding December 31, 2014
Governmental activities				
Internal Improvements	2013B	1.15%	12/01/15	\$ 840,000
Internal Improvements	2014A	1.00%	07/01/17	2,360,000
Total				\$ 3,200,000

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

4. Detailed notes on all funds (continued)

F. Bond anticipation notes

Short-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities				
Bond anticipation notes	\$ 2,370,000	\$ 2,360,000	\$ 1,530,000	\$ 3,200,000

G. Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 18,900,000	\$ 2,900,000	\$ 3,810,000	\$ 17,990,000	\$ 2,885,000
Capital leases	278,625	-	199,929	78,696	39,348
Net pension obligation	189,941	-	7,838	182,103	-
Compensated absences	1,963,598	1,193,125	1,057,776	2,098,947	168,652
Other postemployment benefits	2,845,250	304,408	-	3,149,658	-
Total	\$ 24,177,414	\$ 4,397,533	\$ 5,075,543	\$ 23,499,404	\$ 3,093,000
Business-type activities					
General obligation bonds	\$ 9,460,000	\$ 2,630,000	\$ 3,310,000	\$ 8,780,000	\$ 730,000
Compensated absences	126,662	109,353	158,847	77,168	8,887
Other postemployment benefits	92,024	40,835	-	132,859	-
Accrued landfill closure postclosure care costs	319,086	-	18,290	300,796	15,000
Total	\$ 9,997,772	\$ 2,780,188	\$ 3,487,137	\$ 9,290,823	\$ 753,887
Component unit activities					
Capital leases	\$ 2,729	\$ -	\$ 2,729	\$ -	\$ -

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

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

4. Detailed notes on all funds (continued)

H. Fund balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. As of December 31, 2014, fund balances for governmental funds are made up of the following:

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

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

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

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

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

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

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

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

Fund balances for all the major and nonmajor governmental funds as of December 31, 2014 were distributed as follows:

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Restricted for:					
Capital improvements	\$ -	\$ -	\$ -	\$ 978,526	\$ 978,526
Tax increment financing	-	-	-	116,224	116,224
Law enforcement	-	-	-	149,531	149,531
Tourism & conventions	-	-	-	63,700	63,700
Recreation programs	-	-	-	27,162	27,162
Housing services	-	-	-	833,676	833,676
Community redevelopment	-	-	-	39,089	39,089
General obligation debt	-	677,320	-	-	677,320
Subtotal	-	677,320	-	2,207,908	2,885,228
Committed to:					
Capital improvements	-	-	1,245,386	-	1,245,386
Revenue stabilization	2,390,081	-	-	-	2,390,081
Park land acquisition	-	-	17,159	-	17,159
Community redevelopment	-	-	89,848	-	89,848
Economic development	-	-	178,767	-	178,767
General obligation debt	-	-	-	-	-
Subtotal	2,390,081	-	1,531,160	-	3,921,241
Assigned to:					
Youth services	-	-	673	-	673
Training activities	-	-	18,041	-	18,041
Economic development	-	-	1,393	-	1,393
Recreation services	-	-	-	1,438	1,438
Purchases on order	10,917	-	-	-	10,917
Subtotal	10,917	-	20,107	1,438	32,462
Unassigned	2,935,340	-	-	-	2,935,340
Total fund balance	\$ 5,336,338	\$ 677,320	\$ 1,551,267	\$ 2,209,346	\$ 9,774,271

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

4. Detailed notes on all funds (continued)

H. Fund balances (continued)

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

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

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

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

I. Mergers

On July 28, 2014, the City took over the operations of the Convention & Visitors Bureau (CVB). The old CVB was a non-profit entity run by an appointed board and ceased to exist on that date and all operations were merged with the City.

The CVB is funded entirely from the transient guest tax receipts, that were collected by the City and passed to the former entity, and exists to promote tourism and conventions within the City. There are two primary reasons for the merger. (1) The Director of the former entity was retiring. (2) With the construction of the new Fairfield Inn and two more major hotels in the process, the expected receipts from the transient guest taxes are expected to climb significantly. Accordingly, the City Commission decided to take over the operations of the CVB.

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

4. Detailed notes on all funds (continued)

I. Mergers (continued)

In accordance with GASB 69, Government Combinations and Disposals of Government Operations, the operations of the old CVB from the start of the year to the date of the merger are included in the City's financial statements. The transient guest tax receipts prior to the merger are included in the general fund and shown as an interfund transfer in the amount of \$33,849 to the CVB in the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds. After the consolidation, the transient guest tax receipts were posted directly to the newly created special revenue fund as intergovernmental revenues in the amount of \$84,073.

The assets of the old CVB at the time of the merger consisted of the following: cash accounts and some office supplies and furniture that were not deemed to be material. The cash consisted of Exchange National Bank Savings in the amount of \$25,106 and Exchange National Bank Checking of \$6,981. These accounts were closed and moved into the City's bank account. Accordingly, the total net position of the old CVB was \$32,087 at the time of the merger.

GASB 69 also requires that the fund balance of the merged entity be reported as the fund balance of the newly created Convention & Visitors Bureau Fund as of the start of the current fiscal year in the continuing entity (the City). Accordingly, this fund is shown with a beginning fund balance of \$58,394 on the Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.

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, 2014, the membership of KERIT included fourteen cities and two counties.

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

5. Other information (continued)

A. Risk management (continued)

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

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

B. Pension plans

Kansas Public Employees Retirement System

Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report (only one is issued) that includes financial statements and required supplementary information. Those reports may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

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

5. Other information (continued)

B. Pension plans (continued)

Kansas Public Employees Retirement System (continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. K.S.A. 74-49,210 establishes the KPERS member's contribution rate of 6% for employees hired after July 1, 2009. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute for calendar year 2014 was 8.87%. Employer contributions to KPERS for the years ending December 31, 2014, 2013, and 2012 were \$570,282, \$506,568, and \$462,401, respectively, equal to the statutory required contributions for each year. The KP&F uniform participating employer rate established for fiscal years beginning in 2014 was 20.96%. Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. Employer contributions to KP&F for the years ending December 31, 2014, 2013, and 2012 were \$1,213,014, \$1,023,528, and \$1,000,202, respectively, equal to the statutory required contributions for each year.

Police and Fire Pension Plan

Plan Description

Plan administration

The Police and Fire Pension Plan (the pension plan) is a single-employer defined benefit pension plan that is administered by the City. The pension 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 affiliated with the Kansas Police & Firemen's Retirement System (KP&F), all members were given the option of joining KP&F or remaining with the pension plan. All administrative costs are absorbed by the City's General Fund.

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

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Plan Description (continued)

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

Plan membership

The pension plan is closed to new entrants. At December 31, 2014, pension plan membership consisted:

Inactive plan members or beneficiaries currently receiving benefits	5
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	<u>0</u>
	<u>5</u>

Benefits provided

The pension 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 the members are retirees or beneficiaries, the members are no longer making any contributions to the plan. The City provides for pension expenses by levying ad valorem property taxes each year.

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Investments

Investment policy

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

Method 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 and repurchase agreements. The pension plan's portion is reported at fair value.

Concentrations

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

Rate of return

For the year ended December 31, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 0.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability of the City's pension plan

The components of the net pension liability of the City's pension plan at December 31, 2014, were as follows:

Total pension liability	\$ 2,512,274
Plan fiduciary net position	714,650
City's net pension liability	<u>\$ 1,797,624</u>
Plan fiduciary net position as a percentage of the total pension liability	28.45%

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Net Pension Liability of the City's pension plan (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3 percent
Salary increases	N/A
Investment rate of return	3 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Mortality Table with Blue Collar adjustment projected generationally with scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2014 to December 31, 2014.

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 asset class included in the pension plan's target asset allocation as of December 31, 2014 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
(continued)

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Net Pension Liability of the City's pension plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 3 percent. The projection of cash flows used to determine the discount rate assumed that no plan member contributions would be made and that the City's contribution will be made at rates equal to the actuarially determined contribution 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.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the pension plan, calculated using the discount rate of 3 percent, as well as what the pension plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current rate:

	1% Decrease (2.0%)	Current Discount Rate (3.0%)	1% Increase (4.0%)
Net pension liability	\$ 2,063,304	\$ 1,797,624	\$ 1,571,056

Annual Pension Cost and Net Pension Obligation

The pension plan has adopted GASB 67 for the purposes of this financial report. Until the implementation of GASB 68 in 2015, the City as the employer continues to follow GASB 27 which requires the reporting of certain information such as the annual pension cost and the net pension obligation.

