

City of Leawood, Kansas
Comprehensive Annual
Financial Report

For the Year Ended December 31, 2006

Prepared by Department of Finance

Kathleen M. Rogers, Finance Director
Dawn Long, Accounting Manager
Theresa Lodde, Senior Accountant

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CITY OF LEAWOOD, KANSAS
 Comprehensive Annual Financial Report

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Introductory Section

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City of Leawood

Comprehensive Annual Financial Report

Fiscal Year Ended December 31, 2006

Mayor

Peggy J. Dunn

City Council

Debra Filla
Greg Peppes
Louis Rasmussen
Jim Rawlings
Gary Bussing
Mike Gill
Scott Gullede
James Azeltine

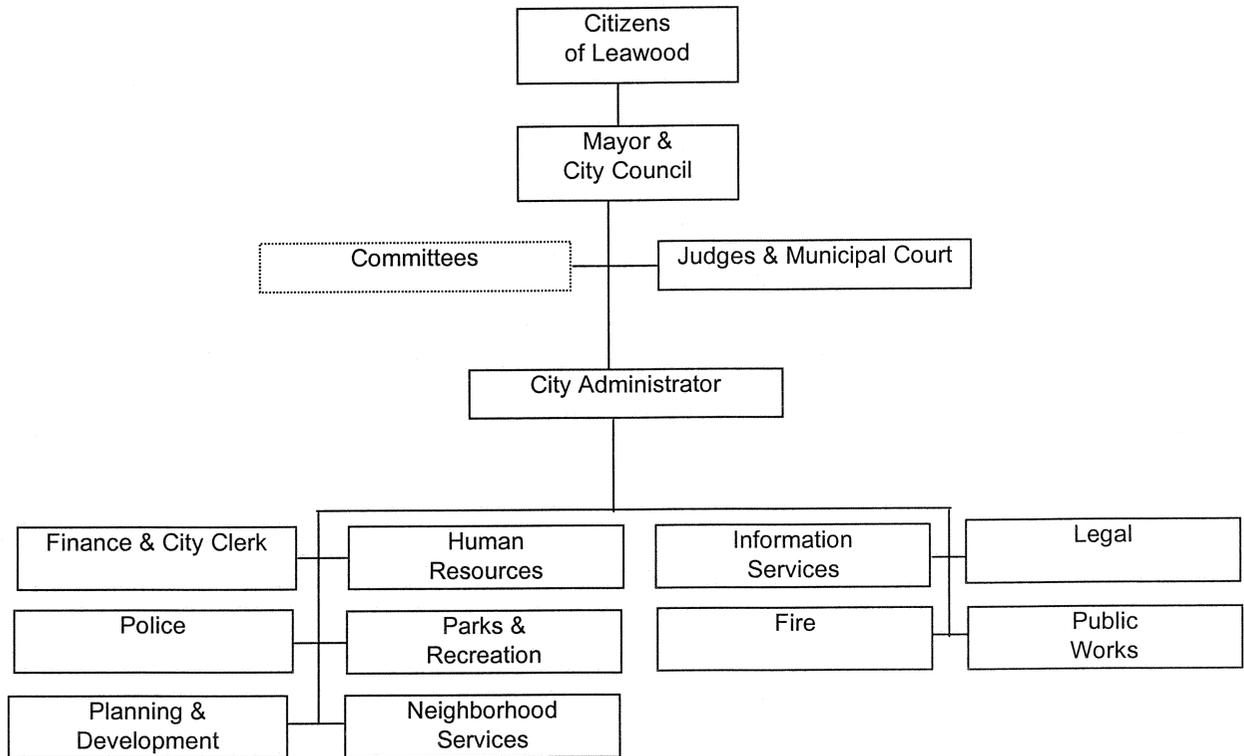
City Administrator

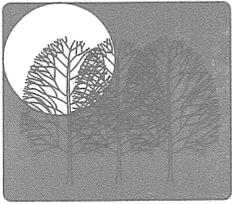
Scott M. Lambers

Prepared by Department of Finance

Kathleen M. Rogers, Finance Director
Dawn Long, Accounting Manager
Theresa Lodde, Senior Accountant

CITY OF LEAWOOD, KANSAS ORGANIZATIONAL CHART





City of Leawood

4800 Town Center Drive • Leawood, Kansas 66211 • (913) 339-6700
(913) 339-6781 Fax
(913) 339-6225 TDD

March 16, 2007

The Honorable Mayor,
Members of the City Council
and the Citizens of Leawood, Kansas:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2006.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, which is based upon a comprehensive framework of internal controls that have been established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Cochran Head Vick & Company, P.A., Certified Public Accountants, have issued an unqualified opinion on the City of Leawood's financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Profile of the Government

The City of Leawood is located approximately 10 miles southwest of downtown Kansas City, Missouri, and occupies 14.7 square miles of land in northeastern Johnson County, Kansas. The City estimates its 2006 population to be 30,670. Johnson County encompasses 476 square miles and with a 2006 estimated population of 516,000 is the most populous county in the State of Kansas. Over the last twenty years, the City has had one of the fastest growing populations in the state of Kansas and is considered one of the top growth areas in the country. The City's land area is approximately 75% developed, and growth is expected to continue in the future. The City is bounded to the east by the Kansas-Missouri state line and on all other sides by incorporated cities of Johnson County.

The City of Leawood was incorporated as a city of the third class in 1948 with slightly more than 1,000 inhabitants. On December 31, 1998, the City became a city of the first class. The City operates under a Mayor-Council form of government with a City Administrator.

The Mayor is elected on an at-large, non-partisan basis and serves a four-year term. The eight council members are elected (non-partisan) by ward and serve four-year staggered terms of office. Every other year in the even numbered years, an election for council members is held with one council member from each of the four wards being chosen at each election.

The City Administrator is appointed by the Mayor and City Council as the Chief Administrative Officer of the City and is charged with the efficient and effective administration of the City.

The City of Leawood provides a variety of services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational and cultural activities.

As required by Generally Accepted Accounting Principles (GAAP) in the United States of America, the only basic financial statements presented are the City's (the primary government) and one blended component unit. Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Accordingly, the Leawood Public Building Commission is reported in the Public Building Commission Special Revenue Fund.

The Shawnee Mission Unified School District No. 512 and the Blue Valley Unified School District No. 229 provide public education services. Johnson County Water District No. 1 provides water services. It should be clearly noted that these self-government entities are not part of the City of Leawood.

By Kansas law, the budget must be approved by the Council and submitted to the County Clerk by August 25th of each year. This annual budget serves as the foundation for the City of Leawood's financial planning and control. The budget is prepared by fund, function (e.g. public safety), and department (e.g. police). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need approval from the City Administrator.

Local economy

The City of Leawood continued to see substantial development activity in 2006. The demand for new office and retail space remained strong in 2006 with the City granting approval of preliminary and final development plans, including revised plans, totaling 2.8-million square feet. In addition to the traditional office and retail development, the City has continued to see interest in mixed-use development that includes a mix of retail, office, and residential uses within a single development. Mission Corner, located at the southeast corner of 135th Street and Mission Road, received both preliminary and final site plan approval. In addition to retail and office uses, this development includes residential above retail and some two-story residential condominiums.

The City of Leawood had a significant amount of construction in 2006. Park Place, the City's flagship development located at the northeast corner of 117th Street and Nall Avenue, started the construction of three buildings in 2006. Park Place also received preliminary approval for a second hotel that will be located along Nall Avenue. Crate and Barrel, located at the southeast corner of 119th Street and Roe Avenue within the One Nineteen development, completed construction and opened for business in 2006. A contemporary retail main center is planned to complement the Crate and Barrel building within this development. These two developments will complement Town Center Plaza and will make central Leawood a true downtown and an enviable crown jewel of the Greater Kansas City area. Two buildings were under construction within the Mission Farms mixed-use development at the southeast corner of 105th Street and Mission Road. These two buildings will have retail on the first floor with residential condominiums above. Other developments that continued to see construction activity were Parkway Plaza, a mixed-use development located at the northwest corner of 135th Street and Roe Avenue; and Cornerstone, a retail and office development located at the southeast corner of 135th Street and Nall Avenue. Among the buildings constructed within the Cornerstone development were the Plaza III restaurant, Bonefish Grill, and Cheeseburger in Paradise.

Residential activity was also robust during the past year. Both Glen Abbey of Leawood, a 27.31-acre subdivision north of 143rd Street and east of Nall Avenue; and Tuscan Reserve Village, a town home development north of 137th Street and east of Pawnee Road that consists of eight condominium buildings, received both preliminary and final site plan approval. Single-family subdivisions continued to see construction activity including Mission Reserve at the southwest corner of 151st Street and Mission Road; Wilshire Place, located north of 133rd Street and east of Pawnee; LeaBrooke, located south of 143rd Street and west of Kenneth Road; and Highlands Ranch, south of 143rd Street and east of Nall Avenue. In addition to single-family development, condominiums, including some above retail, were approved and/or constructed within mixed-use developments including Mission Corner, Mission Farms, and Parkway Plaza. In 2006, 23 building permits for new commercial developments were issued with an estimated value of \$67-million; and 111 new single-family home permits were issued with an estimated value of \$35-million.

Because of Leawood's location in a region with a varied economic base, the unemployment rate is relatively stable. During the past ten years, the unemployment rate dropped from an initial high of 3.0 percent (1996) to a decade low of 1.3 percent (1999), only to ascend once more to the current rate of 2.5 percent. The unemployment rate is expected to remain stable.

During the past ten years, Leawood's total expenditures on average have increased at a rate of 6%. General government has increased at an annual rate of 6%, public safety at 6%, public works at 2%, and parks and recreation at 10%. In addition, capital outlay increased by 7% and debt service by 13%. Expenditures related to parks and recreation, general capital outlay, and debt related expenditures have increased faster than total expenditures.

The City of Leawood has been in a high growth mode over the past ten years. Administrative costs shown under general government include much of the staff to support the growth opportunities in the community including planning and development, finance, legal, information services, and human resources.

A number of public safety positions have been added to manage this aspect of growth. With the emergence of Leawood as a shopping destination, the safety of our residents and visitors is very important. The additional cost for public safety comes from an increase in demand for services and associated personnel costs.

The Public Works budget has increased only 2% over the past ten years, which is lower than the other divisions of the City. The reason for this is that the funds, which were once used for capital maintenance and improvement of the city streets, are no longer shown in the operating budgets but have been moved to capital pay-as-you-go budgets or are debt financed. Significant work to the city streets has also taken place during this ten year period, including an accelerated street renovation program that began in 2004. It is the goal of the Governing Body to reduce the backlog of streets that do not meet a pavement condition index (pci) rating of at least 70% within the foreseeable future.

The increase in debt service at 13% represents the largest increase to the general government and is a direct result of our own building projects. During the last ten years, the City has invested considerable funds for new amenities in many areas of Leawood, notably in the Parks and Recreation Department. These amenities range from a first class aquatic center to climbing walls and offer a rich array of leisure activities for our citizens and the community. To support these activities, there has been a direct correlation to the increase in the growth of the Parks and Recreation operating budget. Furthermore, as a matter of policy, the Governing Body has elected to dissolve the Golf Course enterprise fund and to cancel the interfund loans made for this activity. In the future, the Golf Course will be part of the regular Parks and Recreation budget.

Leawood is fortunate to not only be able to invest in its capital needs with current dollars, but has, and is expected to have, continued growth to support debt payments.

The City is proud of our staff and their accomplishments. In 2006, Police Chief Sid Mitchell retired after 31 years of law enforcement service. Deputy Police Chief John Meier was promoted to succeed Chief Mitchell. In addition, Police Officer Randy Wiler was selected as the International Drug Abuse Resistance Education (DARE) Officer of the Year. Over 43 countries participate in the International DARE Program with over 23,000 DARE Officers.

Long-term financial planning

The unreserved, undesignated fund balance in the general fund (62.8% of total general fund expenditures) falls well above the policy guidelines set by the Council for budgetary and planning purposes (i.e. between 8.33 and 15 percent of total general fund expenditures).

The City's continued control over expenditure growth has been, and will continue to be, a key factor in maintaining the City's strong financial position. The City Council has wisely taken advantage of the past year's financial prosperity to secure the future stability of the City. On an ongoing basis, funds are being set aside as reserves for building maintenance, vehicle replacement, replacement of large fire equipment, and replacement and upgrades for automation needs. The conservative budgets that were passed in prior fiscal years have contributed to this overall financial philosophy.

Relevant financial policies

In order to be in compliance with Governmental Accounting Standards Board (GASB) Statement No. 34, the City must have all infrastructure inventoried and valued by the end of 2006. During the past four years, all city-owned storm water systems have been televised and subsequently inventoried. During 2006, the City hired an outside appraisal firm and, in conjunction with City staff, determined the estimated valuation of the storm water system for financial reporting purposes. Therefore, as of December 31, 2006, the City has completed the infrastructure reporting requirements under GASB 34. In addition, the City is required under GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, to make changes for this reporting period to its statistical section and has done so. There were no other significant changes in existing city financial policies.

Major initiatives

The City's continued commitment to the \$10.5-million accelerated residential street program and to storm water improvements remained strong in 2006. The Nall Avenue widening began from 143rd Street to 151st Street. In the fall, a substantial mill and overlay of Tomahawk Creek Parkway was completed along with completion of a pedestrian bridge. Two major storm drainage projects, one which is adjacent to the City's golf course and the other in the north part of the City, totaling over \$9-million, progressed according to schedule and were on budget.

Leawood continues to be a hub for fine art, cultural, and recreation activities with concert series and art shows. The Leawood Arts Council (LAC) hosted the Kansas City Symphony and Ballet in the Park. In July, the City's eighth musical production, "Oklahoma," played to audiences on the amphitheater stage in Ironwoods Park.

Our 2006 Art on Loan Program in City Hall continued with the contemporary theme of “Embrace” by Matt DeHaemers, which was replaced mid-year by two temporary installations. The sculpture "Anagenisi apo Koinonia" by Reilly Hoffman is showcased in the lobby of City Hall while “The Sentinel” by Tex Jernigan is displayed on the lawn in front of City Hall. Both artists are students at Kansas City Art Institute.

From an international flavor, planning continues on Gezer Park. It will be constructed by 2008 to recognize our sister city relationship with the Gezer Region of Israel. One of the many features in the park will be an eight-foot sculptured replica of the Gezer tablet, which contains an agricultural calendar that has been dated to 1,000 B.C. The tablet will be a gift from the Gezer Regional Council. The ladder sculpture by Israeli artist Ilan Averbuch will be installed in Gezer Park. The park will feature landscape and water features. The 22-foot ladder will rise from the surface of a small lake.

In mixing the past with the present, Leawood celebrated with its own version of “Holiday Traditions on the Prairie” in December. The event was held at Leawood’s very own one-room Oxford Schoolhouse. In addition, The Historic Commission held the annual Kansas Day Lecture with a presentation on the “Santa Fe Trail.”

Awards and Acknowledgements

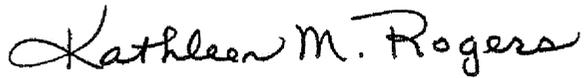
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Leawood for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2005. The City has received this prestigious award for ten consecutive years. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied 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 CAFR continues to meet the Certificate of Achievement Program’s requirements and are submitting it to the GFOA to determine eligibility for another certificate.

In addition, the government also received the GFOA’s Distinguished Budget Presentation Award for its annual budget document dated January 1, 2007. In order to qualify for the Distinguished Budget Presentation Award, the government’s budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff in the Finance and Administration Department. We wish to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the governing City Council for their unfailing support of maintaining the highest standards of professionalism in the management of the City of Leawood's finances.

Respectfully submitted,



Kathleen M. Rogers
Finance Director



Scott Lambers
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Leawood
Kansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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



President

Executive Director

Financial Section

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INDEPENDENT AUDITOR'S REPORT

6700 Antioch Rd., Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

The Honorable Mayor and
Members of City Council
City of Leawood, Kansas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leawood, Kansas as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Other Offices

10034 NW Ambassador Dr.
Kansas City, MO 64153
(816) 880-0006
(816) 880-4868 FAX

3717 North Oak Trafficway
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

317 W. Young
Warrensburg, MO 64093
(660) 747-9125
(660) 747-9490 FAX

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2007, on our consideration of the City of Leawood, Kansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the other required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Leawood, Kansas' basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Leawood, Kansas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

March 14, 2007

Carson Head Vick + Co PA

**City of Leawood, Kansas
Management's Discussion and Analysis**

Fiscal Year Ended December 31, 2006

This discussion and analysis of the City of Leawood's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter, the basic financial statements, and the accompanying notes to those financial statements.

Financial Highlights

- The assets of the City of Leawood exceeded its liabilities at the close of the fiscal year by \$306,614,065.
- The City's total net assets increased by \$10,166,191, primarily due to the completion of projects and acquisition of assets from developers.
- As of the close of the current fiscal year, the City of Leawood's governmental funds reported combined ending fund balances of \$23,679,990, a decrease of \$4,081,670 in comparison with the prior year.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$14,651,607 million, or 62.8% of total general fund expenditures.
- Approximately 47.2% of the combined governmental fund balances, \$11,179,933, is considered unreserved and is available for spending at the City's discretion.
- The City of Leawood maintained a AA1 bond rating for the 13th consecutive year.

Overview of the Financial Statements

The financial statements presented herein include all activities of the City of Leawood using the integrated approach as prescribed by GASB Statement No. 34.

Government-Wide Financial Statements

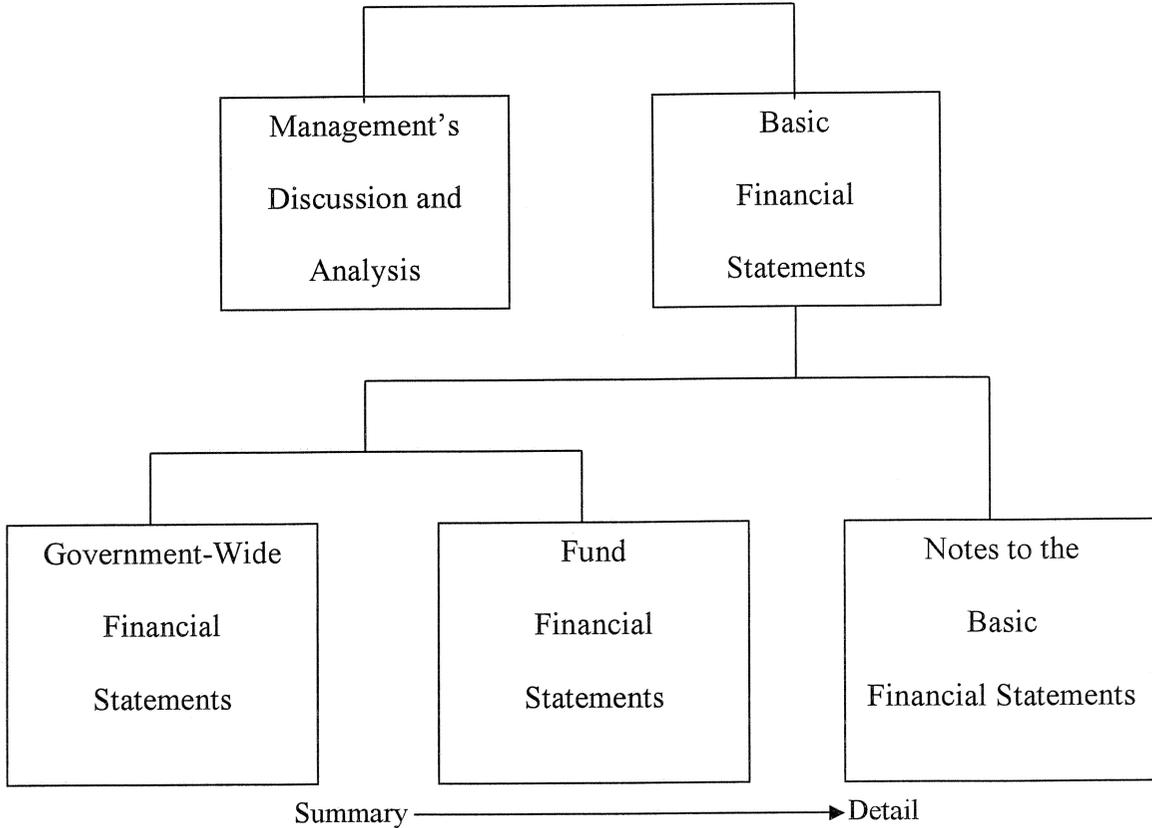
The Government-Wide Financial Statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. The statements present governmental activities and business-type activities separately. These statements include assets of the City (including certain infrastructure) as well as all known liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables, and receivables.

The Statement of Net Assets and the Statement of Activities report the City's *net assets* and the resulting changes. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's roads.

The Statement of Activities distinguishes the City's functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities).

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Exhibits A and B) in the basic financial statements are the **Government Wide-Financial Statements**. The Government-Wide Financial Statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The Government-Wide Statements provide short and long-term information about the City's financial status as a whole.

The next statements (Exhibits C through H) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the Government-Wide Statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements; 2) the proprietary fund statements; and 3) the fiduciary fund statement.

The next section of the basic financial statements is the **Notes to the Basic Financial Statements**. The notes to the financial statements explain in detail some of the data contained in those statements. The Notes to the Financial Statements are on pages 35-60 of this report.

