

CITY OF BASEHOR, KANSAS

Financial Statements
Year ending December 31, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report on the Financial Statements	1 - 2
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Funds	5
Reconciliation of the Total Governmental Fund Balances to Net Assets of Governmental Activities	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures And Changes in Fund Balances with the Government-wide Statement of Activities	8
Statement of Revenues, Expenditures, and Changes in Fund Balances - Actual and Budget	
General Fund	9 - 10
Consolidated Highway Fund	11
Special Parks and Recreation Fund	12
Capital Improvements Reserve Fund	13
Municipal Equipment Reserve Fund	14
Statement of Net Assets - Proprietary Funds	15
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	16
Statement of Cash Flows - Proprietary Funds	17 - 18
Notes to the Financial Statements	19 - 36

CITY OF BASEHOR, KANSAS

Financial Statements
Year ending December 31, 2009

TABLE OF CONTENTS (CONTINUED)

Required Supplementary Information:

Schedule of Funding Progress	37
------------------------------	----

Individual Fund Schedules

Individual Fund Schedules of Revenues, Expenditures and Changes in
Fund Balance - Actual and Budget

Bond and Interest Fund	38
------------------------	----

Individual Fund Schedules of Revenues, Expenditures and Changes in
Net Assets - Actual and Budget

Sewer Utility Fund	39
Solid Waste Utility Fund	40

LOWENTHAL, WEBB & ODERMANN, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

900 Massachusetts, Suite 301
Lawrence, Kansas 66044-2868
Phone: (785) 749-5050
Fax: (785) 749-5061
Website: www.lswwcpa.com

David A. Lowenthal, CPA
Patricia L. Webb, CPA
Audrey M. Odermann, CPA

Abram M. Chrislip, CPA
Caroline H. Eddinger, CPA
Grant A. Huddin, CPA
Brian W. Nyp, CPA

Members of American Institute
and Kansas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Mayor and City Council
City of Basehor, 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 Basehor, Kansas, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the "Kansas Municipal Audit Guide." Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Basehor, Kansas, at December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Consolidated Highway Fund, Special Parks and Recreation Fund, Capital Improvements Reserve Fund and the Municipal Equipment Reserve Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The City has not presented management discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The schedule of funding progress on page 37 is not a required part of the basic financial statements but is 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 made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The individual fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund financial statements have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lowenthal, Wett & Odenmann, P.A.

August 19, 2010

CITY OF BASEHOR, KANSAS

STATEMENT OF NET ASSETS

December 31, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,229,849	\$ 879,106	\$ 6,108,955
Receivables:			
Taxes	1,319,941	-	1,319,941
Municipal court	63,515	-	63,515
Other	156,037	72,285	228,322
Due from other funds	-	207,492	207,492
Total current assets	<u>6,769,342</u>	<u>1,158,883</u>	<u>7,928,225</u>
Noncurrent assets:			
Nondepreciable capital assets:			
Land	195,628	-	195,628
Construction in progress	3,571,125	627,508	4,198,633
Depreciable capital assets:	14,012,918	27,882,805	41,895,723
Less: accumulated depreciation	<u>[6,466,165]</u>	<u>[8,176,072]</u>	<u>[14,642,237]</u>
Total noncurrent assets	<u>11,313,506</u>	<u>20,334,241</u>	<u>31,647,747</u>
Total assets	<u>\$ 18,082,848</u>	<u>\$ 21,493,124</u>	<u>\$ 39,575,972</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 21,141	\$ 340,373	\$ 361,514
Accrued liabilities	28,972	2,950	31,922
Accrued interest payable	91,236	97,994	189,230
Deferred revenue	1,319,941	-	1,319,941
Due to other funds	207,492	-	207,492
Compensated absences payable	36,127	9,121	45,248
Current portion of general obligation bonds payable	251,900	78,100	330,000
Current portion of loans payable	-	554,254	554,254
Total current liabilities (payable from current assets)	<u>1,956,809</u>	<u>1,082,792</u>	<u>3,039,601</u>
Noncurrent liabilities:			
Net other post employment benefit obligation	2,859	-	2,859
Capital lease payable	68,200	-	68,200
General obligation bonds payable	3,745,100	934,900	4,680,000
Temporary notes payable	2,967,300	835,000	3,802,300
Loans payable	<u>986,630</u>	<u>10,267,273</u>	<u>11,253,903</u>
Total noncurrent liabilities	<u>7,770,089</u>	<u>12,037,173</u>	<u>19,807,262</u>
Total liabilities	<u>\$ 9,726,898</u>	<u>\$ 13,119,965</u>	<u>\$ 22,846,863</u>
Net Assets			
Invested in fixed assets, net of related debt	\$ 3,362,576	\$ 7,872,206	\$ 11,234,782
Restricted for:			
Debt service	81,613	-	81,613
Unrestricted	<u>4,911,761</u>	<u>500,953</u>	<u>5,412,714</u>
Total net assets	<u>\$ 8,355,950</u>	<u>\$ 8,373,159</u>	<u>\$ 16,729,109</u>