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Annual Pension Cost and Net Pension Obligation (continued)

Annual pension cost and changes in the City's net pension obligation consisted of the following for the year ended December 31, 2014:

Annual required contribution (ARC)	\$ 169,563	*
Interest on net pension obligation (NPO)	5,698	
Adjustment to ARC	(15,908)	
Annual pension cost	159,353	
Contributions made	(167,191)	
Decrease in NPO	(7,838)	
NPO at beginning of year	189,941	
NPO at end of year	\$ 182,103	

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

Three year trend information:

Fiscal Year Ending December 31	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2012	\$ 162,966	110.8%	\$ 217,938
2013	160,193	117.5	189,941
2014	159,353	104.9	182,103

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

5. Other information (continued)

B. Pension plans (continued)

Police and Fire Pension Plan (continued)

Annual Pension Cost and Net Pension Obligation (continued)

As of the latest actuarial study, no active City employees participated in the pension plan. Therefore, there is no covered payroll for the pension plan. Pursuant to legislation enacted in 1976 and 1977, the City is required to fund the Local Plan on an actuarial reserve basis. The City must make contributions to the Local Plan based on the results of actuarial valuations prepared every three years as required by Kansas statute. The most recent actuarial valuation was prepared as of December 31, 2014, and was based on the same assumptions as those used in the actuarial valuation of KP&F, including the entry age normal actuarial cost funding method, a 3% interest rate assumption, projected salary increases of 3.00%, an implicit inflation rate of 3.00%, and the RP-2000 Healthy Annuitant Table. As of December 31, 2014, the most recent actuarial valuation date, the Local Plan was 28.4% funded. The Local Plan had a total actuarial liability of \$2,512,274, actuarially projected plan assets of \$714,650 (expected value plus 1/3 of difference between market and expected value) and an unfunded actuarial liability of \$1,797,624. The contribution requirement for retired employees is \$153,655 for 2014 as calculated by the Local Plan's actuaries using the same actuarial assumptions used to compute the actuarial liability. The contributions are required due to amortization of the unfunded accrued actuarial liability of retired members. The unfunded actuarial liability is being amortized on an open basis over a period of not more than 20 years for retired members using the level percentage of payroll method. The actual employer contribution to the Local Plan during the year ended December 31, 2014 was \$167,191.

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

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

5. Other information (continued)

C. Other postemployment healthcare benefits

Description

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

Funding policy

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

The City provides funding for the expenditures on a pay-as-you-go basis through the General Fund. In 2014, the City made contributions of \$153,294 to the plan. Plan members receiving benefits contributed \$151,966.

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

5. Other information (continued)

C. Other postemployment healthcare benefits (continued)

Annual OPEB cost and net OPEB obligation

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

Annual required contribution (ARC)	\$	504,167
Interest on net OPEB obligation		95,462
Adjustment to ARC		(101,092)
Annual OPEB cost		498,537
Contributions made		(153,294)
Increase in net OPEB obligation		345,243
Net OPEB obligation at beginning of year		2,937,274
Net OPEB obligation at end of year	\$	3,282,517

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012, 2013 and 2014 are as follows:

Fiscal Year Ending December 31	Annual OPEB Cost	Percent of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 583,227	15.2%	\$ 2,424,104
2013	547,407	6.3	2,937,274
2014	498,536	30.7	3,282,517

Funded status and funding progress

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$5,096,949. The City's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,096,949. The covered payroll (annual payroll of active employees covered by the plan) was \$12,329,953, and the ratio of the UAAL to the covered payroll was 41.3%.

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

5. Other information (continued)

C. Other postemployment healthcare benefits (continued)

Funded status and funding progress (continued)

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

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based upon the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations. In the December 31, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial methods and assumptions used includes a 3.25 percent inflation rate assumption and a 3.25 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the City's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 7.0 to 9.0 percent in the first five years and an ultimate averaging rate of 5.0 percent after five years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized on an open basis over a period of 30 years with the remaining amortization period of 29 years.

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

5. Other information (continued)

D. Closure and postclosure care costs

State and federal laws and regulations require the City's sanitary landfill to place a final cover on the landfill site and to perform certain maintenance and monitoring functions for thirty years after closure. Although closure and postclosure care costs will be paid in future periods, the City reports these closure and postclosure care costs as an operating expense in each period based upon landfill capacity used as of the balance sheet date. The \$300,796 reported as landfill closure and postclosure care liability in the Refuse Fund at December 31, 2014 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 2014. Actual costs may be different than those estimated due to inflation, changes in technology or changes in regulations.

E. Commitments and contingencies

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

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

The City receives significant financial assistance from numerous Federal, state and local governmental agencies in the form of grants. Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency and program results which may result in disallowed costs to the City. However, City management does not believe such audits would result in any disallowed costs that would be material to the City's financial position as of December 31, 2014.

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

5. Other information (continued)

E. Commitments and contingencies (continued)

The City uses encumbrances to control expenditure commitments for the year and to enhance cash management. Encumbrances represent commitments related to executory contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, committed, or assigned fund balance. At December 31, 2014, the City's recorded encumbrances in governmental funds were as follows:

General Fund	\$	10,917
Capital Projects Fund		2,203,876
Other nonmajor governmental funds		
Recreation Fund		6,710
Special Fuel Fund		17,214
Housing		6,260
Community Development		47,785
Total	<u>\$</u>	<u>2,292,762</u>

F. Subsequent Events

Subsequent to year end, the City issued \$1,700,000 in Series 2015-A general obligation bonds and \$1,750,000 in Series A2015 bond anticipation notes for the purpose of funding certain improvement projects and redeeming certain bond anticipation notes.

Required Supplementary Information

City of Leavenworth, Kansas
Police and Fire Pension Plan
Schedule of Changes in Net Pension Liability and Related Ratios
December 31, 2014

Total pension liability	
Service Cost	\$ -
Interest	74,801
Changes of benefit terms	-
Differences between expected and actual experience	21,327
Changes of assumptions	-
Benefit payments, including refunds of member contributions	(154,434)
Net change in total pension liability	<u>(58,306)</u>
Total pension liability - beginning	<u>2,570,580</u>
Total pension liability - ending (a)	<u><u>\$ 2,512,274</u></u>
 Plan fiduciary net position	
Contributions - employer	\$ 159,716
Contributions - employee	-
Net investment income	846
Benefit payments, including refunds of member contributions	(154,434)
Administrative expenses	-
Other	(48)
Net change in plan fiduciary net position	<u>6,080</u>
Plan fiduciary net position - beginning	<u>708,570</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 714,650</u></u>
 Net pension liability - ending (a) - (b)	 <u><u>\$ 1,797,624</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	 28.45%
 Covered-employee payroll	 \$ -
Net pension liability as a percentage covered-employee payroll	N/A

City of Leavenworth, Kansas
 Police and Fire Pension Plan
 Schedule of City Contributions
 Last 10 Fiscal Years
 December 31, 2014

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 153,655	\$ 140,458	\$ 140,458	\$ 143,349	\$ 143,349	\$ 143,349
Actual contributions	167,191	188,189	180,610	155,067	179,560	153,683	173,065	170,238	176,428	197,048
Contribution deficiency (excess)	\$ (13,536)	\$ (34,534)	\$ (26,955)	\$ (1,412)	\$ (25,905)	\$ (13,225)	\$ (32,607)	\$ (26,889)	\$ (33,079)	\$ (53,699)
Covered-employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, 2014

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Open level dollar
Remaining amortization period	20 years
Asset valuation method	Market Value of Assets
Inflation	3.00%
Salary increases	N/A - Closed Plan
Investment rate of return	3.0% net of investment expenses
Retirement age	N/A - Closed Plan
Mortality	RP-2000 Mortality Table with Blue Collar adjustment projected generationally with scale AA

City of Leavenworth, Kansas
Police and Fire Pension Plan
Schedule of Investment Returns
December 31, 2014

Annual, money-weighted rate of return, net of investment expenses	0.14%
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City of Leavenworth, Kansas
 Police and Fire Pension Plan
 Schedule of Employer Contributions
 December 31, 2014

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

Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution *	Percentage Contributed
12/31/95	\$ 152,065	100.0 %
12/31/96	235,487	59.1
12/31/97	243,574	65.1
12/31/98	250,687	68.7
12/31/99	278,398	54.2
12/31/00	204,968	94.4
12/31/01	205,827	91.6
12/31/02	207,176	92.4
12/31/03	208,383	89.1
12/31/04	210,180	96.2
12/31/05	175,220	122.5
12/31/06	171,797	118.2
12/31/07	169,065	118.9
12/31/08	163,406	115.6
12/31/09	161,182	96.4
12/31/10	174,779	103.2
12/31/11	173,123	90.1
12/31/12	173,385	104.2
12/31/13	171,908	109.5
12/31/14	169,563	98.6

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

City of Leavenworth, Kansas
 Police and Fire Pension Plan
 Schedule of Funding Progress
 December 31, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/89	\$ 530,700	\$ 1,464,500	\$ 933,800	36.2 %	\$ 77,100	1211.2 %
01/01/92	533,600	1,471,900	938,300	36.3	64,664	1451.0
01/01/95	544,326	1,588,386	1,044,060	34.3	73,694	1416.8
01/01/98	668,199	2,368,143	1,699,944	28.2	33,251	5112.5
01/01/04	692,010	2,212,019	1,520,009	31.3	-	NA
01/01/07	570,092	2,059,446	1,489,354	27.7	-	NA
01/01/10	571,841	2,926,421	2,354,580	19.5	-	NA
12/31/14	714,650	2,512,274	1,797,624	28.4	-	NA

City of Leavenworth, Kansas
 Other Postemployment Benefits
 Schedule of Funding Progress
 December 31, 2014

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Percentage of Covered Payroll
12/31/08	\$ -	\$ 6,358,454	\$ 6,358,454	0.00 %	\$ 11,824,270	53.8 %
12/31/10	-	5,042,523	5,042,523	0.00	12,505,945	40.3
12/31/12	-	5,354,507	5,354,507	0.00	12,127,580	44.2
12/31/14	-	5,096,949	5,096,949	0.00	12,329,953	41.3

**Combining and Individual Fund
Statements and Schedules**

City of Leavenworth, Kansas

Nonmajor Governmental Funds

December 31, 2014

Special Revenue Funds

Fund Descriptions

Recreation Fund

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

Special Fuel Fund

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

Countywide Sales Tax Fund

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

Tax Increment Fund – Home Depot

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

Convention & Visitors Bureau

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

Police Seizure Fund

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

Police Grants Fund

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

(continued)

City of Leavenworth, Kansas

Nonmajor Governmental Funds
(Continued)

Fund Descriptions (continued)

Housing Fund

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

Community Development Fund

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

Special Park Gift Fund

To account for public contributions for improvements to city parks.