After the notes, **required and other information** is provided to show details about the City's individual funds. These reports include certain *required supplementary information* concerning budgetary comparison schedules for the general fund and schedules and disclosure of the modified approach for the reporting portions of the City's infrastructure. Required supplementary information can be found on pages 61-62 of this report.

Governmental activities – Most of the City's basic services are reported in this category, including General Government, Fire, Police, Public Works, and Parks and Recreation. Property and sales taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities – The City charges a fee to customers to cover all or most of the cost of services it provides. Ironhorse Golf Course services are reported in this activity.

Fund Financial Statements

The City uses three types of funds to manage its resources: governmental funds, proprietary funds, and fiduciary funds. A fund is a fiscal entity with a set of self-balancing accounts recording financial resources, together with all related liabilities and residual equities and balances, and the changes therein. These accounting entities are separated for the purpose of carrying on specific activities or attaining certain objectives in accordance with regulations, restrictions, or limitations.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of net assets in the Governmental Fund Financial Statement to that reported in the Government-Wide Financial Statements are explained in the reconciliation schedule following each of the Governmental Fund Financial Statements.

Proprietary Funds – When the City charges customers for the services it provides to cover the cost of operations, these activities are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets, and the Statement of Revenues, Expenses, and Changes in Fund Net Assets. In fact, the City's enterprise fund is the same as the business-type activities reported in the government-wide statements but provides more detail and additional information, such as cash flows, for proprietary funds.

Agency Funds – The City is the trustee, or *fiduciary*, for the Cornerstone Transportation Development Fund, the Resurrection Transportation Development Fund and the Leawood Employee Giving Fund. The city collects special assessment taxes and remits them to a trustee for disbursement to bond holders. The Employee Giving fund captures such monies and a special committee of employees provides for the expenditure of monies when needed.

Government-Wide Financial Statements
Net Assets— figure 2

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	Activities		Activities			
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 71,512,801	\$ 74,808,948	\$ -	\$ 207,481	\$ 71,512,801	\$ 75,016,429
Long-term receivables	7,638,451	8,871,935	-	-	7,638,451	8,871,935
Internal balances	-	1,847,701	-	(1,847,701)	-	-
Capital assets, net	326,893,070	304,972,851	-	7,285,866	326,893,070	312,258,717
Total assets	<u>406,044,322</u>	<u>390,501,435</u>	<u>-</u>	<u>5,645,646</u>	<u>406,044,322</u>	<u>396,147,081</u>
Other liabilities	46,612,736	47,612,139	-	583,638	46,612,736	48,195,777
Long-term liabilities	52,817,521	47,873,100	-	3,630,330	52,817,521	51,503,430
Total liabilities	<u>99,430,257</u>	<u>95,485,239</u>	<u>-</u>	<u>4,213,968</u>	<u>99,430,257</u>	<u>99,699,207</u>
Net assets						
Investment in capital assets, net of related debt	275,588,463	258,610,302	-	3,192,892	275,588,463	261,803,194
Restricted	7,606,885	7,881,764	-	-	7,606,885	7,881,764
Unrestricted (deficit)	23,418,717	28,524,130	-	(1,761,214)	23,418,717	26,762,916
Total net assets	<u>\$ 306,614,065</u>	<u>\$ 295,016,196</u>	<u>\$ -</u>	<u>\$ 1,431,678</u>	<u>\$ 306,614,065</u>	<u>\$ 296,447,874</u>

Net assets may serve over time as one useful indicator of a government's financial condition. The City's net assets increased by \$10,166,191, or 3.3 %, for the fiscal year ended December 31, 2006.

Current and other assets - Cash decreased because the City spent over \$5,800,000 for the purchase of land for a new Justice Center. In addition, funds were spent on several other capital projects.

Long-term receivables decreased in 2006 because no new special benefit district assessments were added, however there was steady collection of special assessment revenue.

Internal balances - These balances were eliminated in 2006. Initially these funds were loaned to Ironhorse Golf Course however; the amounts have been cancelled by the Governing Body. As of January 1, 2007, the Golf Course will become a program in the parks division of the general fund and will no longer be considered in a business-type fund.

Capital assets – This category showed the largest increase. This increase is a result of donated infrastructure assets from developers as well as capital projects constructed during the year.

Other liabilities - Increased because the amount of temporary note borrowing decreased.

Long-term liabilities - Increased slightly in 2006 as capital improvement projects were completed and bonded. More information about long-term liabilities can be found on page 52.

Invested in capital assets, net of related debt represents the City's investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment); less any related debt still outstanding that was issued to acquire those items. Capital assets include all assets, still in use, existing at the date of the City's incorporation (1948) and acquired through December 31, 2006. The City completed the valuation and the addition of the storm water infrastructure as of December 31, 2006.

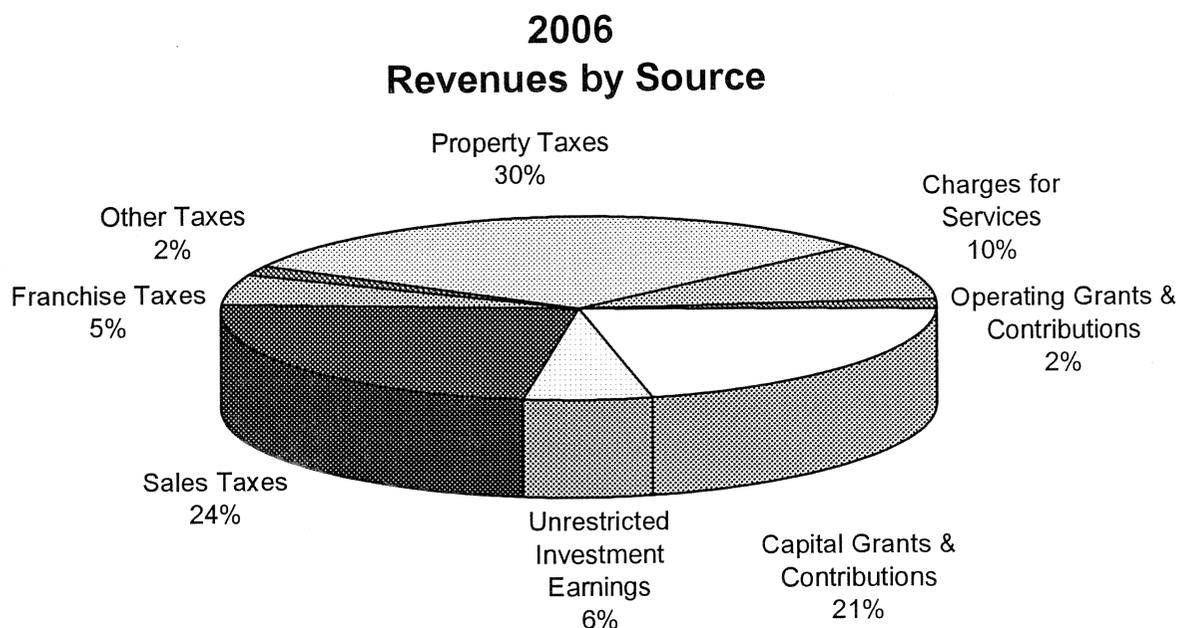
Restricted net assets total \$7,606,885 and represent assets restricted by either external groups such as creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provisions or enabling legislation. Unrestricted net assets, of \$23,418,717, consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Government-Wide Financial Statements
Statement of Activities – figure 3

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 5,154,270	\$ 5,302,147	\$ 1,825,144	\$ 2,007,047	\$ 6,979,414	\$ 7,309,194
Operating grants and contributions	792,403	2,848,701	-	-	792,403	2,848,701
Capital grants and contributions	8,476,782	14,197,932	-	-	8,476,782	14,197,932
General revenues:						
Property taxes	15,797,923	14,612,595	-	-	15,797,923	14,612,595
Sales tax	12,222,897	11,923,933	-	-	12,222,897	11,923,933
Franchise tax	2,648,951	2,632,536	-	-	2,648,951	2,632,536
Other taxes	769,263	576,723	-	-	769,263	576,723
Grants and contributions not restricted to specific programs	2,380,457	2,290,236	-	-	2,380,457	2,290,236
Unrestricted investment earnings	2,976,921	1,789,313	247	201	2,977,168	1,789,514
Other	112,838	102,475	30,798	-	143,636	102,475
Total revenues	<u>51,332,705</u>	<u>56,276,591</u>	<u>1,856,189</u>	<u>2,007,248</u>	<u>53,188,894</u>	<u>58,283,839</u>
Expenses:						
General government	4,752,202	5,117,718	-	-	4,752,202	5,117,718
Public safety	11,682,872	11,229,154	-	-	11,682,872	11,229,154
Public works	17,121,498	15,974,158	-	-	17,121,498	15,974,158
Parks and recreation	3,816,310	3,753,994	-	-	3,816,310	3,753,994
Golf course operations	-	-	1,989,003	2,232,248	1,989,003	2,232,248
Interest on long-term debt	3,496,801	2,737,987	164,017	182,230	3,660,818	2,920,217
Total expenses	<u>40,869,683</u>	<u>38,813,011</u>	<u>2,153,020</u>	<u>2,414,478</u>	<u>43,022,703</u>	<u>41,227,489</u>
Increase (decrease) in net assets before transfers	10,463,022	17,463,580	(296,831)	(407,230)	10,166,191	17,056,350
Transfers	1,134,847	(579,137)	(1,134,847)	579,137	-	-
Change in net assets	<u>11,597,869</u>	<u>16,884,443</u>	<u>(1,431,678)</u>	<u>171,907</u>	<u>10,166,191</u>	<u>17,056,350</u>
Net assets, as of January 1	<u>295,016,196</u>	<u>278,131,753</u>	<u>1,431,678</u>	<u>1,259,771</u>	<u>296,447,874</u>	<u>279,391,524</u>
Net assets, December 31	<u>\$306,614,065</u>	<u>\$295,016,196</u>	<u>\$ -</u>	<u>\$1,431,678</u>	<u>\$306,614,065</u>	<u>\$296,447,874</u>

The City’s total revenues in 2006 were \$53,188,894 and expenses were \$43,022,703. This total of Government activities and Business-Type activities are presented in a combined fashion in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

The following graph shows the composition of 2006 governmental activities.



Governmental revenues totaled \$51,332,705 and include charges for services, operating and capital grants, general revenues, investments, and others.

Several of the revenue and expense categories fluctuated between 2006 and 2005. Highlights include the following:

Revenues

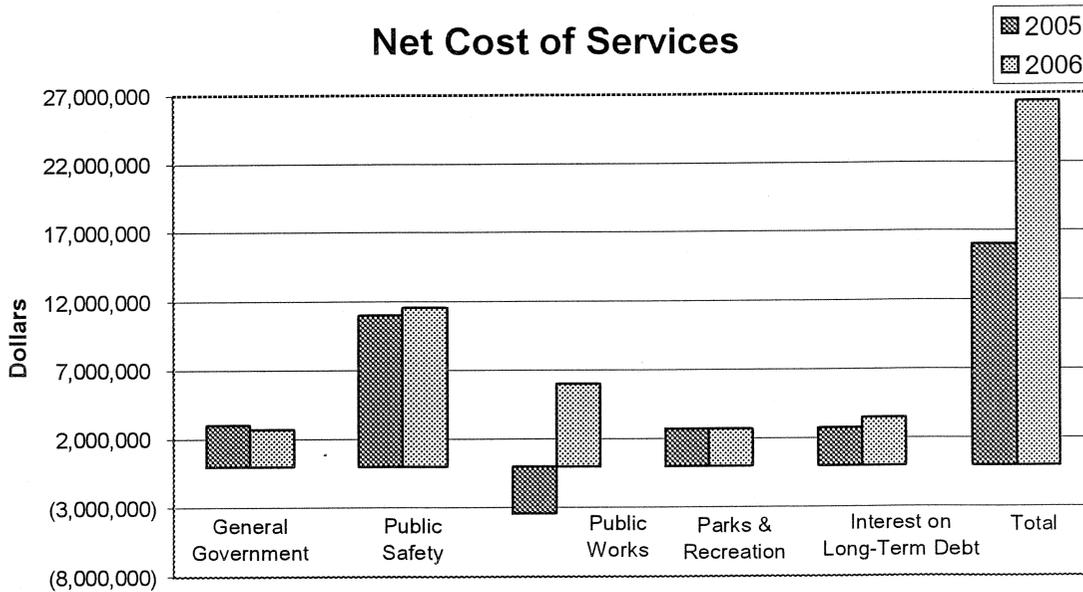
- Charges for services in 2006 totaled \$5,154,270 compared to \$5,302,147 in 2005. In 2005, \$250,000 in impact fees from developers were collected compared to \$69,000 in 2006.
- Capital grants and contributions decreased by \$5,721,150. The primary reasons were that the City received \$2.2-million in capital grants in 2005 and \$585,000 in 2006. Additionally in 2005, developers contributed \$9.5-million in donated assets compared to \$7.2 million in 2006. Lastly, the City did not issue any capital related special benefit debt in 2006. Accordingly, there were no special benefit district capital assessments made in 2006. This figure can vary from year to year depending on how many special benefit projects were funded in this manner and the nature of the project.
- Property taxes increased due to an increase in assessed valuation from 2005.
- Sales and use tax revenue had an increase from \$11.9-million in 2005 to \$12.1-million in 2006 a slight increase of 2.5% over 2005. This revenue continues to increase, although at a slower pace.
- Franchise taxes increased approximately \$27,000. While traditional telephone franchise revenue dropped by 20%, natural gas remained flat. KCP& L increased by 4%, or \$48,000, and with the continuation of new home building in the City and the bundling options offered by Time Warner, the City's cable franchise saw an 11% increase of \$43,324.
- Investment earnings for 2006 increased from \$1,789,313 to \$2,976,921, a 66.3% increase due to higher interest rates.

Expenses

Government activities expenses totaled \$40,869,683 for General Government, Public Safety, Public Works, Parks and Recreation, and interest on long-term debt, which is an increase of \$2,056,672. All transfers between funds have been eliminated. Key components of the changes to the governmental funds include:

- Recognized depreciation expense of \$7,121,098, an increase of \$613,042 over 2005. This was due to the inclusion of the storm water infrastructure, which completes the City’s compliance with the infrastructure provisions of GASB 34.
- Wages and benefits increased in all operating divisions.
- Increases in Public Works capital maintenance projects that were expensed in 2006 because they did not meet the City’s threshold for capitalization.
- Increase in interest and fiscal charges of \$758,814 are a result of larger debt service payments as the City continues to fund capital projects at a significant rate.

The following chart compares the governmental net cost of services for 2005 and 2006.



The total cost of services for 2006 was \$40,869,683; however, the portion of these services covered by the City’s taxpayers was only \$26,446,228. The City funded the majority of this cost with property taxes and sales taxes. The remaining \$14,423,455 was funded by users directly benefiting from the services or by other organizations through grants and contributions. In 2005, the City received so much donated and developer financed infrastructure, that the Public Works Division ended the year with a negative program cost because the value of the donated infrastructure exceeded the division’s expenses.

Business-Type Activities.

The City of Leawood's proprietary fund provides the same type of information found in the government-wide statements but in more detail. The operations of Ironhorse Golf Course are contracted with ORION Management Solutions, Inc., an independent third party.

- Effective January 1, 2007, the City will report the activities of Ironhorse Golf Course in the General Fund. Accordingly, all current assets and liabilities have been transferred to the General Fund as of December 31, 2006, and all long-term assets and liabilities have been transferred to the City's governmental activities. Ironhorse will be closed for major renovations in 2007 and is scheduled to reopen for play in the spring of 2008.
- Golf Course charges for services in 2006 were \$1,825,144 as compared to \$2,007,047 in 2005. Continued competition for the golfer's dollar in the Kansas City area has contributed to this reduction. Also, the course will be closed in 2007 for major renovation; anticipation of this closure may have affected revenues in 2006.
- Golf Course operating expenses for the year totaled \$1,995,790. There was a corresponding decrease of 9.8% expenses from the previous year's operating expenses of \$2,212,039 for the same reasons cited above.

Analysis of the Fund Financial Statements

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

Governmental Funds. The focus of the City of Leawood's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Leawood's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

General Fund. The general fund is the chief operating fund of the City of Leawood. At the end of the current fiscal year, the total fund balance of the General Fund was \$14,706,792, an increase of \$1,878,421 over the beginning balance of \$12,828,371. Revenues increased by \$5,149,378, primarily due to a change in the allocation of the mill levy between the General Fund and Debt Service Fund which resulted in \$3.2 million more in property taxes going to this fund. Interest earnings and a reclassification of Economic Development Sales taxes from the Capital Projects Fund to the General Fund also contributed to the increase in general fund revenues. Expenditures increased overall by \$897,944, or 3.9%, with the largest increase primarily in the area of Public Safety – Police and Fire at \$461,016. General Government increased \$221,940, Parks & Recreation \$83,792, and Public Works \$222,140. Labor, benefits, energy and oil costs, and contractual services accounted for many of the changes.

Debt Service Fund. The ending fund balance of \$5,922,766 decreased \$1,022,656 from last year. This balance represents 92.2% of the 2006 annual debt service payments.

Capital Improvements Fund. The ending fund balance of \$3,741,894 decreased \$954,000 from last year. The major purchase from this fund in 2006 was the purchase of the land for a newly planned Justice Center at \$5.8 million.

Capital Projects Fund. At December 31, 2006, the fund balance in the City's major Capital was a deficit of \$7,213,568. The deficit was a result of borrowing short-term funds in order to finance capital projects. Once these projects are bonded, the fund will return to a positive balance.

At the close of the current fiscal year, the City of Leawood's governmental funds reported combined ending fund balances of \$23,679,990, a decrease of \$4,081,670 in comparison with the prior year. The decrease in governmental funds was primarily a result of an increase of \$8,103,570 in capital outlay expenditures over the prior year.

Proprietary Funds. The City's Golf Course, Ironhorse, is the City's only enterprise fund and is described under Business-type Activity.

General Fund Budgetary Highlights

During the fiscal year, the City did not formally amend its General Fund budget. On a budgetary basis, details which can be found in the *Required Supplementary Information* on schedule 1, page 61, the revenues and other sources, over expenditures, and transfers resulted in an increase of \$1,878,421. Actual revenues in total were \$2.6-million greater than budgeted revenues. In the category of taxes, city and county sales and use taxes showed very little difference between budget and actual. Licenses and Permits were higher by \$680,000 because of building permits and platting fees. Intergovernmental was considerably more than budgeted because the City changed the method in which it records certain sales taxes. Instead of recording these sales taxes into the capital projects fund, these sales taxes were recorded in the general fund and then were transferred to the capital projects fund. Additional interest income was generated due to a combination of rising interest rates and larger cash reserves.

General Fund expenditures were lower than the final budget by \$3.1-million. Savings in personnel costs from position vacancies, savings from professional and contractual support, and over estimation of health insurance costs completed the saving variances in the remaining activities.

Capital Asset and Debt Administration

Capital assets. The amount invested in capital assets for the City at December 31, 2006, is \$326,893,070, net of accumulated depreciation. This amount includes all infrastructure assets acquired during 2006 as well as streetlights, traffic signals, land/right-of-way, bridges, and streets existing and acquired subsequent to 1948 and still in use. The largest single purchase in 2006 was a tract of land the City purchased for \$5.8 million. This land will be used to build a Justice Center for Police and Court operations. As previously mentioned, the Golf Course assets were transferred to the Governmental Activities. The amount transferred net of depreciation at December 31, 2006, was \$7,149,898. The following chart breaks down the City's capital asset balance into the various categories of assets.

**City of Leawood's Capital Assets
(Net of depreciation)
Figure 4**

	Governmental Activities	Business-type Activities	Total
	2006	2006	2006
Land/Right of Way	\$ 107,459,250	\$ -	107,459,250
Buildings and Improvements	28,659,100	-	28,659,100
Machinery and equipment	5,099,470	-	5,099,470
Infrastructure	178,537,722	-	178,537,722
Construction in progress	7,137,528	-	7,137,528
Total	\$ 326,893,070	\$ -	\$ 326,893,070

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34, for infrastructure reporting for its streetlights and traffic signals. The City manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) performing condition assessments and summarizing the results using a measurement scale, and (3) estimating annual amounts to maintain and preserve at the established condition assessment level.

Under GASB 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. It is the City’s policy to maintain and preserve streetlights and traffic signals by least at 85% of their normal operating mode. Street lights and traffic signals are often out of service for the following factors: (1) life of lamp light; (2) accidents by vehicles or contractors who excavate in the City’s rights-of-way; (3) weather such as high winds, rain, snow, and ice; and (4) vandalism. The City contracted with an outside service provider to perform inspections. The City also relies upon citizens to report streetlight and traffic signal outages or malfunctions. The provider performs a monthly visual inspection on the streetlights and traffic signals and reports to the City Engineer. The City’s policy is to repair/replace any outages or malfunctions within 48 hours. The average monthly condition assessment for 2006 was 98.1%. For 2006, the City incurred expenditures of \$115,061 compared to the budgeted amount of \$209,500 to maintain the condition assessment level.

All other capital assets and infrastructure (except for non-depreciable assets) are depreciated on a straight-line basis.