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

CITY OF BASEHOR, KANSAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

	Program Revenues			Net [Expenses] Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	\$ 1,322,150	\$ 25,418	\$ -	\$ [1,296,732]	\$ -	\$ [1,296,732]
Public safety	766,135	187,591	3,882	[574,662]	-	[574,662]
Public works	260,067	46,025	838,396	624,354	-	624,354
Culture and recreation	16,095	4,400	-	[11,695]	-	[11,695]
Infrastructure depreciation	632,431	-	-	[632,431]	-	[632,431]
Interest on long-term debt	313,070	-	-	[313,070]	-	[313,070]
Total governmental activities	<u>3,309,948</u>	<u>263,434</u>	<u>842,278</u>	<u>[2,204,236]</u>	<u>-</u>	<u>[2,204,236]</u>
Business-type activities:						
Sewer Utility	1,356,781	785,262	-	-	[571,519]	[571,519]
Solid Waste Utility	<u>155,638</u>	<u>176,133</u>	<u>-</u>	<u>-</u>	<u>20,495</u>	<u>20,495</u>
Total business-type activities	<u>1,512,419</u>	<u>961,395</u>	<u>-</u>	<u>-</u>	<u>[551,024]</u>	<u>[551,024]</u>
Total primary government	<u>\$ 4,822,367</u>	<u>\$ 1,224,829</u>	<u>\$ 842,278</u>	<u>[2,204,236]</u>	<u>[551,024]</u>	<u>[2,755,260]</u>
General Revenues:						
Property taxes levied for						
General purposes				1,178,128	-	1,178,128
Debt service				490,517	-	490,517
Franchise tax				163,236	-	163,236
Liquor tax				15,632	-	15,632
Sales tax				579,188	-	579,188
Motor vehicle tax				165,987	-	165,987
Excise tax				34,951	-	34,951
Miscellaneous tax				114,603	-	114,603
Investments earnings				100,109	8,993	109,102
Miscellaneous				192,915	-	192,915
Transfers, net				<u>[104,400]</u>	<u>104,400</u>	<u>-</u>
Total general revenues				<u>2,930,866</u>	<u>113,393</u>	<u>3,044,259</u>
Change in net assets				<u>726,630</u>	<u>[437,631]</u>	<u>288,999</u>
Net assets - beginning				7,704,920	8,810,790	16,515,710
Prior period adjustment				<u>[75,600]</u>	<u>-</u>	<u>[75,600]</u>
Net assets - beginning, restated				<u>7,629,320</u>	<u>8,810,790</u>	<u>16,440,110</u>
Net assets - ending				<u>\$ 8,355,950</u>	<u>\$ 8,373,159</u>	<u>\$ 16,729,109</u>

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

CITY OF BASEHOR, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009

	<u>General</u>	<u>Consolidated Highway</u>	<u>Special Parks and Recreation</u>	<u>Capital Improvements Reserve</u>
ASSETS				
Cash and cash equivalents	\$ 448,047	\$ 1,747,322	\$ 159,898	\$ 1,399,714
Receivables				
Taxes	1,304,622	-	-	-
Municipal court	63,515	-	-	-
Other	156,037	-	-	-
Total assets	<u>\$ 1,972,221</u>	<u>\$ 1,747,322</u>	<u>\$ 159,898</u>	<u>\$ 1,399,714</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 21,141	\$ -	\$ -
Accrued liabilities	28,972	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	1,304,622	-	-	-
Total liabilities	<u>1,333,594</u>	<u>21,141</u>	<u>-</u>	<u>-</u>
Fund balance:				
Unreserved				
Special revenue funds	-	1,726,181	159,898	1,399,714
Debt service funds	-	-	-	-
Capital projects funds	-	-	-	-
General fund	638,627	-	-	-
Total fund balance [deficit]	<u>638,627</u>	<u>1,726,181</u>	<u>159,898</u>	<u>1,399,714</u>
Total liabilities and fund balances	<u>\$ 1,972,221</u>	<u>\$ 1,747,322</u>	<u>\$ 159,898</u>	<u>\$ 1,399,714</u>

<u>Municipal Equipment Reserve</u>	<u>Bond and Interest</u>	<u>Cedar Lakes Maintenance</u>	<u>Basehor Town Center Project</u>	<u>Wolf Creek Project</u>	<u>Total Governmental Funds</u>
\$ 286,227	\$ 81,613	\$ 43,441	\$ 805,098	\$ 258,489	\$ 5,229,849
-	15,319	-	-	-	1,319,941
-	-	-	-	-	63,515
-	-	-	-	-	156,037
<u>\$ 286,227</u>	<u>\$ 96,932</u>	<u>\$ 43,441</u>	<u>\$ 805,098</u>	<u>\$ 258,489</u>	<u>\$ 6,769,342</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,141
-	-	-	-	-	28,972
-	-	-	207,492	-	207,492
-	15,319	-	-	-	1,319,941
<u>-</u>	<u>15,319</u>	<u>-</u>	<u>207,492</u>	<u>-</u>	<u>1,577,546</u>