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City of Leavenworth, Kansas
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2014

	<u>Recreation</u>
ASSETS	
Cash and cash equivalents	\$ 41,448
Deposits restricted for tenant deposit refunds	-
Property tax receivable	474,312
Sales tax receivable	-
Due from other governments	-
Accounts receivable	-
Total assets	<u>\$ 515,760</u>
LIABILITIES	
Accounts payable	\$ 14,394
Accrued compensation	25,616
Due to other funds	-
Tenant deposits	-
Total liabilities	<u>40,010</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenues - property taxes	<u>474,312</u>
FUND BALANCES	
Restricted	-
Assigned	1,438
Total fund balances	<u>1,438</u>
 Total liabilities, deferred inflows of resources, and fund balances	 <u>\$ 515,760</u>

Special Revenue

Special Fuel	Countywide Sales Tax	Tax Increment Home Depot	Convention & Visitors Bureau
\$ 24,350	\$ 529,958	\$ 80,242	\$ 30,353
-	-	-	-
-	-	-	-
-	448,568	35,982	-
-	-	-	-
-	-	-	36,836
\$ 24,350	\$ 978,526	\$ 116,224	\$ 67,189
\$ 6,936	\$ -	\$ -	\$ 408
17,414	-	-	3,081
-	-	-	-
-	-	-	-
24,350	-	-	3,489
-	-	-	-
-	978,526	116,224	63,700
-	-	-	-
-	978,526	116,224	63,700
\$ 24,350	\$ 978,526	\$ 116,224	\$ 67,189

(continued)

City of Leavenworth, Kansas

Combining Balance Sheet
(Continued)

Nonmajor Governmental Funds

December 31, 2014

	Police Seizure	Police Grants
ASSETS		
Cash and cash equivalents	\$ 160,364	\$ -
Deposits restricted for tenant deposit refunds	-	-
Property tax receivable	-	-
Sales tax receivable	-	-
Due from other governments	-	7,974
Accounts receivable	-	3,144
Total assets	<u>\$ 160,364</u>	<u>\$ 11,118</u>
LIABILITIES		
Accounts payable	\$ 13,559	\$ 44
Accrued compensation	-	2,097
Due to other funds	-	6,251
Tenant deposits	-	-
Total liabilities	<u>13,559</u>	<u>8,392</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenues - property taxes	-	-
FUND BALANCES		
Restricted	146,805	2,726
Assigned	-	-
Total fund balances	<u>146,805</u>	<u>2,726</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 160,364</u>	<u>\$ 11,118</u>

Special Revenue

Housing		Community Development		Special Park Gift		Total Nonmajor Governmental Funds
\$	849,343	\$	39,089	\$	27,303	\$ 1,782,450
	30,672		-		-	30,672
	-		-		-	474,312
	-		-		-	484,550
	10,480		33,514		-	51,968
	-		-		-	39,980
\$	890,495	\$	72,603	\$	27,303	\$ 2,863,932
\$	17,397	\$	25,937	\$	141	\$ 78,816
	8,750		170		-	57,128
	-		7,407		-	13,658
	30,672		-		-	30,672
	56,819		33,514		141	180,274
	-		-		-	474,312
	833,676		39,089		27,162	2,207,908
	-		-		-	1,438
	833,676		39,089		27,162	2,209,346
\$	890,495	\$	72,603	\$	27,303	\$ 2,863,932

City of Leavenworth, Kansas

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	<u>Recreation</u>
REVENUES	
Taxes	\$ 543,877
Intergovernmental	56,026
Charges for services	544,918
Fines and forfeitures	-
Investment earnings	-
Miscellaneous	14,024
Total revenues	<u>1,158,845</u>
EXPENDITURES	
Current:	
General government	-
Public safety	-
Public works	-
Culture and recreation	1,478,805
Housing and urban redevelopment	-
Debt service	
Interest and fiscal charges	-
Capital outlay	761
Total expenditures	<u>1,479,566</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(320,721)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	352,516
Transfers out	-
Total - other financing sources (uses)	<u>352,516</u>
Net change in fund balances	31,795
Fund balances - beginning	<u>(30,357)</u>
Fund balances - ending	<u><u>\$ 1,438</u></u>

Special Revenue

Special Fuel	Countywide Sales Tax	Tax Increment Home Depot	Convention & Visitors Bureau
\$ -	\$ 2,801,107	\$ 233,895	\$ -
1,036,955	-	-	84,073
-	-	-	3,310
-	-	-	-
-	-	146	34
21,435	-	-	358
<u>1,058,390</u>	<u>2,801,107</u>	<u>234,041</u>	<u>87,775</u>
-	-	-	113,191
-	-	-	-
1,175,048	-	-	-
-	-	-	-
-	-	-	-
-	-	225,149	-
3,470	-	-	3,127
<u>1,178,518</u>	<u>-</u>	<u>225,149</u>	<u>116,318</u>
<u>(120,128)</u>	<u>2,801,107</u>	<u>8,892</u>	<u>(28,543)</u>
120,128	-	-	33,849
-	(2,543,293)	-	-
<u>120,128</u>	<u>(2,543,293)</u>	<u>-</u>	<u>33,849</u>
-	257,814	8,892	5,306
-	720,712	107,332	58,394
<u>\$ -</u>	<u>\$ 978,526</u>	<u>\$ 116,224</u>	<u>\$ 63,700</u>

City of Leavenworth, Kansas

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

Nonmajor Governmental Funds

For the Year Ended December 31, 2014

	Police Seizure	Police Grants
REVENUES		
Taxes	\$ -	\$ -
Intergovernmental	-	62,146
Charges for services	-	11,179
Fines and forfeitures	23,615	-
Investment earnings	176	-
Miscellaneous	3,910	-
Total revenues	<u>27,701</u>	<u>73,325</u>
EXPENDITURES		
Current:		
General government	-	-
Public safety	20,283	76,774
Public works	-	-
Culture and recreation	-	-
Housing and urban redevelopment	-	-
Debt service		
Interest and fiscal charges	-	-
Capital outlay	6,038	-
Total expenditures	<u>26,321</u>	<u>76,774</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,380</u>	<u>(3,449)</u>
OTHER FINANCING SOURCES (USES)		
Transfers in	-	2,194
Transfers out	(14,988)	-
Total - other financing sources (uses)	<u>(14,988)</u>	<u>2,194</u>
Net change in fund balances	(13,608)	(1,255)
Fund balances - beginning	<u>160,413</u>	<u>3,981</u>
Fund balances - ending	<u>\$ 146,805</u>	<u>\$ 2,726</u>

Special Revenue

		Special Revenue				Total Nonmajor Governmental Funds
Housing		Community Development		Special Park Gift		
\$	-	\$	-	\$	-	\$ 3,578,879
	1,856,245		355,911		-	3,451,356
	439,867		-		10,667	1,009,941
	-		-		-	23,615
	107		-		-	463
	13,371		-		35,715	88,813
	<u>2,309,590</u>		<u>355,911</u>		<u>46,382</u>	<u>8,153,067</u>
	-		-		-	113,191
	-		-		-	97,057
	-		-		-	1,175,048
	-		-		35,778	1,514,583
	2,285,386		246,446		-	2,531,832
	-		-		-	225,149
	-		109,465		-	122,861
	<u>2,285,386</u>		<u>355,911</u>		<u>35,778</u>	<u>5,779,721</u>
	24,204		-		10,604	2,373,346
	-		-		-	508,687
	-		-		(14,856)	(2,573,137)
	-		-		(14,856)	(2,064,450)
	24,204		-		(4,252)	308,896
	809,472		39,089		31,414	1,900,450
\$	<u>833,676</u>	\$	<u>39,089</u>	\$	<u>27,162</u>	<u>\$ 2,209,346</u>

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,009,935	\$ 2,043,935	\$ 2,023,932	\$ (20,003)
Investment earnings	5,000	5,000	-	(5,000)
Miscellaneous	-	-	35,573	35,573
Total revenues	<u>2,014,935</u>	<u>2,048,935</u>	<u>2,059,505</u>	<u>10,570</u>
EXPENDITURES				
Debt service:				
Principal retirement	2,770,000	3,844,000	3,810,000	34,000
Interest and fiscal charges	340,280	366,280	359,416	6,864
Total expenditures	<u>3,110,280</u>	<u>4,210,280</u>	<u>4,169,416</u>	<u>40,864</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,095,345)</u>	<u>(2,161,345)</u>	<u>(2,109,911)</u>	<u>51,434</u>
OTHER FINANCING SOURCES				
Sale of bonds	-	1,066,000	1,030,000	(36,000)
Transfers in	1,014,725	1,014,725	1,437,009	422,284
Total - other financing sources (uses)	<u>1,014,725</u>	<u>2,080,725</u>	<u>2,467,009</u>	<u>386,284</u>
Net change in fund balances	(80,620)	(80,620)	357,098	437,718
Fund balances - beginning	<u>80,620</u>	<u>80,620</u>	<u>320,222</u>	<u>239,602</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 677,320</u>	<u>\$ 677,320</u>