Major capital asset transactions during the year include the following additions and disposals:

- The City received \$7,231,284 in donated infrastructure assets from developers.
- Construction in progress consists of \$7,137,528 for street, stormwater, and bridge construction projects. In addition to Roe Avenue, several residential streets were totally reconstructed. Phase one of the Dykes Branch storm water project, and a reconstructed pedestrian bridge were both completed and capitalized.
- \$2.8- million in streets were removed from the capital assets as recent reconstruction/renovation projects, primarily Roe Avenue were completed.

Additional information on the City's capital assets can be found in the Notes to the Basic Financial Statements, item D and Note 3, Item E.

Long-term Debt. As of December 31, 2006, the City of Leawood had total bonded debt outstanding of \$51,990,000. Of this, \$49,920,000 in debt is backed by the full faith and credit of the City. The remainder of \$2,070,000 represents revenue bonds secured solely by a lease agreement from the City of Leawood to the Public Building Commission.

**City of Leawood's Outstanding Debt
General Obligation and Revenue Bonds
(In thousands)**

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 49,920	\$ 44,356	\$ -	\$ 4,144	\$ 49,920	\$ 48,500
Revenue bonds	2,070	2,420	-	-	2,070	2,420
Total	<u>\$ 51,990</u>	<u>\$ 46,776</u>	<u>\$ -</u>	<u>\$ 4,144</u>	<u>\$ 51,990</u>	<u>\$ 50,920</u>

The City of Leawood maintained its AA1 bond rating from Moody's Investor Service for the 13th consecutive year. This bond rating is a clear indication of the sound financial condition of the City of Leawood. This achievement is a primary factor in keeping interest costs low on the City's outstanding debt.

Kansas statutes limit the amount of general obligation debt that a unit of government can issue to thirty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt margin for City of Leawood is \$211,196,094. The City had \$1,050,000 in bonds authorized but un-issued on December 31, 2006.

Additional information regarding the City of Leawood's long-term debt can be found in the Notes to the Basic Financial Statements, Note 3, item H.

Economic Factors and Next Year's Budgets and Rates

The City of Leawood is no different than many other cities. Anticipated future cost increases for health insurance, workers' compensation, and retirement benefits, combined with the higher energy costs and a changing global economy, has made providing a balanced budget a challenge. For the 2007 budget year, the mill levy is budgeted to remain unchanged. Sales and use taxes are projected at 27% of total revenue in 2007, which is 2.8% over 2006. While sales taxes continue to grow they are, albeit, a much slower pace than in previous years. Higher interest earnings help to fill in the gap as long as reserves continue to be maintained in order to generate these outcomes.

Public Safety. In 2006, Leawood police officers were involved with 36,553 calls for service, a 7% increase from 2005. There was a 9% increase in the number of traffic responses, a 6% increase in the number of citations and a 4% increase in the number of traffic accidents in which officers were dispatched. The Fire Department received the 2005 "Life Safety Achievement Award" in 2006 by the Kansas State Fire Marshall for having recorded zero fire-related fatalities. In addition, over 4,000 Leawood school children from Kindergarten to 5th grade were instructed in fire safety during the year.

Recreation and Cultural. A sold out Sunday afternoon "Tea with Shakespeare" event was held in conjunction with the Friends of the Heart of America Shakespeare Festival and the Magna Carta chapter of the Daughters of the British Empire. In addition, a Summer Family Concert Series was held in front of City Hall and the Pioneer Library. This series was to promote summer reading.

Economic Development. Over \$76 million in new and remodeling commercial building permits were issued. Residential activity also maintained a brisk pace with over \$35-million in new single-family permits being issued. Almost 300 residential remodeling permits were issued in 2006 totaling approximately \$15 million. All told, in 2006 Leawood saw almost \$130-million in construction activity.

Transportation. Transportation issues remain at the forefront for the City. A tremendous effort continues to focus on regional issues, as well as residential, as the City works to lessen the impact of growth. 2006 saw the continuation of the widening project on Nall Avenue from 135th Street south to 151st Street. The second phase of the Roe Avenue improvement project was completed.

Requests for Information

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report, or requests for additional information, contact the Director of Finance, City of Leawood, 4800 Town Center, Leawood, KS 66211 or phone 913-339-6700 ext. 121.

Basic Financial Statements

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City of Leawood, Kansas
Statement of Net Assets
December 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Pooled cash and investments	\$ 55,430,806	\$ -	\$ 55,430,806
Restricted assets	114,074	-	114,074
Receivables - (net of allowance for uncollectibles):			
Property tax	9,479,847	-	9,479,847
Sales tax	2,387,468	-	2,387,468
Franchise tax	666,075	-	666,075
Special assessments - current	1,233,484	-	1,233,484
Intergovernmental	1,313,454	-	1,313,454
Interest	169,288	-	169,288
Accounts	33,168	-	33,168
Inventory and prepaid expenses	55,185	-	55,185
Bond issuance costs, net	629,952	-	629,952
Special assessments receivables - noncurrent	7,638,451	-	7,638,451
Capital assets:			
Land and other capital assets, non-depreciable	127,310,545	-	127,310,545
Other capital assets, net of depreciation	199,582,525	-	199,582,525
Total assets	<u>406,044,322</u>	<u>-</u>	<u>406,044,322</u>
Liabilities			
Accounts payable	1,777,316	-	1,777,316
Due to employees and others	925,272	-	925,272
Unearned revenue	9,785,579	-	9,785,579
Temporary notes payable	32,925,000	-	32,925,000
Accrued interest payable	1,085,495	-	1,085,495
Municipal court deposits	114,074	-	114,074
Long-term liabilities:			
Due within one year	6,525,824	-	6,525,824
Due in more than one year	46,291,697	-	46,291,697
Total liabilities	<u>99,430,257</u>	<u>-</u>	<u>99,430,257</u>
Net Assets			
Invested in capital assets, net of related debt	275,588,463	-	275,588,463
Restricted for:			
Capital projects	1,123,202	-	1,123,202
Debt service	5,922,766	-	5,922,766
Other purposes	560,917	-	560,917
Unrestricted	23,418,717	-	23,418,717
Total net assets	<u>\$ 306,614,065</u>	<u>\$ -</u>	<u>\$ 306,614,065</u>

See accompanying notes to the basic financial statements

City of Leawood, Kansas
Statement of Activities
For the Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Operating</u>		<u>Capital</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Grants and Contributions</u>	<u>Grants and Contributions</u>		<u>Governmental</u>	<u>Government</u>	
Governmental Activities:								
General government	\$ 4,752,202	\$ 2,053,315	\$ -	\$ -	\$ (2,698,887)	\$ -	\$ -	\$ (2,698,887)
Public safety	11,682,872	114,496	1,197	-	(11,567,179)	-	-	(11,567,179)
Public works	17,121,498	1,876,606	777,206	8,476,782	(5,990,904)	-	-	(5,990,904)
Parks and recreation	3,816,310	1,109,853	14,000	-	(2,692,457)	-	-	(2,692,457)
Interest on long-term debt	3,496,801	-	-	-	(3,496,801)	-	-	(3,496,801)
Total governmental activities	40,869,683	5,154,270	792,403	8,476,782	(26,446,228)	-	-	(26,446,228)
Business-type activities:								
Golf Course	2,153,020	1,825,144	-	-	-	(327,876)	-	(327,876)
Total business-type activities	2,153,020	1,825,144	-	-	-	(327,876)	-	(327,876)
Total primary government	\$ 43,022,703	\$ 6,979,414	\$ 792,403	\$ 8,476,782	(26,446,228)	(327,876)	(327,876)	(26,774,104)

General revenues:

Taxes -								
Property taxes, levied for general purpose	11,959,344							11,959,344
Property taxes, levied for debt service	3,838,579							3,838,579
Sales taxes	12,222,897							12,222,897
Franchise taxes	2,648,951							2,648,951
Other taxes	769,263							769,263
Grants and contributions not restricted to specific programs	2,380,457							2,380,457
Unrestricted investment earnings	2,976,921					247		2,977,168
Miscellaneous	112,838					30,798		143,636
Transfers in (out)	1,134,847					(1,134,847)		-
Total general revenues and transfers	38,044,097					(1,103,802)		36,940,295
Change in net assets	11,597,869					(1,431,678)		10,166,191
Net assets, beginning of year, as restated	295,016,196					1,431,678		296,447,874
Net assets, end of year	\$ 306,614,065					\$ -		\$ 306,614,065

See accompanying note to the basic financial statements

City of Leawood, Kansas

Balance Sheet
Governmental Funds
December 31, 2006

	General Fund	Debt Service	Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Assets:						
Pooled cash and investments	\$ 12,912,295	\$ 5,892,665	\$ 26,973,583	\$ 3,638,245	\$ 6,014,018	\$ 55,430,806
Restricted assets	114,074	-	-	-	-	114,074
Receivables (net)						
Property tax	5,728,368	3,751,479	-	-	-	9,479,847
Sales tax	2,254,816	-	-	-	132,652	2,387,468
Franchise tax	666,075	-	-	-	-	666,075
Accounts	33,168	-	-	-	-	33,168
Interest	121,715	30,101	-	15,521	1,951	169,288
Intergovernmental	241,255	119,477	-	326,433	626,289	1,313,454
Special assessments	-	8,871,935	-	-	-	8,871,935
Inventory and prepaids	55,185	-	-	-	-	55,185
Total assets	<u>\$ 22,126,951</u>	<u>\$ 18,665,657</u>	<u>\$ 26,973,583</u>	<u>\$ 3,980,199</u>	<u>\$ 6,774,910</u>	<u>\$ 78,521,300</u>
Liabilities:						
Accounts payable and accrued liabilities	\$ 466,190	\$ -	\$ 820,017	\$ 238,305	\$ 252,804	\$ 1,777,316
Due to employees and others	925,272	-	-	-	-	925,272
Deferred revenue	5,914,623	12,742,891	-	-	-	18,657,514
Temporary notes payable	-	-	32,925,000	-	-	32,925,000
Accrued interest payable	-	-	442,134	-	-	442,134
Municipal court deposits	114,074	-	-	-	-	114,074
Total liabilities	<u>7,420,159</u>	<u>12,742,891</u>	<u>34,187,151</u>	<u>238,305</u>	<u>252,804</u>	<u>54,841,310</u>
Fund balances:						
Reserved for:						
Inventory and prepaids	55,185	-	-	-	-	55,185
Debt service	-	5,922,766	-	-	-	5,922,766
Unreserved (deficit)	14,651,607	-	(7,213,568)	3,741,894	-	11,179,933
Unreserved, reported in non-major funds:						
Special revenue funds	-	-	-	-	784,576	784,576
Capital projects funds	-	-	-	-	5,737,530	5,737,530
Total fund balances (deficit)	<u>14,706,792</u>	<u>5,922,766</u>	<u>(7,213,568)</u>	<u>3,741,894</u>	<u>6,522,106</u>	<u>23,679,990</u>
Total liabilities and fund balances	<u>\$ 22,126,951</u>	<u>\$ 18,665,657</u>	<u>\$ 26,973,583</u>	<u>\$ 3,980,199</u>	<u>\$ 6,774,910</u>	<u>\$ 78,521,300</u>

See accompanying notes to the basic financial statements

**Exhibit C
(continued)**

City of Leawood, Kansas

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
December 31, 2006

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

Ending fund balances - total governmental funds	\$ 23,679,990
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Assets the cost of those assets is capitalized and shown at cost or estimated cost, net of accumulated depreciation. This is the amount of net capital assets reported in the Statement of Net Assets	326,893,070
Long-term assets are not available to pay for current period expenditures and are therefore deferred in the fund statements.	8,871,935
The issuance of long-term debt 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 has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:	
Bond issuance costs, net	629,952
Accrued interest payable	(643,361)
Long-term debt	<u>(52,817,521)</u>
Total net assets of governmental activities	<u>\$ 306,614,065</u>

See accompanying notes to the basic financial statements

City of Leawood, Kansas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Debt Service	Capital Projects	Capital Improvements	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 21,046,283	\$ 3,465,264	\$ -	\$ -	\$ 647,127	\$ 25,158,674
Licenses and permits	2,157,477	-	66,662	-	162,608	2,386,747
Intergovernmental	6,306,955	610,562	91,000	784,015	1,915,422	9,707,954
Charges for services	1,205,792	-	-	3,040	-	1,208,832
Fines and forfeitures	1,557,941	-	-	-	-	1,557,941
Special assessments	-	1,609,097	-	-	-	1,609,097
Interest	1,043,059	380,288	1,057,891	164,467	331,216	2,976,921
Contributions and others	115,137	-	661,155	1,500	30,100	807,892
Total Revenues:	<u>33,432,644</u>	<u>6,065,211</u>	<u>1,876,708</u>	<u>953,022</u>	<u>3,086,473</u>	<u>45,414,058</u>
Expenditures:						
Current:						
General government	4,624,812	-	-	-	50,330	4,675,142
Public safety	10,948,107	-	-	-	-	10,948,107
Public works	4,646,724	-	-	-	-	4,646,724
Parks and recreation	3,003,893	-	-	-	3,619	3,007,512
Capital outlay	-	-	10,566,633	6,867,646	4,234,078	21,668,357
Debt service:						
Principal retirements	84,012	4,536,100	-	-	380,000	5,000,112
Interest and fiscal charges	12,577	1,884,293	1,519,946	-	94,100	3,510,916
Total Expenditures	<u>23,320,125</u>	<u>6,420,393</u>	<u>12,086,579</u>	<u>6,867,646</u>	<u>4,762,127</u>	<u>53,456,870</u>
Excess of revenues over (under) expenditures	<u>10,112,519</u>	<u>(355,182)</u>	<u>(10,209,871)</u>	<u>(5,914,624)</u>	<u>(1,675,654)</u>	<u>(8,042,812)</u>
Other financing sources (uses):						
Transfers in	142,000	52,604	-	4,960,625	2,843,143	7,998,372
Transfers out	(8,376,098)	(804,619)	(52,604)	-	(997,300)	(10,230,621)
Payment to refunded bond escrow agent	-	(6,367,180)	-	-	-	(6,367,180)
Refunding bonds issued	-	6,405,000	-	-	-	6,405,000
Debt issuance premiums	-	46,721	58,850	-	-	105,571
Bonds issued	-	-	6,050,000	-	-	6,050,000
Total other financing sources (uses)	<u>(8,234,098)</u>	<u>(667,474)</u>	<u>6,056,246</u>	<u>4,960,625</u>	<u>1,845,843</u>	<u>3,961,142</u>
Net changes in fund balances	1,878,421	(1,022,656)	(4,153,625)	(953,999)	170,189	(4,081,670)
Fund balances (deficit), beginning of year	12,828,371	6,945,422	(3,059,943)	4,695,893	6,351,917	27,761,660
Fund balances (deficit), end of year	<u>\$ 14,706,792</u>	<u>\$ 5,922,766</u>	<u>\$ (7,213,568)</u>	<u>\$ 3,741,894</u>	<u>\$ 6,522,106</u>	<u>\$ 23,679,990</u>

See accompanying notes to the basic financial statements

**Exhibit D
(continued)**

City of Leawood, Kansas
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2006

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

Net changes in fund balances - total governmental funds	\$ (4,081,670)
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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.

Capital outlay	16,166,793
Depreciation expense	(7,121,098)
Loss on disposal of capital assets	(1,506,658)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Amount of donated assets	7,231,284
Change in deferred revenue for tax revenues	(1,235,782)

Long-term assets and liabilities of the City's golf course were transferred to governmental activities.

Capital assets	7,149,898
Long-term debt	(3,782,802)

The issuance of long-term debt 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 has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Amortization of issuance costs	(63,442)
Interest expense	(19,908)
Issuance of long-term debt	5,000,112
Payment of long-term debt	(6,095,926)

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.

Compensated absences	<u>(42,932)</u>
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Total changes in net assets of governmental activities	<u>\$ 11,597,869</u>
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See accompanying notes to the basic financial statements.

City of Leawood, Kansas
Statement of Net Assets - Proprietary Fund
December 31, 2006
(With Comparative Totals for December 31, 2005)

	Leawood Public Golf Course Fund	
	<u>2006</u>	<u>2005</u>
Assets:		
Current assets:		
Pooled cash and investments	\$ -	\$ 76,731
Receivables - (net of allowance for uncollectibles)	-	14,507
Inventory	-	90,830
Total current assets	<u>-</u>	<u>182,068</u>
Noncurrent Assets:		
Bond Issuance costs, net	-	25,413
Capital assets:		
Land	-	1,582,576
Other capital assets, net of depreciation	-	5,703,290
Total capital assets	<u>-</u>	<u>7,285,866</u>
Total noncurrent assets	<u>-</u>	<u>7,311,279</u>
Total assets	<u>-</u>	<u>7,493,347</u>
Liabilities:		
Current Liabilities:		
Accounts payable and accrued liabilities	-	31,245
Due to employees and others	-	19,786
Unearned revenue	-	69,963
Current portion of bonds payable	-	373,900
Current portion of capital lease obligations	-	88,744
Total current liabilities	<u>-</u>	<u>583,638</u>
Noncurrent liabilities:		
Advances due to other funds	-	1,847,701
General obligation bonds payable	-	3,630,330
Total noncurrent liabilities	<u>-</u>	<u>5,478,031</u>
Total liabilities	<u>-</u>	<u>6,061,669</u>
Net Assets:		
Invested in capital assets, net of related debt	-	3,192,892
Unrestricted (deficit)	-	(1,761,214)
Total net assets	<u>\$ -</u>	<u>\$ 1,431,678</u>

See accompanying notes to the basic financial statements

City of Leawood, Kansas
Statement of Revenues, Expenses, and Changes in Fund Net Assets -
Proprietary Fund
For the year ended December 31, 2006
(With Comparative Totals for December 31, 2005)

	Leawood Public Golf Course Fund	
	<u>2006</u>	<u>2005</u>
Operating revenues:		
Golf Course revenue	\$ 1,825,144	\$ 2,007,047
Total operating revenues	<u>1,825,144</u>	<u>2,007,047</u>
Operating expenses:		
Cost of goods sold	285,023	420,418
Pro shop	299,355	280,198
Driving range	6,627	17,875
Golf carts	55,700	62,398
Course maintenance	583,302	595,199
Food and beverage	153,163	182,436
General and administrative	287,019	322,988
Depreciation	325,601	330,527
Total operating expenses	<u>1,995,790</u>	<u>2,212,039</u>
Operating income (loss)	<u>(170,646)</u>	<u>(204,992)</u>
Nonoperating revenue (expense):		
Interest income	247	201
Interest expense and other charges	(164,017)	(182,230)
Gain (loss) on sale of capital assets	6,787	(20,209)
Other income	30,798	-
Total nonoperating revenues (expenses)	<u>(126,185)</u>	<u>(202,238)</u>
Transfers in	2,232,249	579,137
Transfers out	<u>(3,367,096)</u>	<u>-</u>
Change in net assets	(1,431,678)	171,907
Net assets, beginning of year	<u>1,431,678</u>	<u>1,259,771</u>
Net assets, end of year	<u>\$ -</u>	<u>\$ 1,431,678</u>

See accompanying note to the basic financial statements

City of Leawood, Kansas
Statement of Cash Flows - Proprietary Fund
For the Year Ended December 31, 2006
(With Comparative Totals for December 31, 2005)

	Leawood Public Golf Course Fund	
	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Receipts from customers	\$ 1,810,641	\$ 2,072,331
Payments to suppliers and contractors	<u>(1,600,964)</u>	<u>(1,923,744)</u>
Net cash provided by operating activities	<u>209,677</u>	<u>148,587</u>
Cash flows from noncapital and related financing activities:		
Transfers in	379,697	579,137
Transfers out	<u>(34,732)</u>	<u>-</u>
Net cash provided by noncapital and related financing activities	<u>344,965</u>	<u>579,137</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	(38,010)	(141,002)
Proceeds from sales of capital assets	75,166	-
Principal paid on capital debt	(521,266)	(423,296)
Interest paid on capital debt	<u>(147,510)</u>	<u>(165,721)</u>
Net cash (used) by capital and related financing activities	<u>(631,620)</u>	<u>(730,019)</u>
Cash flows from investing activities:		
Interest	<u>247</u>	<u>201</u>
Net cash provided by investing activities	<u>247</u>	<u>201</u>
Net (decrease) in cash and cash equivalents	(76,731)	(2,094)
Cash and cash equivalents, beginning of year	<u>76,731</u>	<u>78,825</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 76,731</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ (170,646)	\$ (204,992)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation expense	325,601	330,527
Other income	30,798	-
Change in operating assets and liabilities:		
Receivables, net	(17,732)	42,855
Inventories	52,752	(31,720)
Accounts payable and other liabilities	16,473	(10,512)
Deferred revenue	<u>(27,569)</u>	<u>22,429</u>
Total adjustments	<u>380,323</u>	<u>353,579</u>
Net cash provided by operating activities	<u>\$ 209,677</u>	<u>\$ 148,587</u>
Noncash capital and related financing activities:		
Assets acquired through capital leases	<u>\$ 220,000</u>	<u>\$ -</u>
Cancellation of interfund loans	<u>\$ 1,847,701</u>	<u>\$ -</u>
Transfers to governmental activities:		
Capital assets	<u>\$ (7,149,898)</u>	<u>\$ -</u>
Long-term obligations	<u>\$ 3,782,802</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Leawood, Kansas
 Statement of Assets and Liabilities
 Fiduciary Funds
 December 31, 2006

	Agency Funds
Assets	
Pooled cash and investments	\$ 276
Special assessments	660,000
Total assets	\$ 660,276
Liabilities	
Due to employees	\$ 276
Due to bondholders	660,000
Total liabilities	\$ 660,276

See accompanying notes to the basic financial statements

Notes to the Basic
Financial Statements

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City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Note 1: Summary of Significant Accounting Policies

The City of Leawood, Kansas (the City) became a first class city effective December 31, 1998. The City operates under the Mayor-Council form of government with the addition of a City Administrator. The City covers an area of approximately fifteen square miles in northeastern Johnson County, Kansas. The City provides many services to its estimated 30,670 residents, including law enforcement, fire protection, and recreational facilities. Educational services are provided by separate governmental entities.