286,227	-	-	-	-	3,572,020
-	81,613	-	-	-	81,613
-	-	43,441	597,606	258,489	899,536
-	-	-	-	-	638,627
<u>286,227</u>	<u>81,613</u>	<u>43,441</u>	<u>597,606</u>	<u>258,489</u>	<u>5,191,796</u>
<u>\$ 286,227</u>	<u>\$ 96,932</u>	<u>\$ 43,441</u>	<u>\$ 805,098</u>	<u>\$ 258,489</u>	<u>\$ 6,769,342</u>

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

CITY OF BASEHOR, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES

December 31, 2009

Total Governmental Fund Balances \$ 5,191,796

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

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

The cost of capital assets is	17,779,671	
Accumulated depreciation is	<u>[6,466,165]</u>	11,313,506

Long-term liabilities, including bonds payable, are not due and payable in
the current period and therefore are not reported as liabilities in the funds.
Long term liabilities at year end consist of:

General obligation bonds payable	3,997,000	
Temporary notes payable	2,967,300	
Loans payable	986,630	
Lease payable	68,200	
Net other post employment benefit obligation	2,859	
Interest payable	91,236	
Compensated absences payable	<u>36,127</u>	<u>[8,149,352]</u>

Net Assets of Governmental Activities \$ 8,355,950

CITY OF BASEHOR, KANSAS

STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	<u>General</u>	<u>Consolidated Highway</u>	<u>Special Parks and Recreation</u>	<u>Capital Improvements Reserve</u>
REVENUES:				
Taxes	\$ 1,492,434	\$ 439,149	\$ 7,816	\$ 289,595
Intergovernmental	3,882	100,000	-	-
Special assessments	-	-	-	-
Licenses, permits and fees	59,952	-	4,400	-
Fines, forfeitures and penalties	189,436	-	-	-
Use of money and property	11,307	29,634	1,993	16,808
Reimbursed expenses	187,813	-	-	-
Miscellaneous	4,852	-	250	-
Total revenues	<u>1,949,676</u>	<u>568,783</u>	<u>14,459</u>	<u>306,403</u>
EXPENDITURES:				
Current				
General government	1,063,929	123,478	-	117,597
Public works	193,462	-	-	-
Culture and recreation	10,905	-	821	-
Public safety	714,816	-	-	-
Capital outlay	-	936,852	-	-
Debt service				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,983,112</u>	<u>1,060,330</u>	<u>821</u>	<u>117,597</u>
Excess [deficiency] of revenues over [under] expenditures	<u>[33,436]</u>	<u>[491,547]</u>	<u>13,638</u>	<u>188,806</u>
OTHER FINANCING SOURCES [USES]				
Loan proceeds	-	-	-	-
Transfers in	30,678	-	-	-
Transfers [out]	<u>[30,000]</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources [uses]	<u>678</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	<u>[32,758]</u>	<u>[491,547]</u>	<u>13,638</u>	<u>188,806</u>
Fund balance - Beginning of year	<u>671,385</u>	<u>2,217,728</u>	<u>146,260</u>	<u>1,210,908</u>
Fund balance - End of year	<u>\$ 638,627</u>	<u>\$ 1,726,181</u>	<u>\$ 159,898</u>	<u>\$ 1,399,714</u>

<u>Municipal Equipment Reserve</u>	<u>Bond and Interest</u>	<u>Cedar Lakes Maintenance</u>	<u>Basehor Town Center Project</u>	<u>Wolf Creek Project</u>	<u>Total Governmental Funds</u>
\$ -	\$ 47,146	\$ -	\$ -	\$ 5,200	\$ 2,281,340
-	-	-	-	738,396	842,278
-	460,902	-	-	-	460,902
-	-	9,646	-	-	73,998
-	-	-	-	-	189,436
3,790	2,772	651	33,154	-	100,109
-	-	-	-	-	187,813
-	-	-	-	-	5,102
<u>3,790</u>	<u>510,820</u>	<u>10,297</u>	<u>33,154</u>	<u>743,596</u>	<u>4,140,978</u>
-	-	-	-	-	1,305,004
-	-	-	-	68,895	262,357
-	-	-	-	-	11,726
-	-	-	-	-	714,816
103,535	-	29,378	1,858,594	1,387,164	4,315,523
-	243,900	-	-	-	243,900
-	172,089	-	144,551	-	316,640
<u>103,535</u>	<u>415,989</u>	<u>29,378</u>	<u>2,003,145</u>	<u>1,456,059</u>	<u>7,169,966</u>
<u>[99,745]</u>	<u>94,831</u>	<u>[19,081]</u>	<u>[1,969,991]</u>	<u>[712,463]</u>	<u>[3,028,988]</u>
-	-	-	-	986,630	986,630
30,000	-	-	-	-	60,678
-	[119,400]	-	-	[15,678]	[165,078]
<u>30,000</u>	<u>[119,400]</u>	<u>-</u>	<u>-</u>	<u>970,952</u>	<u>882,230</u>
[69,745]	[24,569]	[19,081]	[1,969,991]	258,489	[2,146,758]
<u>355,972</u>	<u>106,182</u>	<u>62,522</u>	<u>2,567,597</u>	<u>-</u>	<u>7,338,554</u>
<u>\$ 286,227</u>	<u>\$ 81,613</u>	<u>\$ 43,441</u>	<u>\$ 597,606</u>	<u>\$ 258,489</u>	<u>\$ 5,191,796</u>