City of Leavenworth, Kansas

Recreation Fund

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

For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 541,415	\$ 541,415	\$ 543,877	\$ 2,462
Intergovernmental	58,500	58,500	56,026	(2,474)
Charges for services	572,620	572,620	544,918	(27,702)
Miscellaneous	7,020	7,020	14,024	7,004
Total revenues	<u>1,179,555</u>	<u>1,179,555</u>	<u>1,158,845</u>	<u>(20,710)</u>
EXPENDITURES				
Current:				
Culture and recreation	1,479,555	1,529,555	1,485,515	44,040
Capital outlay	-	-	761	(761)
Total expenditures	<u>1,479,555</u>	<u>1,529,555</u>	<u>1,486,276</u>	<u>43,279</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(300,000)</u>	<u>(350,000)</u>	<u>(327,431)</u>	<u>22,569</u>
OTHER FINANCING SOURCES				
Transfers in	<u>300,000</u>	<u>350,000</u>	<u>352,516</u>	<u>2,516</u>
Net change in fund balances	-	-	25,085	25,085
Fund balances - beginning	-	-	(36,917)	(36,917)
Prior year encumbrances relieved	-	-	6,560	6,560
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,272)</u>	<u>\$ (5,272)</u>

City of Leavenworth, Kansas

Special Fuel Fund

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

For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 1,040,670	\$ 1,040,670	\$ 1,036,955	\$ (3,715)
Miscellaneous	1,250	1,250	21,435	20,185
Total revenues	<u>1,041,920</u>	<u>1,041,920</u>	<u>1,058,390</u>	<u>16,470</u>
EXPENDITURES				
Current:				
Public works	1,191,300	1,216,300	1,192,262	24,038
Capital outlay	-	-	3,470	(3,470)
Total expenditures	<u>1,191,300</u>	<u>1,216,300</u>	<u>1,195,732</u>	<u>20,568</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(149,380)</u>	<u>(174,380)</u>	<u>(137,342)</u>	<u>37,038</u>
OTHER FINANCING SOURCES				
Transfers in	<u>149,380</u>	<u>174,380</u>	<u>120,128</u>	<u>(54,252)</u>
Net change in fund balances	-	-	(17,214)	(17,214)
Fund balances - beginning	-	-	(9,130)	(9,130)
Prior year encumbrances relieved	-	-	9,130	9,130
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,214)</u>	<u>\$ (17,214)</u>

City of Leavenworth, Kansas

Countywide Sales Tax Fund

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

For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,601,000	\$ 2,601,000	\$ 2,801,107	\$ 200,107
EXPENDITURES				
Current:				
Public safety	440,885	440,885	-	440,885
Excess (deficiency) of revenues over (under) expenditures	2,160,115	2,160,115	2,801,107	640,992
OTHER FINANCING USES				
Transfers out	(2,466,675)	(2,466,675)	(2,543,293)	(76,618)
Net change in fund balances	(306,560)	(306,560)	257,814	564,374
Fund balances - beginning	306,560	306,560	720,712	414,152
Fund balances - ending	\$ -	\$ -	\$ 978,526	\$ 978,526

City of Leavenworth, Kansas

Convention & Visitors Bureau

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

For the Year Ended December 31, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Transient guest tax	\$ -	\$ 70,000	\$ 84,073	\$ 14,073
Charges for services	-	-	3,310	3,310
Investment earnings	-	-	34	34
Miscellaneous	-	-	358	358
Total revenues	-	70,000	87,775	17,775
EXPENDITURES				
Current:				
General government	-	47,000	113,191	(66,191)
Capital outlay	-	3,200	3,127	73
Total expenditures	-	50,200	116,318	(66,118)
Excess (deficiency) of revenues over (under) expenditures	-	19,800	(28,543)	(48,343)
OTHER FINANCING SOURCES				
Transfers in	-	-	33,849	33,849
Net change in fund balances	-	19,800	5,306	(14,494)
Fund balances - beginning	-	32,000	58,394	26,394
Fund balances - ending	\$ -	\$ 51,800	\$ 63,700	\$ 11,900

City of Leavenworth, Kansas

Agency Funds

December 31, 2014

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, 2014

	Balance January 1, 2014	Additions	Deductions	Balance December 31, 2014
Library				
Assets:				
Property tax receivable	\$ 898,960	\$ 890,945	\$ 898,960	\$ 890,945
Liabilities:				
Amounts due other parties	\$ 898,960	\$ 890,945	\$ 898,960	\$ 890,945
Total - All Agency Funds				
Assets:				
Property tax receivable	\$ 898,960	\$ 890,945	\$ 898,960	\$ 890,945
Liabilities:				
Amounts due other parties	\$ 898,960	\$ 890,945	\$ 898,960	\$ 890,945

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>	101-112
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	113-118
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>	119-124
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>	125-126
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>	127-132

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

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities			
Invested in capital assets	\$ 33,814,164	\$ 35,022,203	\$ 37,580,320
Restricted	796,280	-	-
Unrestricted	5,611,510	6,435,580	8,938,162
Total governmental activities net position	<u>\$ 40,221,954</u>	<u>\$ 41,457,783</u>	<u>\$ 46,518,482</u>
Business-type activities			
Invested in capital assets	\$ 6,430,044	\$ 7,487,307	\$ 8,348,830
Unrestricted	1,085,657	1,398,413	2,130,300
Total business-type activities net position	<u>\$ 7,515,701</u>	<u>\$ 8,885,720</u>	<u>\$ 10,479,130</u>
Primary government			
Invested in capital assets	\$ 40,244,208	\$ 42,509,510	\$ 45,929,150
Restricted	796,280	-	-
Unrestricted	6,697,167	7,833,993	11,068,462
Total primary government net position	<u>\$ 47,737,655</u>	<u>\$ 50,343,503</u>	<u>\$ 56,997,612</u>

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$ 39,962,474	\$ 43,256,157	\$ 42,320,043	\$ 40,913,632	\$ 40,411,904	\$ 40,049,777	\$ 39,488,841
-	-	-	3,527,423	3,078,003	2,322,020	2,976,464
9,221,149	6,765,799	6,953,098	2,864,839	2,411,409	2,252,510	3,668,214
<u>\$ 49,183,623</u>	<u>\$ 50,021,956</u>	<u>\$ 49,273,141</u>	<u>\$ 47,305,894</u>	<u>\$ 45,901,316</u>	<u>\$ 44,624,307</u>	<u>\$ 46,133,519</u>
\$ 8,563,422	\$ 8,127,188	\$ 7,974,877	\$ 8,272,844	\$ 7,631,457	\$ 7,518,337	\$ 6,926,217
2,049,738	2,611,536	2,384,532	1,686,816	2,082,114	1,667,400	1,858,926
<u>\$ 10,613,160</u>	<u>\$ 10,738,724</u>	<u>\$ 10,359,409</u>	<u>\$ 9,959,660</u>	<u>\$ 9,713,571</u>	<u>\$ 9,185,737</u>	<u>\$ 8,785,143</u>
\$ 48,525,896	\$ 51,383,345	\$ 50,294,920	\$ 49,186,476	\$ 48,043,361	\$ 47,568,114	\$ 46,415,058
-	-	-	3,527,423	3,078,003	2,322,020	2,976,464
11,270,887	9,377,335	9,337,630	4,551,655	4,493,523	3,919,910	5,527,140
<u>\$ 59,796,783</u>	<u>\$ 60,760,680</u>	<u>\$ 59,632,550</u>	<u>\$ 57,265,554</u>	<u>\$ 55,614,887</u>	<u>\$ 53,810,044</u>	<u>\$ 54,918,662</u>

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

	2005	2006	2007
Expenses			
Governmental activities:			
General government	\$ 3,064,643	\$ 2,943,306	\$ 3,175,737
Public safety	10,515,788	10,913,892	10,601,555
Public works	3,627,520	3,900,142	3,913,371
Culture and recreation	2,424,044	2,512,337	2,577,644
Housing and urban redevelopment	2,838,976	2,356,794	2,403,603
Unallocated depreciation expense	2,706,754	2,740,749	3,109,795
Interest on long-term debt	1,108,752	1,029,015	954,888
Total governmental activities expenses	<u>26,286,477</u>	<u>26,396,235</u>	<u>26,736,593</u>
Business-type activities:			
Sewer	2,836,655	3,080,666	2,969,198
Refuse	1,396,448	1,441,822	1,529,887
Total business-type activities expenses	<u>4,233,103</u>	<u>4,522,488</u>	<u>4,499,085</u>
Total primary government expenses	<u>\$ 30,519,580</u>	<u>\$ 30,918,723</u>	<u>\$ 31,235,678</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$ 1,661,362	\$ 1,766,943	\$ 1,600,425
Public safety	483,197	535,029	626,349
Public works	1,748,978	1,417,151	1,306,315
Culture and recreation	686,609	713,869	664,638
Housing and urban redevelopment	372,431	386,405	428,240
Operating grants and contributions	3,696,749	3,422,505	3,536,854
Capital grants and contributions (1)	672,930	308,930	4,059,674
Total governmental activities program revenues	<u>9,322,256</u>	<u>8,550,832</u>	<u>12,222,495</u>
Business-type activities:			
Charges for services:			
Sewer	3,051,462	3,255,250	3,338,972
Refuse	1,399,674	1,519,204	1,597,067
Operating grants and contributions	156,464	168,498	106,054
Capital grants and contributions	-	884,555	1,050,402
Total business-type activities program revenues	<u>4,607,600</u>	<u>5,827,507</u>	<u>6,092,495</u>
Total primary government program revenues	<u>\$ 13,929,856</u>	<u>\$ 14,378,339</u>	<u>\$ 18,314,990</u>
Net (Expense)/Revenue			
Governmental activities	\$ (16,964,221)	\$ (17,845,403)	\$ (14,514,098)
Business-type activities	<u>374,497</u>	<u>1,305,019</u>	<u>1,593,410</u>
Total primary government net expense	<u>\$ (16,589,724)</u>	<u>\$ (16,540,384)</u>	<u>\$ (12,920,688)</u>