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The City applies all applicable pronouncements of the Financial Accounting Standards Board (FASB), issued before November 30, 1989, in accounting and reporting for its proprietary operations unless these pronouncements conflict with applicable GASB guidance as prescribed by GASB Statement of Financial Accounting Standards No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting."

The more significant accounting and reporting policies established in GAAP and practiced by the City are discussed below.

A. Reporting Entity

These financial statements present the City and its component unit, the Leawood Public Building Commission (PBC). As defined by GASB Statement No. 14, component units are legally separate entities that are included in the City's financial statements because of the significance of their operating or financial relationship with the City.

The PBC is a not-for-profit corporation established to acquire assets and construct facilities and infrastructure for the benefit of the City by issuance of revenue bonds. The Public Building Revenue Bonds are payable from annually appropriated transfers made by the City to the PBC. The Board of Directors of the PBC is comprised of seven members, who are appointed by the Mayor of the City of Leawood and subject to approval of the City Council. The Mayor serves as the Commission Chairperson.

Although legally separate, the activities of the PBC are included in the Public Building Commission (Special Revenue) Fund as a blended component unit. No separately issued financial statements are prepared for the PBC.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

B. Basis of Presentation

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds).

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City, the primary government, as a whole, with the exclusion of fiduciary funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the governmental activities. Expenses are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the City. Internal activity is eliminated in the statement of activities to avoid "doubling up" revenues and expenses.

The City's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund Financial Statements

Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Governmental Funds

The major governmental funds of the City are described below:

General Fund

The General Fund is the principal operating fund of the City that accounts for all financial transactions not accounted for in other funds. The majority of the current operating expenditures of the City are financed through revenues received by the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for resources to be used for the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund

The Capital Projects Fund accounts for the purchase and/or construction of major capital projects. These projects are normally financed by temporary notes and/or general obligation bonds.

Capital Improvement Fund

The Capital Improvement Fund accounts for the budgeted transfer of monies from other City funds lawfully available for improvement purposes. Funds may be used to finance, in whole or in part, any public improvement need set forth in the adopted capital improvement plan.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities that are similar to those often found in the private sector. The City's only proprietary fund is the Leawood Public Golf Course Fund. Effective January 1, 2007, the City consolidated the operations of the Golf Course Fund into the General Fund. Accordingly, all current assets and liabilities have been transferred to the General Fund as of December 31, 2006 and all long-term assets and liabilities have been transferred to governmental activities.

Fiduciary Funds

The City maintains three fiduciary funds. The Employee Giving Agency Fund accounts for amounts withheld from employees for charitable purposes. The Cornerstone and Resurrection Transportation Development District Agency Funds account for special assessment collections and the related payments to bondholders for special assessment debt issued in which the City is not obligated in any manner.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

C. Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned or when all eligibility requirements have been satisfied and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. This is a similar approach to that used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental Fund Financial Statements

All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, certain revenue sources are deemed both measurable and available (collectible within the current year or within two months of year-end and available to pay obligations of the current period). This includes investment earnings and state-levied locally shared taxes (including motor vehicle fees). Reimbursements due for federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made.

Property taxes and special assessments, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes and special assessment receivables are recorded and deferred in the fund statements until they become available.

Other revenues, including licenses and permits, certain charges for services, and miscellaneous revenues, are recorded as revenue when received in cash because they are generally not measurable until actually received.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which have not matured are recognized when paid. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Fund Financial Statements

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource measurement focus concerns determining costs as a means of maintaining the capital investment and management control. All assets and liabilities (whether current or noncurrent) associated with a proprietary fund's activities are included on its statement of net assets. Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. All other revenues and expenses are considered nonoperating.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Golf Course Fund was established to provide for the payment of costs associated with the acquisition, construction, operation, and maintenance of the golf course. Any monies received by the City from any source which may be lawfully utilized for such purpose may be deposited to the fund established by this ordinance.

Fiduciary Fund Financial Statements

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets. Changes in net assets and are reported using accounting principles similar to proprietary funds.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Financial Statement Accounts

Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Pooled Cash and Investments

Pooled cash and investments include cash, certificates of deposit, and investment in the State Municipal Investment Pool are recorded on the financial statements at fair value, which approximates cost.

Cash and Cash Equivalents

The City considers demand deposits and investments purchased with an original maturity of three months or less, which are not limited as to use, to be cash and cash equivalents.

Inventories and Prepaid Items

Inventory included on the City's financial statements is valued at the lower of cost or market, on a first-in first-out basis, and consists of fuel, golf merchandise and food and beverage items. Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g. roads/curbs, bridges, storm drainage systems, etc. owned and in use in 1948 and after) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In the governmental fund statements, capital assets are charged to expenditures as purchased, and capitalized in the proprietary fund statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair value as of the date of the donation.

Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life of greater than one year. Additions or improvements that significantly extend the useful life of an asset, or that significantly increase the efficiency or capacity of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided on the straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings/building improvements	20-40
Machinery & equipment	5-15
Infrastructure - Storm drainage systems	75
Infrastructure - Streets/curbs	40
Infrastructure – Pedestrian bridges	30
Infrastructure – Bridges	45

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

One-half year of depreciation is taken in the year the assets are acquired or retired. Gains or losses from sales or retirements of capital assets are included in operations of the current period.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets include the street network, storm drainage network, streetlight network, traffic signal network, and pedestrian and vehicle bridges and buildings combined with the site amenities such as parking and landscaped areas used by the City in the conduct of its business. Each major infrastructure network can be divided into subsystems. For example, the street network can be subdivided into pavement, curbs, gutters, sidewalks, land, medians, etc. These networks and subsystems are not delineated in the basic financial statements

The City has elected to use the Modified Approach as defined by GASB No. 34 for infrastructure reporting of its streetlights and traffic signals. Under GASB No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amounts to maintain and preserve at the established condition assessment level. The Modified Approach for these two networks entails the following:

Streetlights and Traffic Signals - City owned streetlights and traffic signals will be inspected on a monthly basis to determine any outages. The City's standard for the streetlight and traffic signals networks is that 85% of the City's owned streetlights and traffic signals are operating on an annual basis. A monthly report will be generated for the City indicating the number of lights that are out. The City Engineer will review the monthly report to ensure that the 85% operating standard is maintained. Streetlights and traffic signals not owned by the City are not maintained by the City and therefore are not included in the City's capital assets. The City estimates that cost of maintenance of the streetlight and traffic signal systems at 85% on an annual basis will be \$209,500.

Golf course capital assets are stated at cost or estimated historical cost. Contributions of capital assets received are recorded at fair value at the time received. Additions or improvements and other capital outlays that significantly extend the useful life of an asset, or that significantly increase the capacity of an asset are capitalized. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30
Golf course improvements	33-50
Equipment	5-10

The City has elected to set a capitalization threshold for capital assets used for business-type activities at \$500. Items below this threshold are expensed rather than capitalized.

City of Leawood, Kansas
Notes to the Basic Financial Statements
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Compensated Absences

Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based upon length of service. In the event of termination or separation, an employee is paid for accumulated vacation up to the equivalent of twenty-five days vacation. Employees are not paid for accumulated sick leave upon termination, except for employees hired before January 1, 1984 who were allowed to carry over sick leave benefits accumulated prior to January 1, 1984. These benefits are payable to the employee upon retirement and are not payable if the employee is terminated before retirement. Accrued vacation and sick leave is recorded as a long-term liability of the City.

Long-Term Liabilities

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, capital leases payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Special Assessments

Kansas statutes require that certain projects financed in part by special assessments to be financed through the issuance of general obligation bonds of the City and are retired from the Debt Service Fund. Special assessments paid prior to the issuance of bonds are recorded as revenue for the appropriate project. Special assessments received after issuance of bonds are recorded as revenue in the Debt Service Fund. Further, state statutes require levying additional general ad valorem property taxes in the Debt Service Fund to finance delinquent special assessments receivable. Accordingly, special assessments receivable are accounted for within the Debt Service Fund. Special assessments are levied over various periods, and the annual installments are due and payable with annual ad valorem property taxes. The City may foreclose liens against property benefited by special assessments when delinquent assessments are two years in arrears. Special assessment taxes levied are a lien on the property and are recorded as special assessment receivable in the Debt Service Fund with a corresponding amount recorded as deferred revenue.

City of Leawood, Kansas
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Interfund Receivables and Payables

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Those related to the purchase of goods and services are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Equity Classifications

As noted previously, in the Government-wide statements, equity is classified as net assets and displayed in three components:

- *Invested in capital assets, net of related debt* – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted net assets* – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Deferred Revenue

The City has recorded deferred revenue in the General and Debt Service Funds relating to property taxes and special assessments not considered available until the following year.

City of Leawood, Kansas
Notes to the Basic Financial Statements
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Note 2: Stewardship, Compliance, and Accountability

A. Budgetary Control

Kansas statutes require that an annual operating budget be legally adopted for the General Fund, Special Revenue Funds (unless specifically exempted by statute), the Debt Service Fund, and Enterprise Funds. Special Revenues Funds requiring a legally adopted budget include the Special Alcohol Fund, the Special City Highway Fund, the Special Parks and Recreation Fund, the Special Law Enforcement Fund and the Kansas Byrne Grant Fund. A legal operating budget is not required for Capital Projects Funds. There is no requirement to report actual to budget comparisons for the Enterprise Funds.

The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

The annual operating budgets are prepared using the modified accrual basis of accounting. Revenues are recognized on the modified accrual basis. Expenditures include disbursements and accounts payable.

The statutes permit transferring budgeted amounts between line items within an individual fund by management. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

The statutes allow for the governing body to increase the originally adopted expenditure budget for a fund for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. The reported budgetary data represents the approved budget as adopted by the City Council. During 2006, there were amendments to the budget.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the Governing Body. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriate amount) is at the fund level.

City of Leawood, Kansas
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Kansas statutes prohibit cities from creating indebtedness unless there is money on hand in the proper fund and unencumbered by previous commitments with which to pay the indebtedness. The execution of a contract, or the issuing of a purchase order, automatically encumbers the money in the fund for the payment of the amount represented by the commitment. It makes no difference that the amount may not have to be paid until more monies are in the fund or until the following year. An exception to this cash basis law is the issuance of debt, in the form of bonds, notes, or warrants, pursuant to statutory authority, referendum, or by the State Board of Tax Appeals. In the event debt is issued, funds need not be on hand for future payments.

B. Property Taxes

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, are levied 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 amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 20 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are recorded as taxes receivable with a corresponding amount recorded as deferred revenues on the balance sheets of the appropriate funds. It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amount thereof is not material in relationship to the basic financial statements taken as a whole.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

The City's deposit and investment policy follows the Kansas state statutes which authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits, certificate of deposit, repurchase agreements and United States treasury bills and notes. Statutes also require that collateral pledged must have a fair value equal to 100% of the funds on deposit, less insured amounts and the underlying investments must be assigned for the benefit of the City. The statutes provide for an exception for peak deposit periods during tax paying time where, for a period of sixty days, the amount of required collateral can be reduced by one-half. Collateral securities must be held by the city or an independent third party and must be of the kind prescribed by state statutes and approved by the State. The City may also invest in the State of Kansas Municipal Investment Pool. The Pool is operated by the State Treasurer, is not an SEC registered pool and is regulated by the Pooled Money Investment Board.

Cash and investments are pooled. Investment income is allocated to the funds based on the respective investment and cash balances.

City of Leawood, Kansas
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A reconciliation of cash and investments with the Statement of Net Assets, as well as a summary of the City's investments is as follows:

Cash on hand	\$ 4,825
Carrying amount of deposits	20,696,822
Investments	<u>34,843,509</u>
Total cash and investments	<u>\$ 55,545,156</u>
Pooled cash and investments	\$ 55,430,806
Restricted cash	114,074
Cash and investments - agency funds	<u>276</u>
Total pooled cash and investments	<u>\$ 55,545,156</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's policy is to collateralize the demand deposits and repurchase agreements with securities held by the financial institution's agent and in the City's name.

At December 31, 2006, the City's deposits were insured by Federal depository insurance and uninsured deposits were fully collateralized by securities held in the City's name by their financial institution's agent. Accordingly, management has determined that none of the City's deposits were exposed to custodial credit risk as of December 31, 2006.

Interest Rate Risk

As a means of managing its exposure to fair value losses arising from increasing interest rates, the City limits its investments to securities with stated maturities not exceeding two years. The City has elected to use the segmented time distribution method of disclosure for its interest rate risk.

As of December 31, 2006, all of the City's investments in securities and the Kansas Municipal Investment Pool had maturities of less than one year.

City of Leawood, Kansas
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Credit Risk and Concentrations of Credit Risk

The credit risk for deposits and investments is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. It is the City's policy to limit its investments to repurchase agreements, United States treasury securities, U.S. Government Agency securities, and the State of Kansas Municipal Investment Pool. A table summarizing those limitations is shown below:

Investment Type	Maximum Percentage
Repurchase Agreements	40%
Collateralized Time and Demand Deposits	25%
U.S. Treasury Notes and Bills	100%
Kansas Municipal Investment Pool	30%
Bank Trust Department Municipal Pools	10%
Temporary Notes or No-Fund Warrants	10%

Presented below is the actual rating by Moody's Investor Service as of year end for each investment type, as well as the issuers of securities, and the respective fair value of those securities that represent 5% or more of total City's investments:

Investment Type	Fair Value	Rating as of 12/31/2006	Percentage
Kansas Municipal Investment Pool	\$ 15,967,354	AAA	46%
U.S. Treasury Securities	18,876,155	**	54%
Total	\$ 34,843,509		

** Exempt from rating requirement

B. Property Taxes

The City's property tax is levied and a lien attaches each November 1 on the assessed value as of the prior year January 1 for all property located in the City. Property taxes are due December 20, following the levy date. The taxes are collected by the County and remitted to the City, generally after December 31. The taxes may be paid in full or one-half on or before the due date of December 20, with the remaining one-half due on or before May 20 of the following year.

Assessed values are established by the County Appraiser. The assessed value for property located in the City as of January 1, 2005, on which the 2006 levy was based was \$638,117,797.

The City's property tax levies per \$1,000 assessed valuation for the year ended December 31, 2006, recognized as revenue in 2006 were as follows:

	Levy (Mills)
General Fund	\$ 18.815
Debt Service Fund	5.403
	\$ 24.218

City of Leawood, Kansas
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Taxes receivable represent property taxes levied on November 1, 2006 for 2007 which have been recorded as deferred revenue, and delinquent property taxes, City sales taxes, consumers' use tax, and franchise taxes which have been recorded as revenues.

C. Intergovernmental Revenues

	<u>Intergovernmental Revenues</u>					<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>	
<u>Intergovernmental revenues:</u>						
Federal:						
Department of Transportation	\$ 2,447	\$ -	\$ -	\$ -	\$ -	\$ 2,447
State of Kansas:						
Special Liquor tax	256,421	-	-	-	513,592	770,013
Gasoline tax	-	-	-	-	858,341	858,341
County and local:						
County sales tax	4,078,231	-	-	-	-	4,078,231
County consumer's use tax	1,059,552	-	-	-	-	1,059,552
Motor vehicle tax	910,304	610,562	-	-	-	1,520,866
County assisted road system	-	-	91,000	-	487,689	578,689
Interlocal agreements	-	-	-	784,015	55,800	839,815
	<u>\$ 6,306,955</u>	<u>\$ 610,562</u>	<u>\$ 91,000</u>	<u>\$ 784,015</u>	<u>\$ 1,915,422</u>	<u>\$ 9,707,954</u>

City of Leawood, Kansas
Notes to the Basic Financial Statements
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D. Transfers

A summary of interfund transfers by fund type is as follows:

Transfers To	Transfers From				Total
	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	
<u>Governmental Activities</u>					
General Fund	\$ -	\$ -	\$ -	\$ 142,000	\$ 142,000
Debt Service Fund	-	52,604	-	-	52,604
Capital Improvements Fund	4,960,625	-	-	-	4,960,625
Other Governmental Funds	1,987,843	-	-	855,300	2,843,143
Subtotal	6,948,468	52,604	-	997,300	7,998,372
<u>Business-type Activities</u>					
Golf Course Fund	1,427,630	-	804,619	-	2,232,249
Total	\$ 8,376,098	\$ 52,604	\$ 804,619	\$ 997,300	\$ 10,230,621

Transfers from/to other funds consisted of the following:

From the General Fund to:

Municipal Equipment Reserve Fund for capital expenditures	\$ 930,100
Street Improvements Fund for capital expenditures	408,000
Special Highway Fund for capital expenditures	187,000
Public Building Commission for debt service	409,900
Capital Improvements Fund for capital expenditures	4,960,625
City Art Fund for capital expenditures	52,843
Golf Course Fund for operations	379,697
Golf Course Fund for cancellation of advances	1,047,933
	8,376,098

From the Capital Project Fund to:

Debt Service Fund for debt service expenditures	52,604
	52,604

From the Debt Service Fund to:

Golf Course Fund for cancellation of advances	804,619
	804,619

From Other Governmental Funds:

From the Special Alcohol Fund to:	
General Fund for expenditures	142,000
From Byrne Grant Fund to:	
Municipal Equipment Reserve Fund for capital expenditures	48,200
From 1/8 Cent Sales Tax Fund to:	
Street Improvements Fund for capital expenditures	807,100
	997,300

Total

\$ 10,230,621

City of Leawood, Kansas
Notes to the Basic Financial Statements
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Golf Course Transfer

Effective January 1, 2007, the City will report the operations of the golf course in the General Fund. Accordingly, the balances of capital assets and long-term debt as of December 31, 2006, have been reflected as a net transfer to the governmental activities column of the Statement of Net Assets. The following schedule reconciles transfers reported at the fund level between governmental funds and the Golf Course Fund to transfers reported at the government-wide level between governmental activities and business-type activities:

	Governmental Activities	Business-type Activities
Transfers - fund level (net)	\$ (2,232,249)	\$ (1,134,847)
Effect of nonfinancial assets and liabilities transferred to governmental activities	3,367,096	-
Transfers - government-wide level (net)	\$ 1,134,847	\$ (1,134,847)

E. Capital Assets

Governmental capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balances (as restated)	Increases	Decreases	Transfers in from Business- type activities	Ending Balances
Governmental activities:					
Capital assets not being depreciated:					
Land and right-of-way	\$ 94,359,791	\$ 11,516,883	\$ -	\$ 1,582,576	\$ 107,459,250
Infrastructure	12,036,985	696,807	20,025	-	12,713,767
Construction in progress	9,788,533	5,186,442	7,837,447	-	7,137,528
Total capital assets not being depreciated	116,185,309	17,400,132	7,857,472	1,582,576	127,310,545
Capital assets being depreciated:					
Buildings and improvements	31,053,252	214,318	7,200	7,357,784	38,618,154
Machinery and equipment	10,831,631	1,403,423	1,380,629	992,267	11,846,692
Infrastructure	221,619,120	12,217,656	2,882,738	-	230,954,038
Total capital assets being depreciated	263,504,003	13,835,397	4,270,567	8,350,051	281,418,884
Less accumulated depreciation for:					
Buildings and improvements	6,742,541	1,019,010	7,200	2,206,830	9,961,181
Machinery and equipment	6,401,577	1,069,533	1,301,914	575,899	6,745,095
Infrastructure	61,572,343	5,032,555	1,474,815	-	65,130,063
Total accumulated depreciation	74,716,461	\$ 7,121,098	\$ 2,783,929	\$ 2,782,729	81,836,359
Total capital assets being depreciated, net	188,787,542				199,582,525
Governmental activity capital assets, net	\$ 304,972,851				\$ 326,893,070

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

General government	\$ 378,421
Public safety	703,767
Public works	5,325,418
Parks and recreation	713,492
Total depreciation expense	\$ 7,121,098

City of Leawood, Kansas
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December 31, 2006

Business-type capital asset activity for the year ended December 31, 2006 was as follows:

	Beginning Balances	Increases	Decreases	Transfers out to governmental activities	Ending Balances
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,582,576	\$ -	\$ -	\$ (1,582,576)	\$ -
Capital assets being depreciated:					
Buildings and improvements	7,342,887	14,897	-	(7,357,784)	-
Machinery and equipment	1,064,445	243,113	315,291	(992,267)	-
Total capital assets being depreciated	8,407,332	258,010	315,291	(8,350,051)	-
Less accumulated depreciation for:					
Building	2,023,756	183,074	-	(2,206,830)	-
Machinery and equipment	680,286	142,527	246,914	(575,899)	-
Total accumulated depreciation	2,704,042	\$ 325,601	\$ 246,914	\$ (2,782,729)	-
Total capital assets being depreciated, net	5,703,290				-
Business-type activity capital assets, net	\$ 7,285,866				\$ -

F. Capital Projects Authorized

The City has authorized street improvement and building construction projects. The following is a summary of capital projects, project authorization amounts and expenditures to date:

Project Number and Name	Authorized	Project-to-date at year-end
106 Dykes Branch	\$ 325,000	\$ 312,738
110 Roe Avenue: 124th to 135th	9,662,000	8,718,166
112 Pedestrian Bridge	325,000	322,025
139 Nall 135th to 143rd	3,884,095	2,750,717
143 143rd to 151st at Nall	3,792,500	49,305
152 151st to 159th at Nall	1,930,950	264
157 92nd and State Line Traffic Signal	330,000	168,079
162 143rd Street	160,000	158,913
171 Creek Bank Stabilization	1,850,000	519
192 Mn Entry/Nall-N of 137th	1,422,832	511,966
193 135th St and Briar Intersection	600,000	500,703
195 Parkway Plaza Development	6,525,000	4,596,407
196 Park Place	3,670,000	586,817
197 Villiagio	4,400,000	2,689,306
198 Villiagio - Storm water	2,700,000	1,370,316
200 Residential St. Phase 1	2,500,000	2,488,977
202 Residential St. Phase 2	4,000,000	3,770,431
206 Residential Phase 4	1,500,000	492
	<u>\$ 49,577,377</u>	<u>\$ 28,996,141</u>

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

G. Temporary Notes

During the year, the City issued a series of temporary notes for the purpose of funding various capital improvement projects.