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

CITY OF BASEHOR, KANSAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES WITH THE GOVERNMENT WIDE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Total Net Change In Fund Balances - Governmental Funds \$ [2,146,758]

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

Capital outlays to purchase or build assets are reported in governmental funds
as expenditures. However, for governmental activities those costs are shown
in the statement of net assets and allocated over their estimated useful lives
as annual depreciation expenses in the statement of activities. This is the
amount by which capital outlays exceeds depreciation in the period.

Capital outlays	4,310,415	
Depreciation expense	<u>[696,464]</u>	3,613,951

Interest on long-term debt in the statement of activities differs from the amount
reported in the governmental funds because interest is recorded as an
expenditure in the funds when it is due, and thus requires the use of current
financial resources. In the statement of activities, however, interest expense
is recognized as the interest accrues, regardless of when it is due. This is
the amount by which interest decreased.

3,571

Some expenses reported in the statement of activities, such as compensated
absences, do not require the use of current financial resources and therefore
are not reported as expenditures in governmental funds.

[8,804]

Proceeds of a bond sale are a revenue in the governmental funds, but
it increases long-term liabilities in the statement of net assets and does not
affect the statement of activities.

[986,630]

Repayment of bond principal is an expenditure in the governmental funds, but
it reduces long-term liabilities in the statement of net assets and does not
affect the statement of activities.

251,300

Changes In Net Assets of Governmental Activities

\$ 726,630

CITY OF BASEHOR, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ACTUAL AND BUDGET
 For the Year Ended December 31, 2009

	GAAP	Adjustments	Budgetary	Budgeted Amounts		Variance with
	Basis	to Budgetary	Basis	Original	Final	Final Budget
		Basis				Positive
						[Negative]
Revenues:						
Taxes	\$ 1,492,434	\$ -	\$ 1,492,434	\$ 1,546,505	\$ 1,546,505	\$ [54,071]
Intergovernmental	3,882	-	3,882	2,145	2,145	1,737
Licenses and permits	59,952	-	59,952	138,684	138,684	[78,732]
Fines, forfeitures and penalties	189,436	7,255	196,691	205,483	205,483	[8,792]
Use of money and property	11,307	-	11,307	20,800	20,800	[9,493]
Federal grant	187,813	[151,818]	35,995	40,000	40,000	[4,005]
Miscellaneous	4,852	-	4,852	14,600	14,600	[9,748]
Total Revenues	1,949,676	[144,563]	1,805,113	1,968,217	1,968,217	[163,104]
Expenditures:						
General Administration:						
Personal services	656,907	-	656,907	422,193	422,193	[234,714]
Contractual services	354,863	[34,287]	320,576	657,817	657,817	337,241
Commodities	23,688	-	23,688	37,826	37,826	14,138
Capital outlay	28,471	-	28,471	83,755	83,755	55,284
	1,063,929	[34,287]	1,029,642	1,201,591	1,201,591	171,949
Public Safety						
Personal services	594,102	-	594,102	534,575	534,575	[59,527]
Contractual services	72,248	-	72,248	98,025	98,025	25,777
Commodities	43,524	-	43,524	69,100	69,100	25,576
Capital outlay	4,942	-	4,942	14,200	14,200	9,258
	714,816	-	714,816	715,900	715,900	1,084
Highways and Streets						
Personal services	122,184	-	122,184	125,238	125,238	3,054
Contractual services	61,320	-	61,320	56,535	56,535	[4,785]
Commodities	9,958	-	9,958	18,380	18,380	8,422
Capital outlay	-	-	-	6,000	6,000	6,000
	193,462	-	193,462	206,153	206,153	12,691
Culture and recreation						
Personal services	3,203	-	3,203	3,058	3,058	[145]
Contractual services	5,708	-	5,708	7,750	7,750	2,042
Commodities	1,994	-	1,994	1,950	1,950	[44]
	10,905	-	10,905	12,758	12,758	1,853

CITY OF BASEHOR, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Expenditures (Continued):						
Total Expenditures	\$ 1,983,112	\$ [34,287]	\$ 1,948,825	\$ 2,136,402	\$ 2,136,402	\$ 187,577
Excess [Deficiency] of Revenues Over [Under] Expenditures	[33,436]	[110,276]	[143,712]	[168,185]	[168,185]	24,473
Other Financing Sources [Uses]:						
Transfers in	30,678	-	30,678	15,000	15,000	15,678
Transfers [out]	[30,000]	-	[30,000]	[518,000]	[518,000]	488,000
Total Other Financing Sources [Uses]	678	-	678	[503,000]	[503,000]	503,678
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	[32,758]	[110,276]	[143,034]	\$ [671,185]	\$ [671,185]	\$ 528,151
Fund Balance, January 1	671,385	[109,276]	562,109			
Fund Balance, December 31	\$ 638,627	\$ [219,552]	\$ 419,075			