Fiscal Year							
2008	2009	2010	2011	2012	2013	2014	
\$ 3,321,308	\$ 3,752,966	\$ 4,030,168	\$ 4,352,118	\$ 3,731,226	\$ 4,890,345	\$ 3,773,326	
11,469,502	11,631,240	11,843,745	12,008,431	11,882,932	11,642,136	12,227,523	
4,162,190	4,036,853	4,108,248	4,443,172	4,073,389	4,105,004	4,326,643	
2,616,612	2,985,096	3,242,768	3,238,794	3,226,421	3,173,151	3,286,242	
3,245,216	3,121,926	2,898,887	3,307,860	3,096,295	2,980,409	2,884,617	
3,159,401	3,418,630	3,383,422	3,593,817	3,506,457	3,613,024	3,652,203	
1,033,025	978,152	936,659	1,077,433	800,498	590,364	651,141	
29,007,254	29,924,863	30,443,897	32,021,625	30,317,218	30,994,433	30,801,695	
3,506,033	3,470,050	3,776,559	3,766,429	4,090,751	4,318,011	4,399,423	
1,594,748	1,636,297	1,671,076	1,710,490	1,484,989	1,805,972	1,920,283	
5,100,781	5,106,347	5,447,635	5,476,919	5,575,740	6,123,983	6,319,706	
\$ 34,108,035	\$ 35,031,210	\$ 35,891,532	\$ 37,498,544	\$ 35,892,958	\$ 37,118,416	\$ 37,121,401	
\$ 1,974,587	\$ 1,893,375	\$ 1,919,296	\$ 1,889,468	\$ 1,929,579	\$ 2,113,229	\$ 1,848,902	
638,907	634,969	634,801	726,273	702,342	687,666	676,940	
1,477,331	1,266,949	1,273,124	1,529,150	1,311,654	1,311,813	1,383,007	
760,694	791,542	910,377	735,381	644,688	575,244	638,330	
390,632	396,551	578,098	776,573	546,902	604,527	460,988	
3,835,416	4,134,068	3,301,500	3,621,432	3,116,968	3,517,217	3,296,130	
2,954,685	1,673,619	1,677,095	1,100,609	448,448	440,024	860,690	
12,032,252	10,791,073	10,294,291	10,378,886	8,700,581	9,249,720	9,164,987	
3,347,631	3,447,930	3,271,676	3,211,525	3,507,038	4,027,182	4,093,310	
1,666,071	1,783,981	1,796,644	1,835,014	1,822,613	1,827,391	1,825,802	
13,375	-	-	35,831	-	-	-	
432,393	-	-	-	-	-	-	
5,459,470	5,231,911	5,068,320	5,082,370	5,329,651	5,854,573	5,919,112	
\$ 17,491,722	\$ 16,022,984	\$ 15,362,611	\$ 15,461,256	\$ 14,030,232	\$ 15,104,293	\$ 15,084,099	
\$ (16,975,002)	\$ (19,133,790)	\$ (20,149,606)	\$ (21,642,739)	\$ (21,616,637)	\$ (21,744,713)	\$ (21,636,708)	
358,689	125,564	(379,315)	(394,549)	(246,089)	(269,410)	(400,594)	
\$ (16,616,313)	\$ (19,008,226)	\$ (20,528,921)	\$ (22,037,288)	\$ (21,862,726)	\$ (22,014,123)	\$ (22,037,302)	

(Continued)

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

	2005	2006	2007
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes	\$ 8,281,990	\$ 8,621,790	\$ 9,167,590
Franchise taxes	2,025,718	2,155,674	2,146,956
Sales taxes	5,432,164	5,586,237	5,469,786
Motor vehicle taxes	1,036,188	1,029,514	1,017,082
Other taxes	835,020	936,532	910,323
Intergovernmental revenue not restricted to specific programs	85,853	83,461	79,947
Gain on sale of land	-	-	-
Payments in lieu of property taxes	6,494	13,450	3,169
Investment earnings	305,611	654,574	779,944
Transfers	(53,714)	-	-
Total governmental activities	<u>17,955,324</u>	<u>19,081,232</u>	<u>19,574,797</u>
Business-type activities:			
Transfers	53,714	-	-
Total business-type activities	<u>53,714</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 18,009,038</u>	<u>\$ 19,081,232</u>	<u>\$ 19,574,797</u>
Change in Net Position			
Governmental activities	\$ 991,103	\$ 1,235,829	\$ 5,060,699
Business-type activities	428,211	1,305,019	1,593,410
Total primary government	<u>\$ 1,419,314</u>	<u>\$ 2,540,848</u>	<u>\$ 6,654,109</u>

(1) The increase in 2007 capital grants and contributions from the prior period was caused by the receipt of substantial grants from the State of Kansas and Leavenworth County for road improvements.

		Fiscal Year											
		2008	2009	2010	2011	2012	2013	2014					
\$	9,581,568	\$	9,643,197	\$	9,337,269	\$	9,491,948	\$	9,487,704	\$	9,283,277	\$	9,259,644
	2,379,715		2,395,005		2,502,959		2,565,587		2,540,990		2,736,877		2,861,614
	5,629,107		5,334,666		5,519,376		5,712,203		5,721,451		5,950,513		8,464,314
	1,013,203		1,000,334		1,016,050		922,183		917,453		1,113,514		1,014,989
	937,141		996,700		914,034		870,810		916,065		1,005,638		1,367,983
	85,902		87,643		88,794		87,420		88,957		98,074		98,434
	-		-		-		-		516,869		-		-
	3,143		-		-		-		-		-		-
	491,027		52,722		22,309		20,141		22,570		21,387		20,548
	156,796		-		-		5,200		-		258,424		-
	<u>20,277,602</u>		<u>19,510,267</u>		<u>19,400,791</u>		<u>19,675,492</u>		<u>20,212,059</u>		<u>20,467,704</u>		<u>23,087,526</u>
	(156,796)		-		-		(5,200)		-		(258,424)		-
	<u>(156,796)</u>		<u>-</u>		<u>-</u>		<u>(5,200)</u>		<u>-</u>		<u>(258,424)</u>		<u>-</u>
\$	<u>20,120,806</u>	\$	<u>19,510,267</u>	\$	<u>19,400,791</u>	\$	<u>19,670,292</u>	\$	<u>20,212,059</u>	\$	<u>20,209,280</u>	\$	<u>23,087,526</u>
\$	3,302,600	\$	376,477	\$	(748,815)	\$	(1,967,247)	\$	(1,404,578)	\$	(1,277,009)	\$	1,450,818
	201,893		125,564		(379,315)		(399,749)		(246,089)		(527,834)		(400,594)
\$	<u>3,504,493</u>	\$	<u>502,041</u>	\$	<u>(1,128,130)</u>	\$	<u>(2,366,996)</u>	\$	<u>(1,650,667)</u>	\$	<u>(1,804,843)</u>	\$	<u>1,050,224</u>

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund			
Reserved	\$ 9,007	\$ 27,319	\$ 65,534
Unreserved	2,756,068	3,397,067	3,705,627
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total general fund	<u>\$ 2,765,075</u>	<u>\$ 3,424,386</u>	<u>\$ 3,771,161</u>
All Other Governmental Funds			
Reserved	\$ 1,996,622	\$ 918,331	\$ 1,598,989
Unreserved, reported in:			
Special revenue funds	1,837,331	2,336,612	2,965,968
Capital projects funds (1)	152,889	133,179	3,575,315
Debt service funds	568,866	426,404	254,675
Restricted for:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and urban redevelopment	-	-	-
Debt service	-	-	-
Committed for:			
General government	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Housing and urban redevelopment	-	-	-
Assigned to:			
General government	-	-	-
Culture and recreation	-	-	-
Unassigned	-	-	-
Total all other governmental funds	<u>\$ 4,555,708</u>	<u>\$ 3,814,526</u>	<u>\$ 8,394,947</u>

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

2008	2009	2010	2011	2012	2013	2014
\$ 12,774	\$ 28,440	\$ 35,387	\$ -	\$ -	\$ -	\$ -
4,484,097	4,427,681	3,695,914	-	-	-	-
-	-	-	6,666	5,208	3,457	-
-	-	-	387,057	357,962	366,560	2,390,081
-	-	-	2,816	9,049	12,156	10,917
-	-	-	2,632,344	2,640,634	2,970,612	2,935,340
<u>\$ 4,496,871</u>	<u>\$ 4,456,121</u>	<u>\$ 3,731,301</u>	<u>\$ 3,028,883</u>	<u>\$ 3,012,853</u>	<u>\$ 3,352,785</u>	<u>\$ 5,336,338</u>
\$ 4,711,605	\$ 1,257,599	\$ 2,006,141	\$ -	\$ -	\$ -	\$ -
2,037,060	2,810,245	3,412,515	-	-	-	-
(763,434)	(2,594,109)	(3,117,025)	-	-	-	-
176,421	433,524	446,225	-	-	-	-
-	-	-	1,427,175	1,604,878	863,676	1,197,539
-	-	-	323,532	319,368	167,851	149,531
-	-	-	-	1,383	-	-
-	-	-	30,673	35,916	31,414	27,162
-	-	-	1,205,584	681,635	809,472	833,676
-	-	-	418,901	317,152	320,222	677,320
-	-	-	604,280	1,114,249	2,094,072	468,646
-	-	-	472,904	485,212	608,605	825,454
-	-	-	147,130	309,989	497,958	147,212
-	-	-	71,916	103,504	173,918	89,848
-	-	-	19,469	19,262	20,262	20,107
-	-	-	84,652	78,992	-	1,438
-	-	-	-	-	(30,357)	-
<u>\$ 6,161,652</u>	<u>\$ 1,907,259</u>	<u>\$ 2,747,856</u>	<u>\$ 4,806,216</u>	<u>\$ 5,071,540</u>	<u>\$ 5,557,093</u>	<u>\$ 4,437,933</u>