	Balance January 1, 2006	Additions	Retirements	Balance December 31, 2006
Temporary notes	\$ 33,810,000	\$ 32,925,000	\$ 33,810,000	\$ 32,925,000

Temporary notes consisted of the following at December 31, 2006:

Maturing October 1, 2007:

3.875% General Obligation Temporary Notes	\$ 26,625,000
5.000% Taxable General Obligation Temporary Notes	6,300,000
	\$ 32,925,000

H. Long-Term Liabilities

The following is a summary of debt transactions of the City for the year:

	Balance January 1, 2006	Increases	Decreases	Transfers to/(from) business-type activities	Balance December 31, 2006	Amount Due in 2007
<u>Governmental activities:</u>						
General obligation bonds to be paid with:						
Tax levies	\$ 33,647,403	\$ 12,455,000	\$ 9,353,003	\$ 3,770,000	\$ 40,519,400	\$ 4,034,200
Benefit districts	10,708,697	-	1,308,097	-	9,400,600	1,255,800
Revenue Bonds	2,420,000	-	350,000	-	2,070,000	360,000
Less deferred amounts on refunding	(577,255)	(290,729)	(56,655)	(125,703)	(937,032)	-
Total bonds payable	46,198,845	12,164,271	10,954,445	3,644,297	51,052,968	5,650,000
Capital leases	834,225	-	114,012	161,378	881,591	169,454
Compensated absences*	840,030	1,058,567	1,015,635	-	882,962	706,370
Total Governmental activity debt	\$ 47,873,100	\$ 13,222,838	\$ 12,084,092	\$ 3,805,675	\$ 52,817,521	\$ 6,525,824

* Compensated absences typically have been liquidated in the general fund.

Business-type activities:

General obligation bonds

to be paid with:

Golf course revenues	\$ 4,143,900	\$ -	\$ 373,900	\$ (3,770,000)	\$ -	\$ -
Less deferred amounts on refunding	(139,670)	-	(13,967)	125,703	-	-
Total bonds payable	4,004,230	-	359,933	(3,644,297)	-	-
Capital leases	88,744	220,000	147,366	(161,378)	-	-
Total Business-type activity debt	\$ 4,092,974	\$ 220,000	\$ 507,299	\$ (3,805,675)	\$ -	\$ -

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

The detail of debt at December 31, 2006, follows:

Governmental Activities Debt:

General obligation bonds to be paid with tax levies:

\$11,095,000, Series 1996-A General Obligation Refunding Bonds due in annual installments through September 1, 2009 interest at 3.50% to 5.00%	\$ 2,054,000
\$7,265,000, Series 1996-B General Obligation Improvement Bonds due in annual installments through September 1, 2010; interest at 3.50% to 5.00%	1,901,000
\$5,760,000, Series 1998-A General Obligation Improvement Bonds due in annual installments through September 1, 2013; interest at 3.65% to 5.50%	2,679,400
\$7,529,862, Series 2000A General Obligation Improvement Bonds due in annual installments through September 1, 2009; interest at 4.625% to 6.00%	1,125,000
\$9,300,000, Series 2001-A General Obligation Improvement Bonds due in annual installments through September 1, 2021; interest at 4.00% to 6.00%	1,575,000
\$5,050,000, Series 2002-A General Obligation Improvement Bonds due in annual installments through September 1, 2023; interest at 2.75% to 4.65%	4,645,000
\$632,345, Series 2003-A General Obligation Improvement Bonds due in annual installments through September 1, 2018; interest at 3.55% to 6.79%	500,000
\$10,205,000, Series 2004-A General Obligation Refunding Bonds due in annual installments through September 1, 2020; interest at 2.00% to 4.13%	9,805,000
\$3,140,000, Series 2004-B General Obligation Improvement Bonds due in annual installments through September 1, 2024; interest at 3.00% to 5.00%	2,820,000

City of Leawood, Kansas
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\$1,032,703, Series 2005-A General Obligation Improvement Bonds due in annual installments through September 1, 2020; interest at 3.05% to 5.00%	960,000
\$6,050,000, Series 2006-A General Obligation Improvement Bonds due in annual installments through September 1, 2021; interest at 3.75% to 4.00%	6,050,000
\$6,405,000, Series 2006-B General Obligation Refunding Bonds due in annual installments through September 1, 2021; interest at 3.50% to 4.00%	<u>6,405,000</u>
Subtotal	<u>40,519,400</u>

General obligation bonds to be paid with benefit district assessments:

\$6,580,000, Series 1998-A General Obligation Improvement Bonds due in annual installments through September 1, 2013; interest at 3.65% to 5.50%	1,675,600
\$780,138, Series 2000-A General Obligation Improvement Bonds due in annual installments through September 1, 2009; interest at 4.625% to 6.00%	195,000
\$4,427,655, Series 2003-A General Obligation Improvement Bonds due in annual installments through September 1, 2018; interest at 2.00% to 4.13%	3,540,000
\$155,000, Series 2004-A General Obligation Refunding Bonds due in annual through September 1, 2015; interest at 2.00% to 3.50%	155,000
\$1,140,000, Series 2004-B General Obligation Improvement Bonds due in annual installments through September 1, 2024; interest at 3.00% to 5.00%	980,000
\$3,057,297, Series 2005-A General Obligation Improvement Bonds due in annual installments through September 1, 2020; interest at 3.05% to 5.00%	<u>2,855,000</u>
Subtotal	<u>9,400,600</u>

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Revenue bond:

\$2,835,000, 2003 Leawood Public Building Commission Bonds due in annual installments through September 1, 2012; interest at 2.00% to 3.00%	<u>2,070,000</u>
Bonds payable	<u>51,990,000</u>
Less deferred amounts on refunding	<u>(937,032)</u>
Total bonds payable	<u>51,052,968</u>

Capital leases:

Lease for park land, due in semiannual installments through September 1, 2009; interest at 6%	540,000
Lease for fire ladder truck due in annual installments through September 14, 2008; interest at 4.76%	180,212
Lease for golf carts due in semiannual installments through May 1, 2009, interest at 4.5%	<u>161,378</u>
Total capital leases	<u>881,591</u>

Compensated absences	<u>882,962</u>
Total	<u>\$52,817,521</u>

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

The annual debt service requirements to amortize the City's bonds and capital lease obligations at December 31, 2006, are as follows:

	Governmental activities					
	General Obligation Bonds					
	Governmental		Benefit Districts		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 4,034,200	\$ 1,491,800	\$ 1,255,800	\$ 344,405	\$ 5,290,000	\$ 1,836,205
2008	3,649,200	1,404,233	1,255,800	295,036	4,905,000	1,699,269
2009	3,534,200	1,273,601	735,800	247,159	4,270,000	1,520,760
2010	3,504,200	1,137,966	735,800	222,995	4,240,000	1,360,961
2011	2,999,200	1,012,621	690,800	199,961	3,690,000	1,212,582
2012-2016	12,408,400	3,506,204	3,111,600	646,717	15,520,000	4,152,921
2017-2021	9,335,000	1,351,519	1,615,000	130,140	10,950,000	1,481,659
2022-2026	1,055,000	81,013	-	-	1,055,000	81,013
	<u>\$ 40,519,400</u>	<u>\$ 11,258,957</u>	<u>\$ 9,400,600</u>	<u>\$ 2,086,413</u>	<u>\$ 49,920,000</u>	<u>\$ 13,345,370</u>

	Revenue Bonds		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 360,000	\$ 52,900	\$ 169,454	\$ 48,238	\$ 5,819,454	\$ 1,937,343
2008	365,000	45,700	175,959	39,935	5,445,959	1,784,904
2009	380,000	37,488	536,178	31,327	5,186,178	1,589,575
2010	385,000	27,988	-	-	4,625,000	1,388,949
2011	395,000	17,400	-	-	4,085,000	1,229,982
2012-2016	185,000	5,550	-	-	15,705,000	4,158,471
2017-2021	-	-	-	-	10,950,000	1,481,659
2022-2025	-	-	-	-	1,055,000	81,013
	<u>\$ 2,070,000</u>	<u>\$ 187,026</u>	<u>\$ 881,591</u>	<u>\$ 119,500</u>	<u>\$ 52,871,591</u>	<u>\$ 13,651,896</u>

Advance Refunding

On November 15, 2006, the City issued \$6,405,000 of Series 2006-B General Obligation Refunding Bonds with interest rates ranging from 3.5% to 4.0% to advance refund \$6,125,000 of the outstanding portion of the Series 2001-A General Obligation Improvement Bonds, with interest rates ranging from 4.0% to 6.0%. The net proceeds of \$6,367,180 were deposited in trust with an escrow agent to provide for all future debt service payments on the refunded portion of the Series 2001-A General Obligation Improvement Bonds. As a result, portions of the 2001-A bonds are considered defeased and the related liability for these bonds has been removed from the long-term debt.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$290,729. This amount is reported as a deduction from general obligation bonds payable and is amortized over the remaining life of the refunded debt using the straight-line method. The City completed this advance refunding to reduce its debt service payments by \$226,149 and to obtain an economic gain of \$173,864.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Prior Year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of refunding bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2006, \$10,625,000 of bonds outstanding are considered defeased.

Kansas statutes limit the amount of general obligation debt that a unit of government can issue to thirty percent of the total assessed value of taxable property located within the City's boundaries. The legal debt capacity for the City of Leawood is \$211,196,094.

Capital leases

As discussed above, the City has land and equipment under capital leases. To account for financing leases of governmental activities, the City charges payments made during the fiscal period as debt service in the governmental fund financial statements. In the year that the asset is received, the City records the present value of future lease payments as capital outlay expenditure and as an offsetting other-financing source in the governmental fund financial statements. The present value of payments due in future periods is shown as a liability, and the gross amount is recorded as a capital asset, net of accumulated amortization, in the statement of net assets. As of December 31, 2006, the gross amount of capital assets under capital leases was \$1,240,000 in land and \$771,252 in equipment, net accumulated amortization of \$231,376 for governmental activities. The gross amount of capital assets under capital leases of golf equipment was \$195,267, net accumulated amortization of \$48,817 for business-type activities.

Transportation Development District (TDD) Bonds

The City issued the following no-commitment special assessment bonds related to two City transportation development districts, as follows:

\$490,000, Series 2006 Taxable Transportation Development District Special Obligation Bonds due in annual installments through September 1, 2021; interest at 8.0% (Cornerstone Project)	\$ 490,000
\$170,000, Series 2006 Taxable Transportation Development District Special Obligation Bonds due in annual installments through September 1, 2021; interest at 8.0% (Resurrection Project)	<u>170,000</u>
	<u>\$ 660,000</u>

The City is in no way liable for repayment of these bonds, but is only acting as agent for the property owners in collecting the assessments, forwarding the collections to bondholders, and initiating foreclosure proceedings. Accordingly, collection and repayment activity associated with these debt issuances has been reported in agency funds.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

Note 4: Other Information

A. Commitments and Contingencies

1. Defined Benefit Pension Plan

Plan Description

The City participates in the Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing multiple-employer defined benefit pension plan as provided by 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 jointly issue a publicly available financial report that includes financial statements and required supplementary information for each system. The report may be obtained by writing to KPERs (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERs member-employee contribution rate at 4% of covered salary. K.S.A. 74-4975 establishes 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 2006 was 3.81%.

The City employer contributions to KPERs for the years ending December 31, 2006, 2005, and 2004 were, \$234,734, \$202,336, and \$184,355, respectively, equal to the required contributions for each year. The KP&F uniform participating employer rate established for calendar year 2006 was 13.14%. 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. The City contributions to KP&F for the years ending December 31, 2006, 2005, and 2004 were \$806,364, \$755,914, and \$611,768, respectively, equal to the required contributions for each year.

Supplemental Retirement Programs

The City offers its non KP&F employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and/or salary deferral under Section 401(a). Under the plans, the City will match .50 cents on the dollar up to a maximum of 2.5% of the employee's annual salary. Employees may participate in both plans, but the City will only contribute matching funds to one of the plans. Contributions to the plans by the City and employees for 2006 were \$133,069 and \$414,112, respectively.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

2. Operating Leases

The City is committed under leases for office equipment. For accounting purposes, these leases are considered to be operating leases. Rental expenditures for the year ended December 31, 2006 amounted to \$87,146. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 63,621
2008	55,716
2009	55,716
2010	55,716
2011	<u>46,430</u>
Total	<u><u>\$ 277,199</u></u>

3. Golf Course

The City's golf course is managed by a professional management firm. Under the terms of the management contract, each year the City and the firm agree on an operating budget, including anticipated revenues and expenditures (which include debt service and management fees) required to operate the golf course. In the event of a revenue shortfall, the City is obligated to advance monies for operations. In the event of an excess of revenues over expenditures, the City is to receive the excess less an agreed-upon contingency amount.

4. Federal and State Grants

The City of Leawood has received financial assistance from various federal and state agencies in the form of grants and entitlements. These programs are subject to audit by agents of the granting authority. Management does not believe that liabilities for reimbursements, if any, will have a materially adverse effect upon the financial condition of the City.

B. 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. All potential claims, claims expenditures, and/or liabilities are reported immediately when it becomes evident that a loss has occurred or a claim may be made. These reports include an estimate of the claims' costs.

The City has addressed potential risk by purchasing various commercial insurance policies for certain insurable causes of loss. These policies cover property including buildings, contents, extra expenses, physical damage to vehicles, and contractor's equipment for direct damage due to many perils including flood and earthquake.

City of Leawood, Kansas
Notes to the Basic Financial Statements
December 31, 2006

In addition, the City carries insurance for instances in which the City is held to be legally liable for bodily injury and property damage. Coverage includes general liability, firefighter's liability, automobile liability, physical damage to vehicles, law enforcement liability, employee dishonesty, public official's liability, and excess liability coverage. The coverage provides \$500,000 limits per occurrence for all claims capped by the Kansas Tort Claims Act (KTCA). Liabilities that fall outside the KTCA are insured to an additional \$10 million in excess liability limits with exception of Employment Practices Liability and Employee Benefit Plan Administration Liability which is covered up to \$2,000,000. Other miscellaneous coverage purchased include, theft of cash/securities, and underground storage tank liability.

In certain cases, the City retains risks up to the individual policy deductible amounts and for losses in excess of any amounts not provided by the excess liability insurance coverage. Settled claims have not exceeded the commercial limits in any of the past three fiscal years.

During 2006, the City continued to participate in the Kansas Eastern Region Insurance Trust (KERIT) for workers' compensation coverage. The trust provides loss control services to all member entities. The City has an internal Safety committee comprised of representatives from all departments. The committee reviews accidents, discusses safety issues and implements organizational-wide safety programs.

Note 5: GASB 34 Infrastructure Implementation and Restatement of Prior Year Balances

During 2006, the City completed the implementation of the retrospective reporting requirements of GASB 34 by recording storm water infrastructure assets placed into service prior to 2002. Accordingly, beginning capital assets balances and net assets have been restated by \$25,207,590.

Management also determined that costs related to a certain capital project had not been accounted for in prior years. Accordingly, beginning capital assets balances and net assets have been restated by \$571,417.

The details of these adjustments are as follows:

	Governmental Activities
Net assets, beginning of year, as originally reported	\$ 269,237,189
Adjustments related to retroactive reporting of infrastructure under GASB 34	
Infrastructure capital assets	32,039,313
Accumulated depreciation	<u>(6,831,723)</u>
	<u>25,207,590</u>
Adjustment to construction in progress	<u>571,417</u>
Net assets, beginning of year, as restated	<u><u>\$ 295,016,196</u></u>

Required Supplementary Information

City of Leawood, Kansas
Required Supplementary Information
December 31, 2006

Required supplementary information includes financial information and disclosures that are required by GAAP but are not considered a part of the basic financial statements.

Such information includes:

- Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund
- Comparison of Needed-to-Actual Maintenance/Preservation for Streetlights and Traffic Signals.

Budgetary Data

GAAP is the budgetary basis of accounting

City of Leawood, Kansas

Schedule of Revenues, Expenditures, and Changes in Fund Balance

- Budget and Actual - General Fund

For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) with Final Budget</u>
Revenues:				
Taxes	\$ 20,879,580	\$ 20,879,580	\$ 21,046,283	\$ 166,703
Licenses and permits	1,469,200	1,469,200	2,157,477	688,277
Intergovernmental	5,457,245	5,457,245	6,306,955	849,710
Charges for services	1,408,000	1,408,000	1,205,792	(202,208)
Fines and forfeitures	1,400,500	1,400,500	1,557,941	157,441
Interest	174,931	174,931	1,043,059	868,128
Contributions and other	31,500	31,500	115,137	83,637
Total revenues	<u>30,820,956</u>	<u>30,820,956</u>	<u>33,432,644</u>	<u>2,611,688</u>
Expenditures:				
Current:				
General government	5,465,470	5,361,000	4,624,812	(736,188)
Public safety	11,945,975	11,992,000	11,044,696	(947,304)
Public works	5,424,000	5,450,400	4,646,724	(803,676)
Parks and recreation	3,606,936	3,638,981	3,003,893	(635,088)
Total expenditures	<u>26,442,381</u>	<u>26,442,381</u>	<u>23,320,125</u>	<u>(3,122,256)</u>
Excess of revenues over (under) expenditures	<u>4,378,575</u>	<u>4,378,575</u>	<u>10,112,519</u>	<u>5,733,944</u>
Other financing sources (uses):				
Transfers in	142,000	142,000	142,000	-
Transfers out	<u>(7,740,062)</u>	<u>(7,740,062)</u>	<u>(8,376,098)</u>	<u>636,036</u>
Total other financing sources (uses)	<u>(7,598,062)</u>	<u>(7,598,062)</u>	<u>(8,234,098)</u>	<u>636,036</u>
Net changes in fund balances	<u>\$ (3,219,487)</u>	<u>\$ (3,219,487)</u>	1,878,421	<u>\$ 5,097,908</u>
Fund balance, beginning of year			<u>12,828,371</u>	
Fund balances, end of year			<u>\$ 14,706,792</u>	

City of Leawood, Kansas

Comparison of Needed-to-Actual Maintenance/Preservation for Streetlights and Traffic Signals. December 31, 2006

The City has elected to use the Modified Approach as defined by GASB 34 for infrastructure reporting of its streetlights and traffic signals. Under GASB 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

The City manages the eligible infrastructure capital assets using an asset management system with the characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amounts to maintain and preserve at the established condition assessment level.

The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level. It is the City's policy to maintain and preserve streetlights and traffic signals at least at 85% of their normal operating mode. Streetlights and traffic signals are often out of service due to the following factors: (1) life of lamp light; (2) accidents by vehicles or contractors who excavate in the City's Right of Ways; (3) weather, such as high winds, rain, snow and ice; (4) vandalism. During 2006, the City contracted with an outside service provider to perform inspections. The provider performs a monthly visual inspection on the streetlights and traffic signals and reports to the City Engineer. The City also relies on citizens to report street light and traffic signal outages or malfunctions. The City's policy is to repair/replace any outages or malfunction within 48 hours. The service providers last three inspection reports show the following condition assessments: October 2006 – 96.8%; November 2006 – 99.4%; and December 2006 – 98.1%.