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

CITY OF BASEHOR, KANSAS

CONSOLIDATED HIGHWAY FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 439,149	\$ -	\$ 439,149	\$ 503,725	\$ 503,725	\$ [64,576]
Reimbursements	100,000	-	100,000	-	-	100,000
Use of money and property	29,634	-	29,634	26,900	26,900	2,734
Total Revenues	<u>568,783</u>	<u>-</u>	<u>568,783</u>	<u>530,625</u>	<u>530,625</u>	<u>38,158</u>
Expenditures:						
Commodities	18,940	-	18,940	59,920	59,920	40,980
Capital outlay	936,852	-	936,852	835,507	835,507	[101,345]
Contractual	104,538	-	104,538	231,950	231,950	127,412
Total Expenditures	<u>1,060,330</u>	<u>-</u>	<u>1,060,330</u>	<u>1,127,377</u>	<u>1,127,377</u>	<u>67,047</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	<u>[491,547]</u>	<u>-</u>	<u>[491,547]</u>	<u>[596,752]</u>	<u>[596,752]</u>	<u>105,205</u>
Other Financing Sources [Uses]:						
Transfers in	-	-	-	100,000	100,000	[100,000]
Total Other Financing Sources [Uses]	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>[100,000]</u>
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	<u>[491,547]</u>	<u>-</u>	<u>[491,547]</u>	<u>\$ [496,752]</u>	<u>\$ [496,752]</u>	<u>\$ 5,205</u>
Fund Balance, January 1	<u>2,217,728</u>	<u>-</u>	<u>2,217,728</u>			
Fund Balance, December 31	<u>\$ 1,726,181</u>	<u>\$ -</u>	<u>\$ 1,726,181</u>			

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

CITY OF BASEHOR, KANSAS

SPECIAL PARKS AND RECREATION FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 7,816	\$ -	\$ 7,816	\$ 7,735	\$ 7,735	\$ 81
Licenses, permits and fees	4,400	-	4,400	13,400	13,400	[9,000]
Miscellaneous	250	-	250	-	-	250
Use of money and property	1,993	-	1,993	1,720	1,720	273
Total Revenues	<u>14,459</u>	<u>-</u>	<u>14,459</u>	<u>22,855</u>	<u>22,855</u>	<u>[8,396]</u>
Expenditures:						
Capital outlay	<u>821</u>	<u>-</u>	<u>821</u>	<u>13,500</u>	<u>13,500</u>	<u>12,679</u>
Total Expenditures	<u>821</u>	<u>-</u>	<u>821</u>	<u>13,500</u>	<u>13,500</u>	<u>12,679</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	13,638	-	13,638	<u>\$ 9,355</u>	<u>\$ 9,355</u>	<u>\$ 4,283</u>
Fund Balance, January 1	<u>146,260</u>	<u>-</u>	<u>146,260</u>			
Fund Balance, December 31	<u>\$ 159,898</u>	<u>\$ -</u>	<u>\$ 159,898</u>			

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

CITY OF BASEHOR, KANSAS

CAPITAL IMPROVEMENTS RESERVE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ACTUAL AND BUDGET
 For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 289,595	\$ -	\$ 289,595	\$ 274,767	\$ 274,767	\$ 14,828
Use of money and property	16,808	-	16,808	11,200	11,200	5,608
Total Revenues	306,403	-	306,403	285,967	285,967	20,436
Expenditures:						
Capital outlay	117,597	-	117,597	150,000	150,000	32,403
Total Expenditures	117,597	-	117,597	150,000	150,000	32,403
Excess [Deficiency] of Revenues Over [Under] Expenditures	188,806	-	188,806	135,967	135,967	52,839
Other Financing Sources [Uses]:						
Transfers in	-	-	-	153,000	153,000	[153,000]
Total Other Financing Sources [Uses]	-	-	-	153,000	153,000	[153,000]
Excess [Deficiency] of Revenues and Other Financing Sources Over [Under] Expenditures and Other [Uses]	188,806	-	188,806	\$ 288,967	\$ 288,967	\$ [100,161]
Fund Balance, January 1	1,210,908	-	1,210,908			
Fund Balance, December 31	\$ 1,399,714	\$ -	\$ 1,399,714			