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

	2005	2006	2007
Revenues			
Taxes	\$ 17,933,007	\$ 18,615,349	\$ 18,999,001
Intergovernmental	3,909,915	3,545,613	3,632,276
Licenses and permits	527,553	531,983	435,025
Charges for services	3,090,801	2,786,286	2,723,551
Fines and forfeitures	1,143,927	1,209,261	1,071,822
Investment earnings	329,482	724,375	830,294
Other revenues	202,732	214,767	315,380
Total revenues	<u>27,137,417</u>	<u>27,627,634</u>	<u>28,007,349</u>
Expenditures			
General government	2,894,791	2,883,680	3,121,850
Public safety	9,894,743	10,395,531	10,019,964
Public works	3,214,075	3,505,401	3,507,529
Culture and recreation	1,912,708	1,989,408	2,052,195
Housing and urban redevelopment	2,590,039	2,089,383	2,148,664
Capital outlay	3,223,693	2,702,015	2,189,180
Debt service			
Principal	3,496,040	4,406,747	2,380,000
Interest	1,092,909	1,077,340	956,018
Total expenditures	<u>28,318,998</u>	<u>29,049,505</u>	<u>26,375,400</u>
Excess of revenues over (under) expenditures	(1,181,581)	(1,421,871)	1,631,949
Other Financing Sources (Uses)			
Bonds issued	2,625,000	1,340,000	1,530,000
Refunding bonds issued	-	-	-
Bond anticipation notes issued	-	-	1,480,000
Capital leases	-	-	285,247
Sale of capital assets	85,000	-	-
Sale of land	-	-	-
Payments to escrow agent	-	-	-
Transfers in	4,524,279	3,784,498	4,265,690
Transfers out	(4,577,564)	(3,784,498)	(4,265,690)
Total other financing sources (uses)	<u>2,656,715</u>	<u>1,340,000</u>	<u>3,295,247</u>
Net change in fund balances	<u>\$ 1,475,134</u>	<u>\$ (81,871)</u>	<u>\$ 4,927,196</u>
Debt service as a percentage of noncapital expenditures	18.3%	20.8%	13.8%

	2008	2009	2010	2011	2012	2013	2014
\$	19,811,174	\$ 19,621,593	\$ 19,635,158	\$ 19,868,108	\$ 19,886,015	\$ 20,267,917	\$ 23,147,239
	6,479,625	5,284,788	4,781,818	4,383,780	3,420,383	4,124,981	4,152,879
	456,263	389,583	398,837	409,844	420,084	351,826	378,728
	2,956,536	2,873,306	2,984,685	2,996,210	3,064,573	3,108,222	3,158,767
	1,144,436	1,092,079	1,139,945	1,115,114	1,101,533	910,243	820,719
	515,785	55,217	40,303	46,502	22,570	21,387	20,548
	820,871	803,890	717,577	1,059,723	509,540	635,097	590,081
	32,184,690	30,120,456	29,698,323	29,879,281	28,424,698	29,419,673	32,268,961
	3,310,150	3,648,781	3,715,791	3,664,873	3,630,286	3,612,126	3,386,433
	10,321,518	10,481,825	10,900,873	11,022,513	10,799,019	10,522,795	11,045,497
	3,685,294	3,562,664	3,647,884	3,972,206	3,659,854	3,663,486	3,730,738
	2,008,807	2,203,936	2,294,126	2,192,258	2,303,854	2,252,866	2,353,510
	2,975,920	2,857,240	2,608,889	3,007,367	2,644,508	2,472,611	2,598,116
	8,012,788	10,282,578	7,225,679	5,124,530	3,727,392	6,714,098	6,581,595
	4,091,314	2,359,951	1,998,982	3,066,945	2,870,705	2,880,249	4,009,929
	973,280	948,624	1,055,106	1,149,587	846,655	594,381	657,144
	35,379,071	36,345,599	33,447,330	33,200,279	30,482,273	32,712,612	34,362,962
	(3,194,381)	(6,225,143)	(3,749,007)	(3,320,998)	(2,057,575)	(3,292,939)	(2,094,001)
	1,530,000	1,930,000	3,250,000	3,465,000	1,740,000	3,860,000	2,900,000
	-	-	-	6,250,000	1,825,000	-	-
	-	-	4,905,000	-	-	-	-
	-	-	614,784	196,740	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	516,869	-	-
	-	-	-	(5,240,000)	(1,775,000)	-	-
	6,134,458	5,419,899	3,600,395	6,138,173	4,983,085	6,610,615	5,719,587
	(5,977,662)	(5,419,899)	(3,600,395)	(6,132,973)	(4,983,085)	(6,352,191)	(5,719,587)
	1,686,796	1,930,000	8,769,784	4,676,940	2,306,869	4,118,424	2,900,000
\$	(1,507,585)	\$ (4,295,143)	\$ 5,020,777	\$ 1,355,942	\$ 249,294	\$ 825,485	\$ 805,999
	18.5%	12.7%	11.6%	15.0%	13.9%	13.4%	16.8%

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

Fiscal Year	Property Tax	Sales Tax	Compensating Use Tax
2005	\$ 8,281,990	\$ 5,432,164	\$ 653,637
2006	8,621,790	5,586,237	744,886
2007	9,167,590	5,469,786	725,640
2008	9,581,568	5,629,107	737,883
2009	9,643,197	5,334,666	798,374
2010	9,337,269	5,519,376	716,724
2011	9,491,948	5,712,203	685,653
2012	9,487,704	5,721,451	708,861
2013	9,283,277	5,950,513	790,747
2014	9,259,644	8,464,314	1,134,088
Change 2005 - 2014	11.8%	55.8%	73.5%

Tax Increment		Motor		Special		Total	
Sales Tax	Franchise Tax	Vehicle Tax	Assessment Tax	Other Tax			
\$ 181,383	\$ 2,025,718	\$ 1,036,188	\$ 315,433	\$ 6,494	\$	\$	17,933,007
191,646	2,155,674	1,029,514	272,152	13,450			18,615,349
184,683	2,146,956	1,017,082	284,095	3,169			18,999,001
199,258	2,379,715	1,013,203	267,297	3,143			19,811,174
198,326	2,395,005	1,000,334	251,691	-			19,621,593
197,310	2,502,959	1,016,050	345,470	-			19,635,158
185,157	2,565,587	922,183	305,377	-			19,868,108
207,204	2,540,990	917,453	302,352	-			19,886,015
214,891	2,736,877	1,113,514	178,098	-			20,267,917
233,895	2,861,614	1,014,989	178,695	-			23,147,239
29.0%	41.3%	-2.0%	-43.3%	-100.0%			29.1%

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

Fiscal Year Ended December 31	Real Property			Personal Property
	Residential Property	Commercial Property	Total	
2005	NA	NA	\$ 146,532,015	\$ 14,394,330
2006	\$ 114,378,605	\$ 45,658,394	160,036,999	14,048,912
2007	122,445,583	48,878,622	171,324,205	14,604,867
2008	128,198,925	51,175,279	179,374,204	12,235,178
2009	132,784,625	53,005,829	185,790,454	10,613,929
2010	133,077,189	53,122,616	186,199,805	8,200,207
2011	133,998,063	53,490,216	187,488,279	7,347,200
2012	133,128,072	53,142,928	186,271,000	7,141,023
2013	131,388,896	52,448,672	183,837,568	6,663,472
2014	129,674,855	51,764,450	181,439,305	6,984,423

Source: Leavenworth County Clerk

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

	State Assessed Utilities	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$	9,934,571	NA	\$ 170,860,916	\$ 54.316	\$ 1,165,146,650	14.7 %
	10,383,269	NA	184,469,180	52.245	1,231,393,004	15.0
	9,780,603	NA	195,709,675	52.178	1,364,032,161	14.3
	10,989,672	NA	202,599,054	52.067	1,422,246,581	14.2
	10,296,290	NA	206,700,673	51.921	1,450,794,335	14.2
	9,692,087	NA	204,092,099	51.922	1,437,966,087	14.2
	9,853,412	NA	204,688,891	51.883	1,433,229,801	14.3
	10,048,621	NA	203,460,644	51.865	1,393,132,353	14.6
	10,869,314	NA	201,370,354	51.841	1,394,124,698	14.4
	11,446,519	NA	199,870,247	52.029	1,430,085,770	14.0

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

Fiscal Year	City of Leavenworth			Leavenworth	
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage
2005	44.482	9.834	54.316	37.667	1.201
2006	43.196	9.049	52.245	33.989	1.962
2007	43.290	8.888	52.178	26.509	1.672
2008	43.665	8.402	52.067	26.548	1.573
2009	44.330	7.591	51.921	30.519	1.041
2010	44.541	7.381	51.922	30.735	1.317
2011	43.993	7.890	51.883	31.809	1.276
2012	44.394	7.471	51.865	35.348	0.165
2013	44.465	7.376	51.841	36.065	0.449
2014	43.227	8.802	52.029	36.196	0.374