Schedule of needed-to-actual maintenance/preservation – Streetlights and traffic signals

Streetlights and traffic signals

	2006	2005	2004	2003	2002
Needed	\$ 209,500	\$ 214,000	\$ 185,000	\$ 195,000	\$ 163,520
Actual	115,061	151,885	175,150	146,755	132,919

Combining and Individual Fund Statements and Schedules

City of Leawood, Kansas

Schedule of Expenditures - Budget and Actual - General Fund

For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) with Final Budget</u>
General government:				
Administration:				
Personnel services	\$ 1,801,550	1,788,330	\$ 1,663,907	\$ (124,423)
Contractual services	1,315,320	1,227,845	1,020,534	(207,311)
Commodities	99,500	105,525	95,441	(10,084)
Total administration	<u>3,216,370</u>	<u>3,121,700</u>	<u>2,779,882</u>	<u>(341,818)</u>
Planning and development:				
Personnel services	543,222	543,222	422,460	(120,762)
Contractual services	47,000	52,000	21,119	(30,881)
Commodities	35,978	21,178	16,967	(4,211)
Total planning and development	<u>626,200</u>	<u>616,400</u>	<u>460,546</u>	<u>(155,854)</u>
Municipal court:				
Personnel services	431,300	431,300	362,314	(68,986)
Contractual services	49,800	53,000	39,082	(13,918)
Commodities	19,100	15,900	14,673	(1,227)
Total municipal court	<u>500,200</u>	<u>500,200</u>	<u>416,069</u>	<u>(84,131)</u>
Legal services:				
Personnel services	304,200	305,200	295,871	(9,329)
Contractual services	164,100	164,100	30,156	(133,944)
Commodities	5,600	5,600	4,017	(1,583)
Total legal services	<u>473,900</u>	<u>474,900</u>	<u>330,044</u>	<u>(144,856)</u>
Information services:				
Personnel services	426,300	426,337	426,324	(13)
Contractual services	118,000	109,463	100,589	(8,874)
Commodities	104,500	112,000	111,358	(642)
Total information services	<u>648,800</u>	<u>647,800</u>	<u>638,271</u>	<u>(9,529)</u>
Total general government	<u>5,465,470</u>	<u>5,361,000</u>	<u>4,624,812</u>	<u>(736,188)</u>

(Continued)

City of Leawood, Kansas

Schedule of Expenditures - Budget and Actual - General Fund

For the Year Ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under) with Final Budget</u>
Public safety:				
Police:				
Personnel services	6,192,300	6,192,300	5,797,428	\$ (394,872)
Contractual services	668,000	667,100	535,454	(131,646)
Commodities	538,000	578,300	455,188	(123,112)
Total police	<u>7,398,300</u>	<u>7,437,700</u>	<u>6,788,070</u>	<u>(649,630)</u>
Fire:				
Personnel services	4,078,975	4,078,975	3,844,577	(234,398)
Contractual services	233,300	236,500	197,672	(38,828)
Commodities	138,809	142,234	117,788	(24,446)
Debt service	96,591	96,591	96,589	(2)
Total fire	<u>4,547,675</u>	<u>4,554,300</u>	<u>4,256,626</u>	<u>(297,674)</u>
Total public safety	<u>11,945,975</u>	<u>11,992,000</u>	<u>11,044,696</u>	<u>(947,304)</u>
Public works:				
Personnel services	3,072,800	3,072,800	2,849,358	(223,442)
Contractual services	1,563,900	1,591,400	1,186,244	(405,156)
Commodities	787,300	786,200	611,122	(175,078)
Total public works	<u>5,424,000</u>	<u>5,450,400</u>	<u>4,646,724</u>	<u>(803,676)</u>
Parks and recreation:				
Personnel services	2,195,876	2,191,519	1,901,691	(289,828)
Contractual services	903,130	904,480	709,341	(195,139)
Commodities	507,930	542,982	392,861	(150,121)
Total parks and recreation	<u>3,606,936</u>	<u>3,638,981</u>	<u>3,003,893</u>	<u>(635,088)</u>
Total expenditures	<u>\$ 26,442,381</u>	<u>\$ 26,442,381</u>	<u>\$23,320,125</u>	<u>\$ (3,122,256)</u>

City of Leawood, Kansas
Other Non-major Governmental Funds
December 31, 2006

Special Revenue Funds - account for revenue sources that are restricted to expenditures for specific purposes.

Special Alcohol Fund – established to account for one-third of the Alcohol Tax Funds sent to the City quarterly from the State Treasurer's office, which is computed in compliance with K.S.A. Supp. 79-41A04 *et seq.*, representing tax receipts and adjustments processed by the Department of Revenue. For cities over 6,000 populations, this amount is to be credited one-third to the General fund, one-third to a Special Parks and Recreation Fund, and one-third to a Special Alcohol and Drug Program Fund. These monies are allocated yearly for distribution to agencies involved in drug and alcohol prevention and/or treatment programs that are approved by the City Council in specified amounts on a yearly basis.

Special City Highway Fund – established to account for monies received from the State for shared gas tax revenues in accordance with K.S.A. Statute 79-3425c(c).

Special Parks and Recreation Fund – established to account for one-third of the Alcohol Tax funds that are sent to the City quarterly by the State Treasurer's office.

Special Law Enforcement Fund – established to provide a depository for monies forfeited to the City of Leawood Police Department pursuant to the provisions of K.S.A. 65-4135 and 65-4156 relating to controlled substance investigation forfeitures. Expenditures from this fund shall be made only for authorized law enforcement purposes of the City of Leawood Police Department. Monies in the fund shall not be used for normal operating expenses of the City or its Police Department. Any monies forfeited to the City of Leawood Police Department pursuant to the provisions of K.S.A. 1988 Supp. 65-4156, and any subsequent amendments thereto, shall be deposited in this fund.

Kansas Byrne Grant Fund – established to account for state grant funds received from the State of Kansas for criminal justice information system that assists law enforcement, prosecution, courts and corrections organizations.

Public Building Commission Fund – established to acquire assets and construct facilities and infrastructure for the benefit of the City by issuance of revenue bonds.

American Revolution Tri-Centennial Fund – established to account for monies donated by the Leawood American Revolution Bicentennial Committee. These monies are to be continually reinvested by the City until the year 2076. It is intended that this fund then be used for the overall benefit for the citizens of the City on a special American Revolution Tri-Centennial event or project, needed community facilities, equipment, or programs.

Capital Projects Funds - account for resources used for the acquisition and/or construction of capital projects not being financed by other funds.

Municipal Equipment Reserve Fund – created to finance the acquisition of City equipment. Monies may be budgeted and transferred to the fund from any source which may be lawfully utilized for such purposes, including equipment use charges on the various departments and agencies of the City.

Street Improvements – established to account for the pay as you go portion of the annual mill and overlay, slurry seal and arterial street repairs.

City Art- established to account for funds used by the Arts Council for the selection and placement of public art on City property.

Park Impact Fee Fund – established to account for fees imposed by the City on all new development in South Leawood and all fees collected shall be used solely and exclusively for the purpose of acquisition and development of park land and open space made necessary by and serving such new development.

1/8th Cent Sales Tax Fund – established to account for capital construction of stormwater projects that are not funded by the County's Stormwater Management Authority Council.

Leawood Transportation Impact Fee Fund – established to account for fees imposed on new development in South Leawood for the purpose of assuring that transportation improvements are available and provides adequate transportation system capacity to support new development while maintaining levels of transportation service deemed adequate by the City. The Impact Fee shall be imposed on all new development in South Leawood, except as may be otherwise provided, and all fees collected shall be utilized solely and exclusively for transportation improvements in South Leawood serving such new development.

Highway K-150 Corridor Impact Fee Fund – established to account for fees imposed on new development in the K-150 corridor for the purpose of assuring that K-150 highway transportation improvements are available and provides adequate transportation system capacity to support new development while maintaining levels of transportation service on Highway K-150 deemed adequate by the City. The impact fee shall be imposed on all new development in the K-150 corridor and all fees collected shall be utilized solely and exclusively for transportation improvements in the K-150 corridor servicing such new development.

Public Art Impact Fee Fund – established by the City for the purpose of acquisition and construction of Public Art. A Public Art impact fee is imposed by the City on all new commercial development in Leawood.

City of Leawood, Kansas
 Combining Balance Sheet - Non-major Governmental Funds
 December 31, 2006

Schedule 3

Assets	Special Alcohol	Special Highway	Special City Parks and Recreation	Special Law Enforcement	KS Byrne Grant	Public Building Commission	American Revolution Tri-Centennial	Municipal Equipment Reserve
Pooled cash and investments	\$ 59,012	\$ 241,424	\$ 380,484	\$ 6,821	\$ -	\$ -	\$ 7,411	\$ 2,092,122
Receivables (net of allowance for uncollectibles)	-	-	-	-	-	-	-	-
Sales tax	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	96	1,855
Intergovernmental	55,000	-	55,000	-	-	-	-	-
Total assets	\$ 114,012	\$ 241,424	\$ 435,484	\$ 6,821	\$ -	\$ -	\$ 7,507	\$ 2,093,977

Liabilities and Fund Balances

Liabilities:								
Accounts payable and accrued liabilities	\$ 119	\$ 17,765	\$ 2,788	\$ -	\$ -	\$ -	\$ -	\$ 18,313
Total liabilities	119	17,765	2,788	-	-	-	-	18,313
Fund Balances:								
Unreserved								
Special revenue funds	113,893	223,659	432,696	6,821	-	-	7,507	-
Capital projects funds	-	-	-	-	-	-	-	2,075,664
Total fund balance	113,893	223,659	432,696	6,821	-	-	7,507	2,075,664
Total liabilities and fund balances	\$ 114,012	\$ 241,424	\$ 435,484	\$ 6,821	\$ -	\$ -	\$ 7,507	\$ 2,093,977

City of Leawood, Kansas
 Combining Balance Sheet - Non-major Governmental Funds
 December 31, 2006

Schedule 3
 (Continued)

	Street Improvements	City Art	Park Impact Fee	1/8th Cent Sales Tax Fund	Leawood Transportation Impact Fee	K-150 Corridor Impact Fee	Public Art Impact Fee	Governmental Funds	Total
									Other
Pooled cash and investments	\$ 222,365	\$349,501	\$218,218	\$ 848,539	\$ 785,145	\$ 639,928	\$ 163,048	\$	\$ 6,014,018
Receivables (net of allowance for uncollectibles)	-	-	-	132,652	-	-	-	-	132,652
Sales tax	-	-	-	-	-	-	-	-	1,951
Interest	-	-	-	-	-	-	-	-	626,289
Intergovernmental	460,489	-	-	55,800	-	-	-	-	-
Total assets	\$ 682,854	\$349,501	\$218,218	\$1,036,991	\$ 785,145	\$ 639,928	\$ 163,048	\$	\$ 6,774,910

Liabilities and Fund Balances

Liabilities:									
Accounts payable and accrued liabilities	\$ 75,620	\$ 751	\$ -	\$ 137,448	\$ -	\$ -	\$ -	\$ -	\$ 252,804
Total liabilities	75,620	751	-	137,448	-	-	-	-	252,804
Fund Balances:									
Unreserved									
Special revenue funds	-	-	-	-	-	-	-	-	784,576
Capital projects funds	607,234	348,750	218,218	899,543	785,145	639,928	163,048		5,737,530
Total fund balance	607,234	348,750	218,218	899,543	785,145	639,928	163,048		6,522,106
Total liabilities and fund balances	\$ 682,854	\$349,501	\$218,218	\$1,036,991	\$ 785,145	\$ 639,928	\$ 163,048	\$	\$ 6,774,910

City of Leawood, Kansas
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances - Non-major Governmental Funds
 For the year ended December 31, 2006

	Special Alcohol	Special City Highway	Special Parks and Recreation	Special Law Enforcement	KS Byrne Grant	Public Building Commission	American Revolution Tri-Centennial	Municipal Equipment Reserve
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	256,421	858,341	256,421	750	-	-	-	-
Interest	1,938	18,942	15,856	260	731	-	269	107,463
Contributions and other	-	-	-	-	-	-	-	21,100
Total revenues	258,359	877,283	272,277	1,010	731	-	269	128,563
Expenditures:								
Current:								
General government	50,330	-	-	-	-	-	-	-
Parks and recreation	-	-	3,619	-	-	-	-	-
Capital outlay	-	953,117	141,062	-	-	-	-	1,251,586
Debt service:								
Principal retirements	-	-	-	-	-	350,000	-	-
Interest and fiscal charges	-	-	-	-	-	59,900	-	-
Total expenditures	50,330	953,117	144,681	-	-	409,900	-	1,251,586
Excess of revenues over (under) expenditures	208,029	(75,834)	127,596	1,010	731	(409,900)	269	(1,123,023)
Other financing sources (uses):								
Transfers in	-	187,000	-	-	-	409,900	-	978,300
Transfers out	(142,000)	-	-	-	(48,200)	-	-	-
Total other financing sources (uses)	(142,000)	187,000	-	-	(48,200)	409,900	-	978,300
Net changes in fund balances	66,029	111,166	127,596	1,010	(47,469)	-	269	(144,723)
Fund balances, beginning of year	47,864	112,493	305,100	5,811	47,469	-	7,238	2,220,387
Fund balances, end of year	\$ 113,893	\$ 223,659	\$ 432,696	\$ 6,821	\$ -	\$ -	\$ 7,507	\$ 2,075,664

City of Leawood, Kansas
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-major Governmental Funds
For the year ended December 31, 2006

	Street Improvements	City Art	Park Impact Fee	1/8th Cent Sales Tax Fund	South Leawood Transportation Impact Fee	Highway K-150 Corridor Impact Fee	Public Art Impact Fee	Total Other Governmental Funds
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 647,127	\$ -	\$ -	\$ -	\$ 647,127
Licenses and permits	-	-	36,363	-	38,885	69,297	18,063	162,608
Intergovernmental	487,689	-	-	55,800	-	-	-	1,915,422
Interest	40,802	14,060	8,967	49,748	35,781	30,102	6,297	331,216
Contributions and other	-	9,000	-	-	-	-	-	30,100
Total revenues	528,491	23,060	45,330	752,675	74,666	99,399	24,360	3,086,473
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	50,330
Parks and recreation	-	-	-	-	-	-	-	3,619
Capital outlay	1,522,656	49,109	7,590	308,487	-	-	471	4,234,078
Debt service:								
Principal retirements	-	-	30,000	-	-	-	-	380,000
Interest and fiscal charges	-	-	34,200	-	-	-	-	94,100
Total expenditures	1,522,656	49,109	71,790	308,487	-	-	471	4,762,127
Excess of revenues over (under) expenditures	(994,165)	(26,049)	(26,460)	444,188	74,666	99,399	23,889	(1,675,654)
Other financing sources (uses):								
Transfers in	1,215,100	52,843	-	-	-	-	-	2,843,143
Transfers out	-	-	-	(807,100)	-	-	-	(997,300)
Total other financing sources (uses)	1,215,100	52,843	-	(807,100)	-	-	-	1,845,843
Net changes in fund balances	220,935	26,794	(26,460)	(362,912)	74,666	99,399	23,889	170,189
Fund balances, beginning of year	386,299	321,956	244,678	1,262,455	710,479	540,529	139,159	6,351,917
Fund balances, end of year	\$ 607,234	\$ 348,750	\$ 218,218	\$ 899,543	\$ 785,145	\$ 639,928	\$ 163,048	\$ 6,522,106

City of Leawood, Kansas
Special Alcohol Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
- Budget and Actual -
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Intergovernmental	\$ 185,000	\$ 256,421	\$ 71,421
Interest	5,436	1,938	(3,498)
Total revenues	<u>190,436</u>	<u>258,359</u>	<u>67,923</u>
Expenditures:			
General government	<u>53,000</u>	<u>50,330</u>	<u>(2,670)</u>
Total expenditures	<u>53,000</u>	<u>50,330</u>	<u>(2,670)</u>
Revenues over (under) expenditures	137,436	208,029	70,593
Other financing (uses):			
Transfers out	<u>(142,000)</u>	<u>(142,000)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (4,564)</u>	66,029	<u>\$ 70,593</u>
Fund balance, beginning of year		<u>47,864</u>	
Fund balance, end of year		<u>\$ 113,893</u>	

Schedule 6

City of Leawood, Kansas
 Special City Highway Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 - Budget and Actual -
 For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Intergovernmental	\$ 855,130	\$ 858,341	\$ 3,211
Interest	<u>3,077</u>	<u>18,942</u>	<u>15,865</u>
Total revenues	<u>858,207</u>	<u>877,283</u>	<u>19,076</u>
Expenditures:			
Capital outlay	<u>1,050,000</u>	<u>953,117</u>	<u>(96,883)</u>
Revenues over (under) expenditures	(191,793)	(75,834)	115,959
Other financing sources:			
Transfers in	<u>187,000</u>	<u>187,000</u>	<u>-</u>
Net changes in fund balance	<u>\$ (4,793)</u>	111,166	<u>\$ 115,959</u>
Fund balance, beginning of year		<u>112,493</u>	
Fund balance, end of year		<u>\$ 223,659</u>	

City of Leawood, Kansas
Special Parks and Recreation Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
- Budget and Actual -
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Intergovernmental	\$ 185,000	\$ 256,421	\$ 71,421
Interest	5,000	15,856	10,856
Total revenues	<u>190,000</u>	<u>272,277</u>	<u>82,277</u>
Expenditures:			
Parks and recreation	14,683	3,619	(11,064)
Capital outlay	465,417	141,062	(324,355)
Total expenditures	<u>480,100</u>	<u>144,681</u>	<u>(335,419)</u>
Net changes in fund balance	<u>\$ (290,100)</u>	127,596	<u>\$ 417,696</u>
Fund balance, beginning of year		<u>305,100</u>	
Fund balance, end of year		<u>\$ 432,696</u>	

City of Leawood, Kansas
Special Law Enforcement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
- Budget and Actual -
For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Intergovernmental	\$ -	\$ 750	\$ 750
Interest	189	260	71
	<u>189</u>	<u>1,010</u>	<u>821</u>
Total revenues			
Expenditures:			
Public safety	5,700	-	5,700
	<u>(5,511)</u>	1,010	(4,879)
Revenues over (under) expenditures			
Other financing (uses):			
Transfers out	(300)	-	-
	<u>(5,811)</u>	1,010	<u>\$ 6,521</u>
Net changes in fund balance			
Fund balance, beginning of year		<u>5,811</u>	
Fund balance, end of year		<u>\$ 6,821</u>	

City of Leawood, Kansas
Kansas Byrne Grant Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 - Budget and Actual -
 For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Interest	\$ 731	\$ 731	\$ -
Total revenues	<u>731</u>	<u>731</u>	<u>-</u>
Expenditures:			
Public safety	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	731	731	-
Other financing (uses):			
Transfers out	<u>(48,200)</u>	<u>(48,200)</u>	<u>-</u>
Net changes in fund balance	<u>\$ (47,469)</u>	<u>(47,469)</u>	<u>\$ -</u>
Fund balance, beginning of year		<u>47,469</u>	
Fund balance, end of year		<u>\$ -</u>	

City of Leawood, Kansas
 Debt Service Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 - Budget and Actual -
 For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Taxes	\$ 3,478,698	\$ 3,465,264	\$ (13,434)
Intergovernmental	618,447	610,562	(7,885)
Special assessments	1,727,500	1,609,097	(118,403)
Interest	200,051	380,288	180,237
Total revenues	<u>6,024,696</u>	<u>6,065,211</u>	<u>40,515</u>
Expenditures:			
Debt service:			
Principal retirements	4,536,100	4,536,100	-
Interest and fiscal charges	1,813,700	1,884,293	70,593
Cash basis reserve	5,580,571	-	(5,580,571)
Total expenditures	<u>11,930,371</u>	<u>6,420,393</u>	<u>(5,509,978)</u>
Revenues over (under) expenditures	<u>(5,905,675)</u>	<u>(355,182)</u>	<u>5,550,493</u>
Other financing sources and (uses):			
Transfers in	119,700	52,604	(67,096)
Transfers out	-	(804,619)	(804,619)
Payment to refunded bond escrow agent	-	(6,367,180)	(6,367,180)
Refunding bonds issued	-	6,405,000	6,405,000
Debt issuance premiums	-	46,721	46,721
Total other financing sources and (uses)	<u>119,700</u>	<u>(667,474)</u>	<u>(787,174)</u>
Net changes in fund balance	<u>\$ (5,785,975)</u>	<u>(1,022,656)</u>	<u>\$ 4,763,319</u>
Fund balance, beginning of year		<u>6,945,422</u>	
Fund balance, end of year		<u>\$ 5,922,766</u>	

City of Leawood, Kansas

Golf Course Fund

Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)

For the Year Ended December 31, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues:			
Golf course revenues	\$ 1,844,279	\$ 1,825,144	\$ (19,135)
Interest and other	253	31,045	30,792
Total revenues	<u>1,844,532</u>	<u>1,856,189</u>	<u>11,657</u>
Expenditures:			
Current:			
Cost of goods sold	362,038	285,023	(77,015)
Pro shop	291,686	299,355	7,669
Driving range	15,000	6,627	(8,373)
Golf carts	58,280	55,700	(2,580)
Course maintenance	608,819	583,302	(25,517)
Food and beverage	180,369	153,163	(27,206)
General and administrative	315,396	287,019	(28,377)
Capital outlay	387,850	258,010	(129,840)
Debt service:			
Principal	526,661	521,266	(5,395)
Interest and other fiscal charges	148,601	147,434	(1,167)
Total expenditures	<u>2,894,700</u>	<u>2,596,899</u>	<u>(297,801)</u>
Revenues over (under) expenditures	(1,050,168)	(740,710)	309,458
Other financing sources:			
Issuance of capital lease	220,000	220,000	-
Proceeds from sale of capital assets	148,900	75,166	(73,734)
Transfers in	674,237	2,232,249	1,558,012
Transfers out	(69,700)	-	69,700
Total other financing sources:	<u>973,437</u>	<u>2,527,415</u>	<u>1,553,978</u>
Net changes in net assets	<u>\$ (76,731)</u>	1,786,705	<u>\$ 1,863,436</u>

Reconciliation from budgetary basis (modified accrual) to full accrual:

Principal retirements	521,266
Capital outlay	258,010
Transfers to governmental activities	(3,367,096)
Issuance of capital lease	(220,000)
Gain on sale of capital assets	(68,379)
Depreciation expense	(325,601)
Amortization expense	<u>(16,583)</u>

Change in net assets \$ (1,431,678)

City of Leawood, Kansas
Combining Statement of Changes in Assets and Liabilities -
All Agency Funds
For the Year Ended December 31, 2006

Agency Funds -	Balance			Balance
Employee Giving	Beginning	Additions	Deductions	End
	of Year			of Year
Agency Funds - Employee Giving				
Assets:				
Cash and investments	\$ 335	\$ 868	\$ 927	\$ 276
Liabilities:				
Due to employees	\$ 335	\$ 868	\$ 927	\$ 276
 Transportation Development District - Cornerstone				
Assets:				
Cash and investments	\$ -	\$ 170,000	\$ 170,000	\$ -
Special assessments	-	170,000	-	170,000
	<u>\$ -</u>	<u>\$ 340,000</u>	<u>\$ 170,000</u>	<u>\$ 170,000</u>
Liabilities:				
Due to bondholders	\$ -	\$ 170,000	\$ -	\$ 170,000
 Transportation Development District - Resurrection Project				
Assets:				
Cash and investments	\$ -	\$ 490,000	\$ 490,000	\$ -
Special assessments	-	490,000	-	490,000
	<u>\$ -</u>	<u>\$ 980,000</u>	<u>\$ 490,000</u>	<u>\$ 490,000</u>
Liabilities:				
Due to bondholders	\$ -	\$ 490,000	\$ -	\$ 490,000
 Total - All Agency Funds				
Assets:				
Cash and investments	\$ 335	\$ 660,868	\$ 660,927	\$ 276
Special assessments	-	660,000	-	660,000
Total assets	<u>\$ 335</u>	<u>\$ 1,320,868</u>	<u>\$ 660,927</u>	<u>\$ 660,276</u>
Liabilities:				
Due to employees	\$ 335	\$ 868	\$ 927	\$ 276
Due to bondholders	-	660,000	-	660,000
Total liabilities	<u>\$ 335</u>	<u>\$ 660,868</u>	<u>\$ 927</u>	<u>\$ 660,276</u>

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STATISTICAL SECTION

This part of the City of Leawood'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

Tables

Financial Trends

1-5

These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

6-9

These tables contain information to help the reader assess the City's most significant local revenue source: property taxes.