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

CITY OF BASEHOR, KANSAS

MUNICIPAL EQUIPMENT RESERVE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Use of money and property	\$ 3,790	\$ -	\$ 3,790	\$ 2,300	\$ 2,300	\$ 1,490
Total Revenues	<u>3,790</u>	<u>-</u>	<u>3,790</u>	<u>2,300</u>	<u>2,300</u>	<u>1,490</u>
Expenditures:						
Capital outlay	<u>103,535</u>	<u>-</u>	<u>103,535</u>	<u>150,000</u>	<u>150,000</u>	<u>46,465</u>
Total Expenditures	<u>103,535</u>	<u>-</u>	<u>103,535</u>	<u>150,000</u>	<u>150,000</u>	<u>46,465</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	<u>[99,745]</u>	<u>-</u>	<u>[99,745]</u>	<u>[147,700]</u>	<u>[147,700]</u>	<u>47,955</u>
Other Financing Sources [Uses]:						
Transfers in	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>165,000</u>	<u>165,000</u>	<u>[135,000]</u>
Total Other Financing Sources [Uses]	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>165,000</u>	<u>165,000</u>	<u>[135,000]</u>
Excess [Deficiency] of Revenues and Other Financing Sources Over [Under] Expenditures and Other [Uses]	<u>[69,745]</u>	<u>-</u>	<u>[69,745]</u>	<u>\$ 17,300</u>	<u>\$ 17,300</u>	<u>\$ [87,045]</u>
Fund Balance, January 1	<u>355,972</u>	<u>-</u>	<u>355,972</u>			
Fund Balance, December 31	<u>\$ 286,227</u>	<u>\$ -</u>	<u>\$ 286,227</u>			

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

CITY OF BASEHOR, KANSAS

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

December 31, 2009

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 807,292	\$ 71,814	\$ 879,106
Receivables:			
Accounts	57,611	14,674	72,285
Due from other funds	207,492	-	207,492
Total current assets	<u>1,072,395</u>	<u>86,488</u>	<u>1,158,883</u>
Noncurrent assets:			
Capital assets, nondepreciable	627,508	-	627,508
Capital assets, depreciable	27,882,805	-	27,882,805
Less: accumulated depreciation	<u>[8,176,072]</u>	<u>-</u>	<u>[8,176,072]</u>
Total noncurrent assets	<u>20,334,241</u>	<u>-</u>	<u>20,334,241</u>
Total Assets	<u>\$ 21,406,636</u>	<u>\$ 86,488</u>	<u>\$ 21,493,124</u>
LIABILITIES AND NET ASSETS			
Current liabilities (payable from current assets):			
Accounts payable	\$ 340,373	\$ -	\$ 340,373
Accrued interest	97,994	-	97,994
Accrued compensation	8,650	471	9,121
Accrued payroll	2,670	280	2,950
Current portion of general obligation payable	78,100	-	78,100
Current portion of temporary notes payable	835,000	-	835,000
Current portion of KDHE loan payable	<u>554,254</u>	<u>-</u>	<u>554,254</u>
Total current liabilities (payable from current assets):	<u>1,917,041</u>	<u>751</u>	<u>1,917,792</u>
Noncurrent liabilities:			
General obligation bond payable	934,900	-	934,900
KDHE loan payable	<u>10,267,273</u>	<u>-</u>	<u>10,267,273</u>
Total noncurrent liabilities:	<u>11,202,173</u>	<u>-</u>	<u>11,202,173</u>
Total Liabilities	<u>\$ 13,119,214</u>	<u>\$ 751</u>	<u>\$ 13,119,965</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 7,872,206	\$ -	\$ 7,872,206
Unrestricted	<u>415,216</u>	<u>85,737</u>	<u>500,953</u>
Total Net Assets	<u>\$ 8,287,422</u>	<u>\$ 85,737</u>	<u>\$ 8,373,159</u>

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

CITY OF BASEHOR, KANSAS
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Operating revenues:			
Charges for services	\$ 785,262	\$ 176,133	\$ 961,395
Total operating revenues	<u>785,262</u>	<u>176,133</u>	<u>961,395</u>
Operating expenses:			
Personnel	162,830	19,664	182,494
Contractual	153,737	132,883	286,620
Commodities	23,972	3,091	27,063
Capital outlay	33,649	-	33,649
Depreciation	697,237	-	697,237
Total operating expenses	<u>1,071,425</u>	<u>155,638</u>	<u>1,227,063</u>
Operating income [loss]	<u>[286,163]</u>	<u>20,495</u>	<u>[265,668]</u>
Nonoperating revenues [expenses]:			
Interest on long term debt	[285,356]	-	[285,356]
Interest earned	7,927	1,066	8,993
Total nonoperating revenues [expenses]	<u>[277,429]</u>	<u>1,066</u>	<u>8,993</u>
Income [loss] before transfers	<u>[563,592]</u>	<u>21,561</u>	<u>[542,031]</u>
Transfers from [to] other funds			
Transfers in	119,400	-	119,400
Transfers [out]	-	[15,000]	[15,000]
Total transfers	<u>119,400</u>	<u>[15,000]</u>	<u>104,400</u>
Change in net assets	[444,192]	6,561	[437,631]
Net assets, January 1	<u>8,731,614</u>	<u>79,176</u>	<u>8,810,790</u>
Net assets, December 31	<u>\$ 8,287,422</u>	<u>\$ 85,737</u>	<u>\$ 8,373,159</u>