Source: Leavenworth County Clerk

County	Overlapping Rates				Total Direct & Overlapping Rates
	Total County Millage	School District			
	Operating Millage	Debt Service Millage	Total School Millage	Special Districts	
38.868	42.921	6.111	49.032	1.500	143.716
35.951	44.958	5.836	50.794	1.500	140.490
28.181	44.692	6.089	50.781	1.500	132.640
28.121	44.794	5.976	50.770	1.500	132.458
31.560	44.805	5.876	50.681	1.500	135.662
32.052	40.840	22.350	63.190	1.500	148.664
33.085	39.880	23.296	63.176	1.500	149.644
35.513	41.447	21.719	63.166	1.500	152.044
36.514	45.480	20.668	66.148	1.500	156.003
36.570	49.603	19.750	69.353	1.500	159.452

City of Leavenworth, Kansas
Principal Property Taxpayers
December 31, 2014

Taxpayer	2014			2005		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Corrections Corporation of America	\$ 8,412,320	1	4.2 %	\$ 6,780,545	1	4.0 %
Westar Energy	5,886,777	2	2.9	4,576,831	3	2.7
Hallmark Cards	3,559,191	3	1.8	5,695,958	2	3.3
Wal-Mart	3,303,978	4	1.6	-	-	-
Development, Inc	2,653,182	5	1.3	2,200,138	5	1.3
Kansas Gas Service	1,887,508	6	0.9	1,616,263	6	0.9
Home Depot	1,283,113	7	0.6	1,476,650	7	0.9
Greenamyre Rentals	1,234,387	8	0.6	1,469,499	8	0.9
Dillons	1,108,100	9	0.6	-	-	-
MPT of Leavenworth	1,062,868	10	0.5	-	-	-
Southwestern Bell Telephone	-	-	-	3,217,743	4	1.9
Leavenworth Plaza	-	-	-	1,078,951	9	0.6
	<u>\$ 30,391,424</u>		<u>15.0 %</u>	<u>\$ 28,112,578</u>		<u>16.5 %</u>

Source: Leavenworth County Clerk

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

<u>Fiscal Year</u>	<u>Total Tax Levy For Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$9,236,854	\$8,959,592	97.0 %	\$ 156,804	\$9,116,396	98.7 %
2006	9,589,814	9,344,658	97.4	192,916	9,537,574	99.5
2007	10,235,584	9,955,759	97.3	193,527	10,149,286	99.2
2008	10,439,218	10,244,413	98.1	194,805	10,439,218	100.0
2009	10,710,730	10,423,269	97.3	271,787	10,695,056	99.9
2010	10,575,737	10,216,927	96.6	300,154	10,517,081	99.4
2011	10,619,874	10,297,377	97.0	223,672	10,521,049	99.1
2012	10,552,486	10,265,866	97.3	158,939	10,424,805	98.8
2013	10,439,241	10,176,683	97.5	70,922	10,247,605	98.2
2014	10,399,049	10,133,604	97.4	41,087	10,174,691	97.8

Source: Leavenworth County Treasurer

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

Fiscal Year	Governmental Activities		Business-Type	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Activities General Obligation Bonds			
2005	\$ 22,080,000	\$ 156,747	\$ 4,570,000	\$ 26,806,747	2.6 %	\$ 761
2006	19,270,000	-	8,120,000	27,390,000	2.5	778
2007	18,900,000	285,247	7,855,000	27,040,247	2.4	773
2008	21,345,000	193,933	7,720,000	29,258,933	2.4	841
2009	20,615,000	98,982	7,300,000	28,013,982	2.4	807
2010	22,825,000	614,784	6,820,000	30,259,784	2.6	858
2011	21,485,000	664,579	6,390,000	28,539,579	2.3	800
2012	19,960,000	473,874	10,115,000	30,548,874	2.5	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	2.0	748

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 125 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				
2005	\$ 22,080,000	\$ 4,570,000	\$ 1,365,146	\$ 25,284,854	2.2 %	718
2006	19,270,000	8,120,000	426,404	26,963,596	2.2	766
2007	18,900,000	7,855,000	254,675	26,500,325	1.9	757
2008	21,345,000	7,720,000	176,421	28,888,579	2.0	830
2009	20,615,000	7,300,000	433,524	27,481,476	1.9	791
2010	22,825,000	6,820,000	446,225	29,198,775	2.0	828
2011	21,485,000	6,390,000	418,901	27,456,099	1.9	770
2012	19,960,000	10,115,000	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

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 125 for population data.

City of Leavenworth, Kansas
 Direct and Overlapping Governmental Activities Debt
 As of December 31, 2014

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	\$ 61,488,205	\$ 36,278,040	92.0 %	\$ 33,375,797
Leavenworth County	10,399,562	10,399,562	35.0	<u>3,639,847</u>
Subtotal, overlapping debt				37,015,644
City direct debt				<u>18,068,696</u>
Total direct and overlapping debt				<u><u>\$ 55,084,340</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 41% for bonds issued after July 1, 2002.
- (2) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

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

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt Limit	\$ 58,805,063	\$ 64,387,542	\$ 68,435,717
Total net debt applicable to limit	<u>15,388,144</u>	<u>14,969,146</u>	<u>15,442,547</u>
Legal debt margin	<u>\$ 43,416,919</u>	<u>\$ 49,418,396</u>	<u>\$ 52,993,170</u>
 Total net debt applicable to the limit as a percentage of debt limit	 26.2%	 23.2%	 22.6%

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

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
\$ 69,672,253	\$ 69,380,778	\$ 68,465,048	\$ 67,999,247	\$ 67,244,547	\$ 66,950,665	\$ 66,619,977
18,997,507	16,017,666	18,551,322	12,849,782	10,475,866	12,973,064	10,741,429
<u>\$ 50,674,746</u>	<u>\$ 53,363,112</u>	<u>\$ 49,913,726</u>	<u>\$ 55,149,465</u>	<u>\$ 56,768,681</u>	<u>\$ 53,977,601</u>	<u>\$ 55,878,548</u>

27.3% 23.1% 27.1% 18.9% 15.6% 19.4% 16.1%

Legal Debt Margin Calculation for Fiscal Year 2014

Adjusted equalized assessed valuation	\$222,066,590
Debt limit (30% of total equalized assessed value)	66,619,977
Debt applicable to limit	<u>10,741,429</u>
Legal debt margin	<u>\$ 55,878,548</u>

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

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>Per Capita Income (2)</u>	<u>School Enrollment (3)</u>			<u>Unemployment Rate (4)</u>
				<u>Public</u>	<u>Private</u>	<u>Total</u>	
2005	35,213	\$1,036,353,803	\$29,431	4,147	528	4,675	6.2 %
2006	35,213	1,100,969,658	31,266	4,166	521	4,687	5.6
2007	34,993	1,138,882,178	32,546	4,201	439	4,640	5.2
2008	34,787	1,196,011,847	34,381	4,069	477	4,546	5.6
2009	34,729	1,168,353,018	33,642	4,075	481	4,556	8.4
2010	35,251	1,177,277,647	33,397	3,707	484	4,191	8.3
2011	35,675	1,225,793,000	34,360	3,755	476	4,231	8.3
2012	35,675	1,248,161,225	34,987	3,866	429	4,295	6.3
2013	35,816	1,324,439,864	36,979	3,886	375	4,261	5.6
2014	35,891	1,345,338,244	37,484	3,919	338	4,257	4.7

(1) Kansas Statistical Abstract

(2) U.S. Bureau of Economic Analysis; 2013 estimated by management

(3) Kansas Department of Education

(4) U.S. Bureau of Labor Statistics

City of Leavenworth, Kansas
Principal Employers
December 31, 2014

<u>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Fort Leavenworth	4,185	1	26.4 %	5,423	1	32.4 %
U.S.D. 453	996	2	6.3	825	2	4.9
Veterans Administration	700	3	4.4	650	4	3.9
Northrop Grumman	700	4	4.4			
Central Plains Consolidated Accounts	400	5	2.5			
Cubic Defense Applications Group	390	6	2.5			
Leavenworth Federal Penitentiary	380	7	2.4	560	5	3.3
Leavenworth County	352	8	2.2	342	7	2.0
Walmart Supercenter	350	9	2.2			
Hallmark Cards, Inc.	260	10	1.7	670	3	4.0
Logicon				430	6	2.6
Capital Electric				326	8	1.9
St. John Hospital				319	9	1.9
Cushing Memorial Hospital				300	10	1.8
	<u>8,713</u>		<u>55.0 %</u>	<u>9,845</u>		<u>58.7 %</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	2005	2006	2007
General government	27	28	28
Public safety			
Police	89	88	91
Fire	57	57	57
Public works	32	32	32
Culture and recreation	34	33	33
Housing and urban redevelopment	9	7	7
Sewer	20	20	20
Refuse	13	13	13
Total	281	278	281

Source: City of Leavenworth Human Resources Department

Full-Time Equivalent Employees as of December 31

2008	2009	2010	2011	2012	2013	2014
29	29	30	28	26	29	29
91	93	93	93	89	86	84
57	57	57	57	57	57	55
33	33	31	30	29	30	30
33	35	35	34	34	35	37
7	7	7	7	7	7	7
20	19	19	19	19	18	14
13	14	14	14	14	13	13
283	287	286	282	275	275	269

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

Function/Program	2005	2006	2007
Public safety			
Police			
Physical arrests	3,263	3,191	2,945
Traffic violations	10,278	10,313	7,963
Parking violations	809	630	588
Fire			
Calls answered	1,121	1,676	1,957
Inspections conducted	900	917	901
Housing and urban redevelopment			
Certificates/vouchers for low-income rental assistance	339	339	339
Sewer			
Daily average treatment (thousands of gallons)	3,548	3,039	3,757
Refuse			
Refuse disposed (tons)	12,710	12,379	12,001