Debt Capacity

10-13

These tables 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.

Demographic and Economic Information

14-16

These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

17-18

These tables 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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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Table 1

City of Leawood, Kansas

Net Assets by Component

Last Four Fiscal Years

(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 221,394,614	\$ 228,815,457	\$ 232,831,295	(1) \$ 275,588,463
Restricted	4,688,880	7,166,833	7,522,989	7,606,885
Unrestricted	20,897,456	22,249,356	28,882,905	23,418,717
Total governmental activities net assets	\$ 246,980,950	\$ 258,231,646	\$ 269,237,189	\$ 306,614,065
Business-type activities				
Invested in capital assets, net of related debt	\$ 2,725,452	\$ 2,995,456	\$ 3,192,892	\$ -
Unrestricted	(1,820,411)	(1,735,685)	(1,761,214)	-
Total business-type activities net assets	\$ 905,041	\$ 1,259,771	\$ 1,431,678	(2) \$ -
Primary government				
Invested in capital assets, net of related debt	\$ 224,120,066	\$ 231,810,913	\$ 236,024,187	\$ 275,588,463
Restricted	4,688,880	7,166,833	7,522,989	7,606,885
Unrestricted	19,077,045	20,513,671	27,121,691	23,418,717
Total primary government net assets	\$ 247,885,991	\$ 259,491,417	\$ 270,668,867	\$ 306,614,065

(1) In 2006, the city retroactively capitalized stormwater infrastructure in the amount of \$25,207,590.

(2) Effective January 1, 2007, the activities of the City's business-type activity will be reported with governmental activities. Accordingly, the net assets of the business-type activities were transferred to the governmental activities at December 31, 2006.

Table 2

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities:				
General Government	\$ 4,178,147	\$ 4,747,939	\$ 5,117,718	\$ 4,752,202
Public Safety	9,853,624	10,975,002	11,229,154	11,682,872
Public Works	10,153,561	12,658,853	15,546,967	17,121,498
Parks and Recreation	3,065,427	3,544,545	3,753,994	3,816,310
Interest on Long-Term Debt	2,407,122	2,498,981	2,737,987	3,496,801
Total governmental activities expenses:	<u>29,657,881</u>	<u>34,425,320</u>	<u>38,385,820</u>	<u>40,869,683</u>
Business-type activities:				
Golf Course	2,214,698	2,287,663	2,414,478	2,153,020
Total business-type activities expenses:	<u>2,214,698</u>	<u>2,287,663</u>	<u>2,414,478</u>	<u>2,153,020</u>
Total primary government expenses	<u>\$ 31,872,579</u>	<u>\$ 36,712,983</u>	<u>\$ 40,800,298</u>	<u>\$ 43,022,703</u>
Program Revenues				
Governmental activities:				
Charges for Services				
General Government	\$ 2,209,868	\$ 2,010,249	\$ 2,096,548	\$ 2,053,315
Public Safety	99,639	98,647	93,050	114,496
Public Works	2,132,951	2,859,835	2,083,496	1,876,606
Parks and Recreation	988,692	990,564	1,029,053	1,109,853
Operating Grants and Contributions	613,345	859,665	152,984	792,403
Capital Grants and Contributions	12,818,493	7,707,622	16,893,649	8,476,782
Total Governmental activities program revenues:	<u>18,862,988</u>	<u>14,526,582</u>	<u>22,348,780</u>	<u>14,423,455</u>
Business-type activities:				
Golf Course				
Charges for services	2,038,317	2,014,759	2,007,047	1,825,144
Capital Grants and Contributions	-	182,084	-	-
Total Business-type activities program revenues:	<u>2,038,317</u>	<u>2,196,843</u>	<u>2,007,047</u>	<u>1,825,144</u>
Total primary government program revenues	<u>\$ 20,901,305</u>	<u>\$ 16,723,425</u>	<u>\$ 24,355,827</u>	<u>\$ 16,248,599</u>

	Fiscal Year		
	2003	2004	2005
Net (expense)/revenue:			
Governmental Activities	\$ (10,794,894)	\$ (19,898,738)	\$ (16,037,040)
Business Activities	(176,381)	(90,820)	(407,431)
Total primary government net expense:	<u>\$ (10,971,274)</u>	<u>\$ (19,989,558)</u>	<u>\$ (16,444,471)</u>
			2006
			\$ (26,446,228)
			(327,876)
			<u>\$ (26,774,104)</u>

General Revenues and Other Changes in

Net Assets

Governmental activities:

Taxes

Property Taxes, levied for general purpose	\$ 8,695,788	\$ 8,306,371	\$ 8,716,271	\$ 11,959,344
Property Taxes, levied for debt service	3,991,063	6,266,815	5,896,324	3,838,579
Sales Taxes	9,749,898	11,430,251	11,923,933	12,222,897
Franchise Taxes	2,292,152	2,452,402	2,632,536	2,648,951
Other Taxes	257,458	566,721	576,723	769,263

Unrestricted Grants and Contributions

Unrestricted Investment Earnings

Miscellaneous

Transfers in(out)

Total Governmental activities:

	1,760,113	1,590,986	2,290,236	2,380,457
	438,926	746,382	1,789,313	2,976,921
	166,542	234,606	102,475	112,838
	(165,637)	(445,100)	(579,137)	1,134,847
Total Governmental activities:	<u>27,186,303</u>	<u>31,149,434</u>	<u>33,348,674</u>	<u>38,044,097</u>
Business-type activities:				
Unrestricted Investment Earnings	937	254	201	247
Miscellaneous	131,114	196	-	30,798
Transfers in(out)	165,637	445,100	579,137	(1,134,847)
Total Business-type activities:	<u>297,688</u>	<u>445,550</u>	<u>579,338</u>	<u>(1,103,802)</u>
Total Primary Government	<u>\$ 27,483,991</u>	<u>\$ 31,594,984</u>	<u>\$ 33,928,012</u>	<u>\$ 36,940,295</u>

Change in Net Assets

Governmental activities

Business-type activities

Total primary government

	\$ 16,391,409	\$ 11,250,696	\$ 17,311,634	\$ 11,597,869
	121,307	354,730	171,907	(1,431,678)
Total primary government	<u>\$ 16,512,717</u>	<u>\$ 11,605,426</u>	<u>\$ 17,483,541</u>	<u>\$ 10,166,191</u>

Table 3

City of Leawood, Kansas
Governmental Activities Tax Revenues By Source
Last Four Fiscal Years
(accrual basis of accounting)

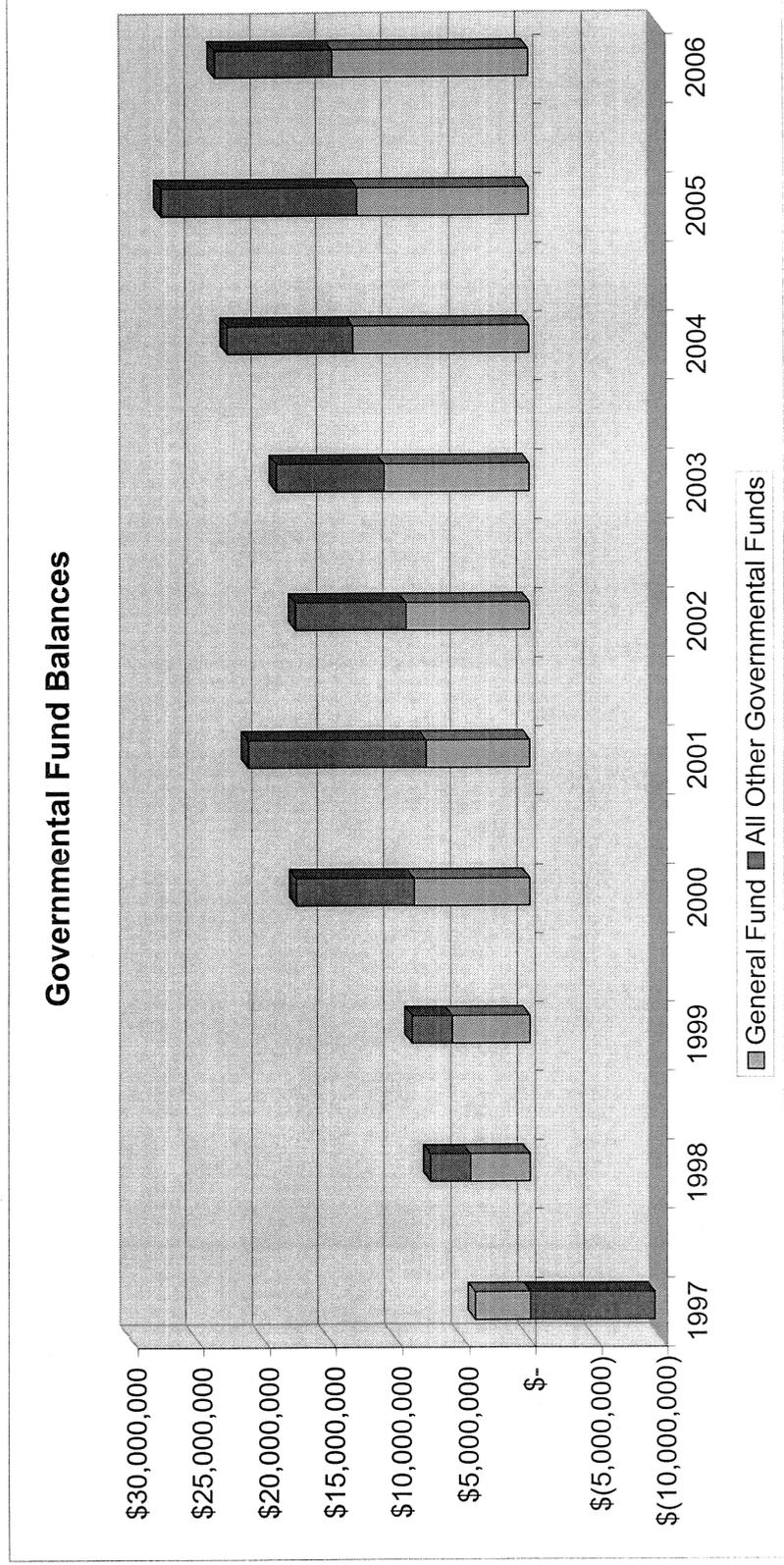
Fiscal Year	City				Total
	Property Tax	Sales Tax	Franchise Tax	Other Taxes	
2003	\$ 12,686,851	\$ 9,749,898	\$ 2,292,152	\$ 257,458	\$ 24,986,359
2004	14,573,186	11,430,251	2,452,402	566,721	29,022,560
2005	14,612,595	11,923,933	2,632,536	576,723	29,745,787
2006	15,797,923	12,222,897	2,648,951	769,263	31,439,034

Table 4

City of Leawood, Kansas

Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 652,561	\$ 219,370	\$ 80,584	\$ 350,624	\$ 805,954	\$ 1,309,030	\$ 1,239,976	\$ 1,197,867	\$ 1,076,631	\$ 55,185
Unreserved	3,501,487	4,269,481	5,759,011	8,301,513	6,960,602	7,921,720	9,607,178	11,974,459	11,751,740	14,651,607
Total General Fund	\$ 4,154,048	\$ 4,488,851	\$ 5,839,595	\$ 8,652,137	\$ 7,766,556	\$ 9,230,750	\$ 10,847,154	\$ 13,172,326	\$ 12,828,371	\$ 14,706,792
All other governmental funds										
Reserved	\$ 1,984,953	\$ 2,066,809	\$ 2,117,895	\$ 2,629,832	\$ 2,712,643	\$ 2,698,523	\$ 3,143,615	\$ 5,239,707	\$ 6,945,422	\$ 5,922,766
Unreserved, reported in:										
Special revenue funds	516,815	423,065	392,765	280,878	162,337	173,258	183,656	319,207	525,975	784,576
Capital projects funds	(11,928,399)	496,793	502,337	5,999,125	10,572,097	5,501,938	4,884,924	4,037,678	7,461,892	2,265,856
Total all other governmental funds	\$ (9,426,631)	\$ 2,986,667	\$ 3,012,997	\$ 8,909,835	\$ 13,447,077	\$ 8,373,719	\$ 8,212,195	\$ 9,596,592	\$ 14,933,289	\$ 8,973,198



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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues:										
Taxes	\$ 11,595,997	\$ 12,681,417	\$ 14,107,298	\$ 15,792,474	\$ 17,303,981	\$ 18,012,526	\$ 19,633,539	\$ 22,456,229	\$ 23,835,129	\$ 25,158,674
Licenses and Permits	949,609	1,102,360	1,497,901	1,715,790	2,502,458	2,884,530	2,654,280	3,314,093	2,688,264	2,386,747
Intergovernmental	10,432,267	7,655,835	6,961,401	8,673,871	8,260,309	10,608,104	8,536,970	11,748,623	12,281,449	9,707,954
Charges for Services	1,438,829	1,024,927	1,287,452	948,730	1,031,295	1,169,993	1,090,801	1,088,487	1,106,078	1,208,832
Fines and Forfeitures	549,661	511,607	849,465	1,331,258	1,092,075	1,223,716	1,686,069	1,553,840	1,507,805	1,557,941
Special Assessments	1,289,520	1,017,609	1,500,174	1,301,357	1,318,124	1,633,358	1,078,020	1,408,127	1,383,982	1,609,097
Interest	822,850	954,978	827,019	1,342,370	1,114,728	616,654	438,926	746,382	1,789,313	2,976,921
Contributions and Others	713,831	272,071	160,988	220,967	465,662	842,827	363,687	694,737	205,384	807,892
Total Revenues	27,792,564	25,220,804	27,191,698	31,326,817	33,088,632	36,991,708	35,482,292	43,010,518	44,797,404	45,414,058
Expenditures										
General Government	2,869,838	3,352,681	3,309,126	3,400,791	3,946,423	3,541,020	3,951,170	4,561,019	4,494,045	4,675,142
Public Safety	6,480,608	6,509,602	6,845,612	7,412,129	8,120,894	9,895,329	9,185,875	10,350,561	10,488,343	10,948,107
Public Works	3,820,455	4,698,438	5,135,849	5,487,842	6,861,434	9,883,695	3,954,668	4,249,162	4,424,584	4,646,724
Parks and Recreation	1,316,022	1,732,094	1,703,024	1,798,480	2,125,696	2,469,044	2,547,194	2,964,727	2,944,389	3,007,512
Capital Outlay	11,779,676	3,444,480	3,585,440	7,244,698	11,861,441	13,860,890	12,968,799	14,346,905	13,564,787	21,668,357
Debt Service										
Principal	2,630,636	3,207,151	4,069,722	3,915,343	4,292,586	4,457,300	3,865,893	4,292,991	4,746,995	5,000,112
Interest and Fiscal Charges	2,459,379	2,507,232	2,000,098	2,131,544	2,099,046	2,534,243	2,163,860	2,801,361	2,914,082	3,510,916
Total Expenditures	31,356,614	25,451,678	26,648,871	31,390,827	39,307,520	46,641,521	38,637,459	43,566,726	43,577,225	53,456,870
Excess of Revenues over (under) Expenditures	(3,564,050)	(230,874)	542,827	(64,010)	(6,218,888)	(9,649,813)	(3,155,167)	(556,208)	1,220,179	(8,042,812)
Other Financing Sources (Uses)										
Transfer In	2,606,773	2,618,543	2,203,142	2,147,890	4,289,093	5,459,969	4,480,636	3,308,061	6,490,754	7,998,372
Transfers Out	(2,409,837)	(2,618,543)	(2,044,711)	(2,147,890)	(4,289,093)	(5,459,969)	(4,646,273)	(3,753,161)	(7,069,891)	(10,230,621)
Refunding Bonds Issued	-	-	-	-	-	-	2,835,000	7,795,000	-	6,405,000
Bonds Issued	920,000	12,340,000	675,720	8,772,941	9,870,256	5,050,000	5,060,000	4,280,000	4,090,000	6,050,000
Premium on Bonds Issued	-	-	-	-	-	-	-	338,200	261,700	105,571
Payments to Refunded Bonds Escrow Agent	-	-	-	-	-	-	(3,119,316)	(7,702,323)	-	(6,367,180)
Total Other Financing Sources (Uses)	1,116,936	12,340,000	834,151	8,772,941	9,870,256	5,050,000	4,610,047	4,265,777	3,772,563	3,961,142
Net Changes in Fund Balances	\$ (2,447,114)	\$ 12,109,126	\$ 1,376,978	\$ 8,708,931	\$ 3,651,368	\$ (4,599,813)	\$ 1,454,880	\$ 3,709,569	\$ 4,992,742	\$ (4,081,670)
Debt Service as a percentage of noncapital Expenditures	26.00%	25.97%	26.32%	25.04%	23.29%	21.33%	23.49%	24.28%	25.53%	26.77%

Table 5 cont.