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

CITY OF BASEHOR, KANSAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	\$ 784,694	\$ 174,994	\$ 959,688
Cash paid to suppliers and employees	[55,590]	[155,761]	[211,351]
Net Cash Provided by [Used in] Operating Activities	<u>729,104</u>	<u>19,233</u>	<u>748,337</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers [in] out	<u>119,400</u>	<u>[15,000]</u>	<u>104,400</u>
Net Cash Provided by [Used in] Non-Capital Financing Activities	<u>119,400</u>	<u>[15,000]</u>	<u>104,400</u>
Cash Flows from Capital and Related Financing Activities			
Capital asset acquisition	[4,607,634]	-	[4,607,634]
Proceeds received from notes and loans	5,200,556	-	5,200,556
Principal paid on bonds, notes and loans	[384,419]	-	[384,419]
Interest expense and fiscal charges	<u>[262,103]</u>	<u>-</u>	<u>[262,103]</u>
Net Cash Provided by [Used in] Capital and Related Financing Activities	<u>[53,600]</u>	<u>-</u>	<u>[53,600]</u>
Cash Flows from Investing Activities:			
Interest income	<u>7,927</u>	<u>1,066</u>	<u>8,993</u>
Net Cash Provided by [Used in] Investing Activities	<u>7,927</u>	<u>1,066</u>	<u>8,993</u>
Net Increase [Decrease] in Cash and Cash Equivalents	802,831	5,299	808,130
Cash and Equivalents, January 1	<u>4,461</u>	<u>66,515</u>	<u>70,976</u>
Cash and Equivalents, December 31	<u>\$ 807,292</u>	<u>\$ 71,814</u>	<u>\$ 879,106</u>

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

CITY OF BASEHOR, KANSAS
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Reconciliation of Operating Net Income to Net Cash Provided by Operating Activities:			
Operating income [loss]	\$ [286,163]	\$ 20,495	\$ [265,668]
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	697,237	-	697,237
Change in assets and liabilities:			
[Increase] decrease in accounts receivable	[568]	[1,139]	[1,707]
Increase [decrease] in accounts payable	317,835	-	317,835
Increase [decrease] in compensated absences/accrued payroll	763	[123]	640
Total Adjustments	<u>1,015,267</u>	<u>[1,262]</u>	<u>1,014,005</u>
Net Cash Provided by [Used in] Operating Activities	<u>\$ 729,104</u>	<u>\$ 19,233</u>	<u>\$ 748,337</u>

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

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Reporting Entity*

The City of Basehor, Kansas (the City), is a municipal corporation governed by an elected six-member council. The City has no component units.

B. *Government-wide and Fund Financial Statements*

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Taxes and other items which are not classified as program revenues are presented as general revenues of the City.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual funds are reported as separate columns in the fund financial statements. The City has no fiduciary funds.

C. *Measurement Focus, Basis of Accounting and Basis of Presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)*

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: FASB Statements and Interpretations, APB Opinions, and ARBs.

Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City has elected to report all funds as major and reports the following major governmental funds:

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

The consolidated highway fund is used to account for road and highway projects.

The special parks and recreation fund is used to account for park maintenance and park capital projects.

The capital improvements reserve fund is used to account for capital improvement projects.

The municipal equipment reserve fund is used to account for equipment purchases.

The bond and interest fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental.

The cedar lakes maintenance fund is used for maintenance of pumps at Cedar Lake.

The Basehor town center project fund is used for the construction costs for the project.

The Wolf Creek project fund is used for the construction costs for the project.

The City reports the following major proprietary funds:

The sewer utility fund is used to account for the activities of the City's wastewater operations.

The solid waste utility fund is used to account for the activities of the City's refuse operations.

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Assets, Liabilities and Equity*

1. Deposits and Investments

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

Kansas statutes authorize the City to invest in U.S. Treasury bills and notes, repurchase agreements, the Kansas Municipal Investment Pool, and certain other types of federal and Kansas municipal obligations.

Investments are stated at fair market value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles, if any.

Property taxes receivable - The determination of assessed valuations and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The office of the County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are levied and liens against property are placed on November 1 of the year prior to the fiscal year for which they are budgeted. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year. This procedure eliminates the need to issue tax anticipation notes since funds will be on hand prior to the beginning of each fiscal year. The City Treasurer draws down all available funds from the County Treasurer's office in two-month intervals. Taxes remaining due and unpaid at February 15 and July 1 are subject to collection procedures prescribed in state statutes.

Collection of current year property tax by the County Treasurer is not completed, apportioned or distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the City and therefore are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenue and are identical to the adopted budget for 2010.

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Assets, Liabilities and Equity (Continued)*

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets used in governmental fund types of the City are recorded at cost or estimated historical cost if purchased or constructed.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type is included in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the City, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50 - 100
Other equipment	5 - 20
Vehicles	6 - 10
Infrastructure	30 - 75

4. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation earned but unused at termination (if a two-week notice is given) is paid to the employees at their current rate of pay. Employees are not paid for accumulated sick leave on termination.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability in the government fund financial statements that will pay it. Vested or accumulated vacation leave of the business-type funds and government wide financial statements are recorded as an expense and liability of those funds as the benefits accrue to employees.