Sources: Various city departments

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

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
2,868	2,545	2,374	2,475	2,544	2,608	2,029
8,555	7,377	8,698	10,403	9,148	3,974	5,230
740	558	672	604	272	257	134
2,037	1,969	1,914	2,378	2,353	2,303	2,199
959	771	814	795	854	1,004	796
444	444	444	444	444	444	444
4,912	4,289	5,156	6,423	3,325	3,609	3,983
12,110	12,561	11,508	11,026	10,967	11,325	11,259

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

Function/Program	2005	2006	2007
Public safety			
Police			
Stations	1	1	1
Fire			
Stations	3	3	3
Public works			
Miles of street:			
Improved	151.7	151.7	151.7
Unimproved	0.4	0.4	0.4
Controlled intersections	41	41	41
Culture and recreation			
Community centers	1	1	1
Parks	21	21	21
Park acreage	424	424	424
Swimming pools	2	2	2
Tennis courts	8	8	8
Ball fields	9	9	9
Housing and urban redevelopment			
Elderly high-rise occupancy (units)	105	105	105
Sewer			
Sanitary sewer (miles)	130	130	130
Treatment plants	1	1	1
Treatment capacity (thousands of gallons)	6,880	6,880	6,880

Sources: Various city departments

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

Fiscal Year						
2008	2009	2010	2011	2012	2013	2014
1	1	1	1	1	1	1
3	3	3	3	3	3	3
151.7	151.7	156.6	156.6	156.6	156.6	156.6
0.4	0.4	0.4	0.4	0.4	0.4	0.4
41	41	43	43	43	43	42
1	1	1	1	1	1	1
21	21	21	21	22	22	22
424	424	424	424	441	441	442
2	2	2	2	2	2	2
8	8	8	8	8	8	8
9	9	9	9	10	12	12
105	105	105	105	105	105	105
130	130	130	130	130	130	130
1	1	1	1	1	1	1
6,880	6,880	6,880	6,880	6,880	6,880	6,880

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Single Audit of
Federal Financial Assistance

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City of Leavenworth, Kansas
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014
(With Unaudited Cumulative Totals from Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number
U.S. Department of Housing and Urban Development	
Lower-Income Housing Assistance Program	
Section 8 - Housing Choice Vouchers	14.871
Section 8 - Housing Choice Vouchers	14.871
Community Development Block Grant	
Community Development Block Grant:	
2008 Community Development Block Grant-Entitlement	14.218
2009 Community Development Block Grant-Entitlement	14.218
2010 Community Development Block Grant-Entitlement	14.218
2012 Community Development Block Grant-Entitlement	14.218
2013 Community Development Block Grant-Entitlement	14.218
2014 Community Development Block Grant-Entitlement	14.218
Passed through the Kansas Department of Commerce:	
Neighborhood Stabilization Program	14.228
Homeless Grant	
Passed through the Kansas Housing Resources Corporation:	
2012 Emergency Solutions Grant	14.231
2013 Emergency Solutions Grant	14.231
2014 Emergency Solutions Grant	14.231
Low-Income Housing Assistance Program	
Public Housing	14.850
Capital Fund Program	14.872
Capital Fund Program	14.872
Capital Fund Program	14.872
Capital Fund Program	14.872
Total U.S. Department of Housing and Urban Development	

* Award amended

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures			
	Cumulative Awards Through December 31, 2014 (Unaudited)	Cumulative Through December 31, 2013 (Unaudited)	Total for the Year ended December 31, 2014	Cumulative Through December 31, 2014
	\$ 1,460,326	\$ -	\$ 1,549,206	\$ 1,549,206
	1,532,895	1,542,081	-	1,542,081
	<u>2,993,221</u>	<u>1,542,081</u>	<u>1,549,206</u>	<u>3,091,287</u>
	579,065	578,469	-	578,469
	336,978	332,949	-	332,949
	382,145	366,530	-	366,530
	250,059 *	250,059	-	250,059
	274,539 *	149,786	124,653	274,439
	661,727 *	-	93,454	93,454
09-NSP-011	<u>1,966,311</u>	<u>1,505,705</u>	<u>137,804</u>	<u>1,643,509</u>
	<u>4,450,824</u>	<u>3,183,498</u>	<u>355,911</u>	<u>3,539,409</u>
ESG-FFY2012	41,094	28,855	12,239	41,094
ESG-FFY2013	41,081	-	30,766	30,766
ESG-FFY2014	61,871	-	18,346	18,346
	<u>144,046</u>	<u>28,855</u>	<u>61,351</u>	<u>90,206</u>
	208,221	-	208,221	208,221
KS16P06850111	89,888	59,083	30,805	89,888
KS16P06850112	83,206	-	83,206	83,206
KS16P06850113	79,947	-	73,687	73,687
KS16P06850114	89,834	-	-	-
	<u>551,096</u>	<u>59,083</u>	<u>395,919</u>	<u>455,002</u>
	\$ 8,139,187	\$ 4,813,517	\$ 2,362,387	\$ 7,175,904

(continued)

City of Leavenworth, Kansas

Schedule of Expenditures of Federal Awards
(Continued)

Year Ended December 31, 2014

(With Unaudited Cumulative Totals from Inception of the Project)

Federal Grantor/Program Title	Catalog of Federal Domestic Assistance Number
U.S. Department of Justice	
Bulletproof Vest Partnership Program - 2014	16.607
Public Safety Partnership and Community Policing Grants	16.710
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
Edward Byrne Memorial Justice Assistance Grant Program	16.738
 U.S. Department of Transportation	
Passed through the Kansas Department of Transportation:	
Highway Planning and Construction (A,B)	20.205
State and Community Highway Safety (A) (STEP)	20.600
State and Community Highway Safety (A) (STEP)	20.600
Occupant Protection Incentive Grants (B) (Nighttime Seatbelt Enf)	20.602
 Department of Homeland Security	
Sub-recipient of the Mid-America Regional Council:	
Urban Areas Security Initiative	97.067
Homeland Security Grant Program	97.067
Sub-recipient of the Kansas City Metro Regional Council:	
Homeland Security Grant Program	97.067
Homeland Security Grant Program	97.067
 Total expenditures of federal awards	

See accompanying notes to schedule of expenditures of federal awards.

Pass-Through Grantor's Number	Reported Expenditures			
	Cumulative Awards Through December 31, 2014 (Unaudited)	Cumulative Through December 31, 2013 (Unaudited)	Total for the Year ended December 31, 2014	Cumulative Through December 31, 2014
	\$ 3,470	\$ -	\$ 3,470	\$ 3,470
2013UMWX0209	166,911	-	32,078	32,078
2011DJBX2648	39,210	30,000	9,210	39,210
2012DJBX0088	31,758	21,000	10,758	31,758
2013DJBX0813	27,840	19,000	8,741	27,741
2014DJBX0350	28,398	-	-	-
	297,587	70,000	64,257	134,257
TE036001	999,107	-	353,359	353,359
OP-1008-14	5,000	-	1,260	1,260
	4,500	-	4,500	4,500
OP-1459-14	5,857	-	-	-
	1,014,464	-	359,119	359,119
(UASI)FY2012	13,281	-	13,281	13,281
(HSGP)FY2013	10,844	-	10,844	10,844
(HSGP)FY2011	4,189	-	4,189	4,189
(HSGP)FY2012	37,890	-	37,890	37,890
	66,204	-	66,204	66,204
	\$ 9,517,442	\$ 4,883,517	\$ 2,851,967	\$ 7,735,484

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards

December 31, 2014

1. Organization and basis of presentation

Organization

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

Basis of presentation

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

2. Purposes of Federal programs

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

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

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

Community Development Block Grant

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

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Neighborhood Stabilization Program

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

Homeless Grant – Emergency Solutions Grant

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

Public Housing

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

Capital Fund Program

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

Bulletproof Vest Partnership Program

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

Public Safety Partnership and Community Policing Grants

The purpose of this grant is to provide funding for the continued development of technologies and training that will advance community policing as an effective strategy to assist state, local and tribal law enforcement agencies in investigating, responding to and preventing crime.

City of Leavenworth, Kansas

Notes to Schedule of Expenditures of Federal Awards
(Continued)

2. Purposes of Federal programs (continued)

Edward Byrne Memorial Justice Assistance Grant Program

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

Highway Planning and Construction

The purpose of this Transportation Enhancement grant is to provide funding for the replacement and restoration of all structural stonework on the exterior of the historic Union Pacific Railroad Depot building located in Leavenworth, Kansas.

State and Community Highway Safety

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

Occupant Protection Incentive Grants

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

Department of Homeland Security Grants

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

3. Local government contributions

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



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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Leavenworth, Kansas (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated June 18, 2015. Our report includes a reference to other auditors who audited the financial statements of the Leavenworth Public Library, as described in our report on the City’s financial statements. The financial statements of the Leavenworth Public Library discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

Internal control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Berwick Trahan + Co., P.A.

June 18, 2015
Topeka, Kansas



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

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Leavenworth, Kansas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Berwick Trahan + Co., P.A.

June 18, 2015
Topeka, Kansas

City of Leavenworth, Kansas
 Schedule of Findings and Questioned Costs
 Year Ended December 31, 2014

Section I – Summary of Independent Auditor’s Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.871	Section 8 – Housing Choice Vouchers
20.205	Highway Planning and Construction (A, B)

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

City of Leavenworth, Kansas

Schedule of Findings and Questioned Costs
(Continued)

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

City of Leavenworth, Kansas
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2014

None

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