City of Leawood, Kansas
General Governmental Tax Revenues By Source (1)
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property Tax	City		City		Total
		Sales Tax	Franchise Tax	Consumers' Use Tax		
1997	\$ 6,969,475	\$ 2,808,135	\$ 1,529,620	\$ 288,767	\$ 11,595,997	
1998	7,340,330	3,374,684	1,619,829	346,574	12,681,417	
1999	8,424,989	3,613,566	1,715,571	353,172	14,107,298	
2000	9,038,077	4,115,932	2,126,254	512,212	15,792,474	
2001	9,772,091	4,589,872	2,433,290	508,728	17,303,981	
2002	10,681,729	4,434,337	2,341,374	555,086	18,012,526	
2003	11,591,722	4,694,073	2,292,152	1,055,593	19,633,539	
2004	13,401,913	5,240,290	2,452,403	1,361,623	22,456,229	
2005	14,304,471	5,649,000	2,632,535	1,249,124	23,835,129	
2006	15,424,609	5,830,105	2,648,951	1,255,009	25,158,674	

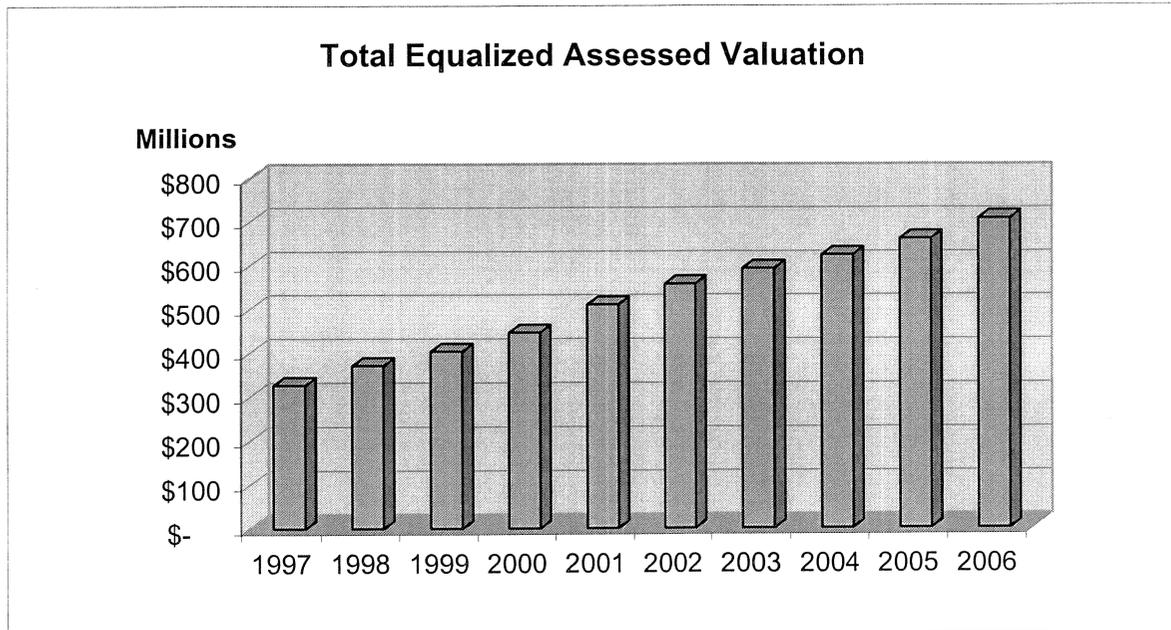
(1) Includes governmental activities as shown in the Fund Financial Statements.

CITY OF LEAWOOD, KANSAS

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Year Ended December 31,	Assessed Value Residential Property	Assessed Value Personal Property	State Assessed Utilities	Total Assessed Value
1997	\$ 261,766,856	\$ 7,743,940	\$ 4,908,010	\$ 274,418,806
1998	300,942,697	9,763,285	5,463,373	316,169,355
1999	331,758,648	10,024,991	5,636,982	347,420,621
2000	370,034,534	11,995,333	6,322,011	388,351,878
2001	434,198,518	14,069,163	5,757,847	454,025,528
2002	478,263,332	14,964,257	5,847,070	499,074,659
2003	508,588,824	16,334,865	6,296,797	531,220,486
2004	539,398,377	13,900,623	6,294,133	559,593,133
2005	571,882,830	15,239,935	6,864,743	593,987,508
2006	615,197,839	15,600,418	7,319,540	638,117,797



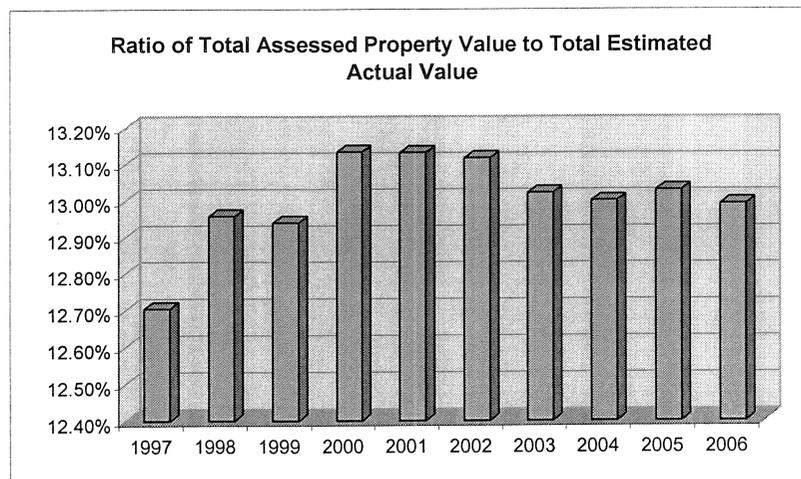
(1) Utilities Estimated Actual Value is calculated by dividing the assessed value by 33%.

CITY OF LEAWOOD, KANSAS

**Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years**

Assessed Value Motor Vehicle	Assessed Value Recreational Vehicles	Total Equalized Assessed Valuation	Year Ended December 31,
\$ 51,711,655	\$ 49,540	\$ 326,180,001	1997
54,402,973	57,219	370,629,547	1998
55,822,425	76,324	403,319,370	1999
57,454,109	83,942	445,889,929	2000
55,595,022	100,080	509,720,630	2001
57,647,345	115,437	556,837,441	2002
60,469,320	129,601	591,819,407	2003
63,304,016	118,088	623,015,237	2004
65,756,344	112,840	659,856,692	2005
68,658,169	133,101	706,909,067	2006

Real Property Estimated Actual Value	Personal Property Estimated Actual Value	Utilities Estimated Actual Value (1)	Total Estimated Actual Value	Ratio of Total Assessed Value to Total Estimated Actual Value	Year Ended December 31,
\$ 2,114,807.329	\$ 30,459.497	\$ 14,872.758	\$ 2,160,139,584	12.70%	1997
2,384,992.310	38,402.254	16,555.676	2,439,950,240	12.96%	1998
2,628,446.951	39,431.632	17,081.764	2,684,960,347	12.94%	1999
2,890,539.040	47,181.630	19,157.609	2,956,878,279	13.13%	2000
3,384,664.758	55,338.771	17,448.021	3,457,451,550	13.13%	2001
3,728,160.425	58,859.411	17,718.394	3,804,738,230	13.12%	2002
3,996,269.722	64,250.469	19,081.203	4,079,601,394	13.02%	2003
4,230,737.644	54,675.784	19,073.130	4,304,486,558	13.00%	2004
4,478,174.979	59,943.744	20,802.252	4,558,920,975	13.03%	2005
4,828,211,705	61,361,644	22,180,424	4,911,753,773	12.99%	2006



CITY OF LEAWOOD, KANSAS

Property Tax Rates
(Per \$1,000 of Assessed Value)

Direct and Overlapping Governments
Last Ten Fiscal Years

Tax/Fiscal Year	City		State of Kansas	Shawnee Mission School District	Blue Valley School District	Johnson County Community College	Unified Johnson County Sewer District		Johnson County Library	Johnson County Park	Total	
	General	Debt Service					Blue Valley Direct & Overlapping Rates	Shawnee Mission Direct & Overlapping Rates				
1996/1997	\$19,816	\$ 5,631	\$ 1,500	\$ 56,233	\$ 80,430	\$ 8,946	\$ 6,041	\$ 3,478	\$ 1,620	\$ 144,052	\$ 119,855	
1997/1998	15,884	7,591	1,500	51,808	74,168	8,540	5,938	3,254	1,512	133,692	111,332	
1998/1999	15,894	7,562	1,500	42,968	69,847	7,746	5,704	3,174	1,437	127,209	100,330	
1999/2000	15,209	8,247	1,500	41,246	65,597	7,184	5,166	3,137	1,451	123,603	99,252	
2000/2001	12,346	9,401	1,500	40,327	65,689	7,646	4,647	2,981	1,322	121,208	95,846	
2001/2002	14,102	7,713	1,500	38,699	64,216	7,743	4,181	2,971	1,382	120,141	94,624	
2002/2003	14,317	7,503	1,500	42,238	68,588	9,428	-	2,948	1,602	122,107	95,757	
2003/2004	13,322	10,752	1,500	37,774	64,551	9,432	-	2,954	2,365	121,257	94,480	
2004/2005	14,763	9,470	1,500	42,655	64,197	9,438	-	2,956	2,367	120,732	99,190	
2005/2006	18,815	5,403	1,500	51,980	60,700	8,872	-	2,960	2,290	118,489	109,769	

Information provided by Johnson County Clerk's office.

Table 8

CITY OF LEAWOOD, KANSAS

Principal Property Taxpayers

Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Town Center Plaza	\$ 20,108,708	1	2.84%	\$ 17,091,276	1	6.23%
95 West, L.P.	7,365,034	2	1.04%	4,776,265	2	1.74%
Academy 1740, Inc.	5,342,759	3	0.76%	-		0.00%
PCC Two, LLC	3,769,677	4	0.53%	-		0.00%
Kansas City Power & Light	3,518,700	5	0.50%	2,582,635	4	0.94%
Megaplex Nine, Inc.	3,160,233	6	0.45%	-		0.00%
Ranch Mart North LLC	3,135,526	7	0.44%	1,550,389	9	0.57%
Hallbrook Office Center	3,062,551	8	0.43%	-		0.00%
114 Timberlands, LLC	3,055,901	9	0.43%	-		0.00%
96-OP Property LLC	2,965,951	10	0.42%	2,325,750	5	0.85%
Northwestern Mutual Life	-		0.00%	2,842,133	3	1.04%
Gaylans Trading Company Inc.	-		0.00%	1,812,325	6	0.66%
Southwestern Bell Telephone	-		0.00%	1,754,990	7	0.64%
8700 State Line Associates	-		0.00%	1,596,600	8	0.58%
Nooney Income Fund, Ltd	-		0.00%	1,442,675	10	0.53%
Total Principal Property Taxpayers	\$ 55,485,040		7.85%	\$ 37,775,038		13.77%

CITY OF LEAWOOD, KANSAS
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax/Fiscal Year	Total Tax Levy	Collected within the		Collections in		Total Collections to Date	
		Fiscal Year of the levy	Percentage of Levy	Subsequent Years	Amount	Percentage of Levy	
1996/1997	\$ 6,989,173	\$ 6,893,702	98.6%	\$ 63,676	\$ 6,957,378	99.5%	
1997/1998	7,422,076	7,275,457	98.0%	50,396	7,325,853	98.7%	
1998/1999	8,149,076	8,067,870	99.0%	79,174	8,147,044	100.0%	
1999/2000	9,085,881	8,938,484	98.4%	67,217	9,005,701	99.1%	
2000/2001	9,873,694	9,687,443	98.1%	80,553	9,767,996	98.9%	
2001/2002	10,887,313	10,611,435	97.5%	66,501	10,677,936	98.1%	
2002/2003	11,591,232	11,374,397	98.1%	183,951	11,558,348	99.7%	
2003/2004	13,471,645	13,270,757	98.5%	136,860	13,407,617	99.5%	
2004/2005	14,329,935	14,189,005	99.0%	111,053	14,300,058	99.8%	
2005/2006	15,425,036	15,277,797	99.0%	141,669	15,419,466	100.0%	

Information provided by the Johnson County Treasurer's office.

1999 Delinquent Tax Collections only include Delinquent Real Estate Taxes. Delinquent Personal collections were distributed January 20, 2001.

2000 Delinquent Tax Collections include Delinquent Personal Property from 1999 and 2000 along with Delinquent Real Estate Taxes for 2000.

City of Leawood
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities					Business-Type Activities			Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds					General Obligation Bonds	Capital Leases	Capital Leases			
	Tax Levies	Special Assessments	Certificates of Participation	Capital Leases	To Be Paid With						
1997	\$ 23,786,068	\$ -	\$ -	\$ 1,528,267	\$ 6,443,933	\$ 230,874	\$ 31,989,142	\$	*	\$ 1,255	
1998	33,365,068	-	-	1,371,808	6,174,933	139,985	41,051,794		*	1,578	
1999	23,492,800	6,444,200	450,000	1,373,798	5,738,000	384,516	37,883,314		*	1,370	
2000	28,484,162	6,493,538	330,000	1,534,834	5,482,300	274,695	42,599,529		*	1,540	
2001	34,922,800	5,682,600	200,000	1,854,804	5,214,600	200,432	48,075,236		*	1,737	
2002	37,037,000	4,948,800	-	1,518,505	4,934,200	184,895	48,623,400		*	1,720	
2003	34,877,645	8,645,655	-	1,175,112	4,641,700	249,996	49,590,108		*	1,718	
2004	35,805,700	8,757,200	-	944,420	4,507,100	148,840	50,163,260		*	1,702	
2005	33,647,403	10,708,697	-	834,225	4,004,230	88,744	49,283,299		*	1,639	
2006	40,519,400	9,400,600	-	881,591	-	-	50,801,591		*	1,656	

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

* Information is not available. This information is compiled every ten years.

(1) Population data can be found in the Schedule of Demographic and Economic Statics in Table 14

Note: Effective January 1, 2007, the activities of the City's business-type activity will be reported with governmental activities. Accordingly, the debt reported in the business-type activities has been reported with governmental activities debt as of December 31, 2006.

City of Leawood
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of	
				Estimated Actual Taxable Value of Property (1)	Per Capita (2)
1997	\$ 30,230,001	\$ 1,810,679	\$ 28,419,322	1.32%	\$ 1,115
1998	39,540,001	1,971,301	37,568,700	1.54%	1,444
1999	35,675,000	2,006,658	33,668,342	1.25%	1,217
2000	40,460,000	2,411,472	38,048,528	1.29%	1,376
2001	45,820,000	2,476,561	43,343,439	1.25%	1,566
2002	46,920,000	2,489,872	44,430,128	1.17%	1,572
2003	48,165,000	2,912,003	45,252,997	1.11%	1,567
2004	49,070,000	5,239,707	43,830,293	1.02%	1,487
2005	48,360,330	6,945,422	41,414,908	0.91%	1,377
2006	49,920,000	5,922,766	43,997,234	0.90%	1,435

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 on Table 6 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statics in Table 14

City of Leawood
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

<u>Governmental unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Leawood (2)</u>	<u>Amount Applicable to City of Leawood</u>
Johnson County	\$ 160,345,000	8.92%	\$ 14,302,774
Johnson County Community College	10,180,000	8.92%	908,056
Shawnee Mission School District (U.S.D. 512)	215,065,000	4.47%	9,613,406
(U.S.D. 229)	265,400,000	25.23%	66,960,420
Fire District #2	2,925,000	1.32%	38,610
Parks and Recreation	4,820,000	8.92%	429,944
			<hr/>
Subtotal, overlapping debt			92,253,210
City of Leawood direct debt (1)			<hr/> 50,801,591
Total direct and overlapping debt			<hr/> <hr/> \$ 143,054,801

(1) General obligation debt outstanding

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in reporting unit as of January 1, 2004

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Leawood. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses 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.

City of Leawood
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$111,188,864	\$111,188,864	\$120,564,244	\$133,275,188	\$153,469,075	\$166,430,928	\$176,694,980	\$186,057,454	\$197,222,884	\$211,196,094
Total net debt applicable to limit	28,419,322	37,568,700	27,224,142	31,554,990	37,660,839	39,481,328	36,607,342	35,073,093	30,706,211	43,997,234
Legal debt margin	\$ 82,769,542	\$ 73,620,164	\$ 93,340,102	\$ 101,720,198	\$ 115,808,236	\$ 126,949,600	\$ 140,087,638	\$ 150,984,361	\$ 166,516,673	\$ 167,198,860
Total net debt applicable to the limit as a percentage of debt limit	25.56%	33.79%	22.58%	23.68%	24.54%	23.72%	20.72%	18.85%	15.57%	20.83%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed value, real and personal property, 2006	\$ 638,117,797
Plus assessed value, motor vehicles, 2005	65,869,184
Total assessed value, 2006	<u>\$ 703,986,981</u>
Debt limit (30% of total assessed value)	211,196,094
Debt applicable to limit:	
General obligation bonds	49,920,000
Less: Amount set aside for repayment of general obligation debt	(5,922,766)
Total net debt applicable to limit	<u>43,997,234</u>
Legal debt margin	<u>\$ 167,198,860</u>

NOTE: In 1997, the Kansas legislature repealed K.S.A. 79-5037, the statute which had governed legal debt limits for municipalities since statewide reappraisal in 1989. Based on this action, the legal general obligation debt limit for most cities in the state, including Leawood, returned to the pre-1989 limit of 30% of equalized assessed valuation. Between 1989 and 1997, K.S.A. 79-5037 adjusted the debt limit to account for the effect of reappraisal. During this period Leawood's debt limit was approximately 15.82% of equalized assessed valuation.

Table 14

City of Leawood
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (1) (amounts expressed in thousands)	Per Capita Personal Income (1)	Median Age (1)	Percent of Adult Population with at least a Bachelors Degree	Unemployment Rate (2)
1997	25,486	*	*	*	*	2.3%
1998	26,016	*	*	*	*	2.5%
1999	27,656	*	*	*	*	1.3%
2000	27,656	\$1,358,988	\$49,139	41.3	68.0%	1.5%
2001	27,670	*	*	*	*	2.5%
2002	28,270	*	*	*	*	2.7%
2003	28,870	*	*	*	*	2.9%
2004	29,470	*	*	*	*	2.5%
2005	30,070	*	*	*	*	2.7%
2006	30,670	*	*	*	*	2.5%

* Information is not available. This information is compiled every ten years.

(1) Obtained from U.S. Census Bureau

(2) Obtained from Kansas Department of Human Resources, for the City of Leawood. Beginning in 1999, the City of Leawood met the Labor Bureau's criteria and data was collected specifically as it related to the city proper. Figures for 1995-1998 included all of Johnson County.

Table 15

**City of Leawood
Principal Employers
Current Year and Nine Years Ago**

Employer	2006			1997		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment (1)
CBiZ Accounting	425	1	2.7%			
Reece & Nichols	372	2	2.4%	150	4	0.0%
American Academy of Family Physicians	350	3	2.2%			
Unified School District No. 229	329	4	2.1%	237	1	0.0%
City of Leawood	253	5	1.6%	207	3	0.0%
Realty Executives	180	6	1.2%			
Root Dental Lab	150	7	1.0%	120	7	0.0%
Weight Watchers	150	8	1.0%	84	10	0.0%
Headache & Pain Center	149	9	1.0%			
Hy Vee	147	10	0.9%			
American Management Association				220	2	0.0%
Jacobson's				149	5	0.0%
Galyan's				140	6	0.0%
Big Sky Distribution				90	8	0.0%
Hen House				88	9	0.0%
Total	2,505		16.1%	1,485		0.0%

(1) The Kansas Department of Labor did not separately track labor force figures for the City prior to 1999.

City of Leawood
Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government	35.00	36.00	32.50	34.00	36.13	39.25	39.50	40.25	39.94	41.00
Public safety										
Police										
Officers	49.00	49.00	52.00	52.00	52.00	54.00	56.00	56.00	58.00	60.00
Civilians	20.00	21.00	22.00	22.00	23.60	22.60	22.60	22.60	22.60	22.60
Fire										
Firefighters and officers	44.00	48.00	48.00	48.00	52.42	51.69	54.69	54.69	54.69	54.69
Civilians	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Public Works	38.00	43.00	49.00	52.00	49.00	49.00	50.00	51.00	52.17	52.67
Parks & Recreation	23.00	23.00	23.00	23.00	42.87	43.37	46.13	51.24	56.40	58.99
Total Full-Time Equivalent	210.00	221.00	227.50	232.00	257.02	260.91	269.92	276.78	284.80	290.95

* Full time equivalents were not counted in the totals until 2001.

**City of Leawood
Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Number of Traffic Violations	7,674	7,674	10,354	10,354	16,114	17,498	18,065	14,320	14,586	15,544
Number of Physical Arrests	1,014	1,014	1,083	788	1,158	1,386	1,572	1,735	1,659	1,704
Number of Dispatch Calls	17,867	17,867	15,830	30,367	28,146	31,711	34,846	32,861	33,961	36,553
Number of Alarm Calls	2,908	2,908	3,934	3,750	3,448	3,302	2,632	2,047	1,925	2,496
Fire										
Number of Fire Calls Answered	827	827	961	961	1,108	1,199	1,681	949	1,035	935
Number of Ambulance Calls Answered	888	888	1,106	1,106	1,042	1,200	1,170	1,223	1,334	1,265
Number of Fire Inspections	830	830	595	738	655	451	660	738	844	858
Parks & Recreation										
Number of Programs Offered	100	100	150	150	150	150	150	150	150	150

**City of Leawood
Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Certified Officers	49	49	52	52	52	54	56	56	58	60
Number of Noncertified Personnel	20	21	22	22	24	23	23	23	23	23
Number of Patrol Districts	4	4	3	3	4	6	3	3	3	3
Fire										
Number of Fire Stations	2	2	2	2	2	3	3	3	3	3
Number of Paid Firefighters	44	48	48	48	51	51	51	51	54	54
Number of Volunteer Firefighters	6	6	2	2	2	0.7	0.7	0.7	0.7	0.7
Number of Nonfire Personnel	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	426	167	167	161	164.56	172.13	177.60	190.60	189.36	191
Streetlights	1278	1278	1278	1278	2135	2001	2497	2555	2625	2721
Parks & Recreation										
Number of Parks	5	5	5	6	6	6	6	6	6	6
Park Acreage	245	245	245	255	423	423	423	423	423	423
Walking Trail Mileage	6	6	6	6	6	7.75	7.75	7.75	7.75	8
Acquatic Centers	1	1	1	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1	1	1	1
Tennis Courts	8	8	6	6	6	6	6	6	6	6
Soccer Fields	13	13	25	14	14	14	14	14	14	14
Baseball Diamonds	6	6	6	4	4	4	3	3	3	3

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