The General Fund and Sewer Utility Fund have been used in prior years to liquidate the liability for compensated absences.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. *Assets, Liabilities and Equity (Continued)*

5. Long-term Obligations

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

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

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of business-type net assets are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

7. Use of Estimates

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

8. Deferred Revenue

The City reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized on the statement of revenues, expenditures and changes in fund balances.

9. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and 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 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of the notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget 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 following fund was amended in 2009: The Cedar Lakes Maintenance Fund.

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

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds and certain special revenue funds. Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The actual data presented in the budgetary comparison statements differs from the data presented in accordance with accounting principles generally accepted in the United States of America (GAAP). The following is a summary of the effects on the ending fund balances caused by the difference in accounting between the budgetary basis and GAAP.

Major Governmental Funds					
	General Fund	Consolidated Highway Fund	Special Parks and Recreation Fund	Capital Improvements Reserve Fund	Municipal Equipment Reserve Fund
GAAP FUND BALANCE					
December 31, 2009	\$ 638,627	\$ 1,726,181	\$ 159,898	\$ 1,399,714	\$ 286,227
Unreserved fund balances not subject to the Kansas budget law:					
Cedar Lakes Maintenance Fund	-	-	-	-	-
Basehor Town Center Project Fund	-	-	-	-	-
Adjustments:					
Municipal court receivable	[63,515]	-	-	-	-
Other receivable	[156,037]	-	-	-	-
Total deductions	[219,552]	-	-	-	-
BUDGETARY FUND BALANCE					
December 31, 2009	\$ 419,075	\$ 1,726,181	\$ 159,898	\$ 1,399,714	\$ 286,227

Major Governmental Funds					
	Bond and Interest Fund	Cedar Lakes Maintenance Fund	Basehor Town Center Project Fund	Wolf Creek Project Fund	Total Governmental Funds
GAAP FUND BALANCE					
December 31, 2009	\$ 81,613	\$ 43,441	\$ 597,606	\$ 258,489	\$ 5,191,796
Unreserved fund balances not subject to the Kansas budget law:					
Cedar Lakes Maintenance Fund	-	[43,441]	-	-	[43,441]
Basehor Town Center Project Fund	-	-	[597,606]	-	[597,606]
Wolf Creek Project Fund	-	-	-	[258,489]	[258,489]
Adjustments:					
Municipal court receivable	-	-	-	-	[63,515]
Other receivable	-	-	-	-	[156,037]
Total deductions	-	[43,441]	[597,606]	[258,489]	[1,119,088]
BUDGETARY FUND BALANCE					
December 31, 2009	\$ 81,613	\$ -	\$ -	\$ -	\$ 4,072,708

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

	Major Business-Type Funds		Total Business-Type Funds
	Sewer Utility Fund	Solid Waste Utility Fund	
NET ASSETS			
December 31, 2009	\$ 8,287,422	\$ 85,737	\$ 8,373,159
Adjustments:			
Capital assets, net	[20,334,241]	-	[20,334,241]
Receivables	[57,611]	[14,674]	[72,285]
Due from other funds	[207,492]	-	[207,492]
Accrued interest	97,994	-	97,994
Accrued compensation	8,650	471	9,121
General obligation payable	1,013,000	-	1,013,000
Temporary notes payable	835,000	-	835,000
KDHE loan payable	10,821,527	-	10,821,527
Total deductions	[7,823,173]	[14,203]	[7,837,376]
BUDGETARY NET ASSETS			
December 31, 2009	\$ 464,249	\$ 71,534	\$ 535,783

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash is considered to be active funds by management and is invested according to KSA 9-1401. The statute requires that banks eligible to hold active funds have a main or branch bank in the county or an adjoining county in which the City is located and the banks provide an acceptable rate for active funds.

Various City investments are considered to be idle funds by management and are invested according to KSA 12-1675. The statutes require that the City invest its idle funds in only temporary notes of the City, bank certificates of deposit, repurchase agreements, and if eligible banks do not offer an acceptable rate for the funds: U.S. Treasury bills or notes or the Municipal Investment Pool (KMIP). Maturities of the above investments may not exceed two years by statute.

Some of the City's investments are of bond proceeds invested pursuant to KSA 10-131. This statute allows additional investment authority beyond that of KSA 12-1675. Investments of bond proceeds may follow KSA 12-1675 or include other investments such as the KMIP, direct obligations of the US government or any agency thereof, investment agreements with a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's investors service or Standard and Poor's corporation, and various other investments as specified in KSA 10-131.

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. *Deposits and Investments (Continued)*

At December 31, 2009, the City has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity</u>		
			<u>Less Than 5 Years</u>	<u>5 - 10 Years</u>	<u>10 - 15 Years</u>
Kansas Municipal Investment Pool	\$ 13	S&P AAf/S1+	\$ 13	\$ -	\$ -

The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest by the U.S. government or any agency thereof, with maturities up to four years. No more than 10 percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

The City does not have a formal investment policy that further limits concentration of credit risk, interest rate, or custodial credit risks beyond state statutes.

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's deposit policy for custodial credit risk require that the depository banks will maintain 100% security in the form of FDIC coverage and pledged collateral according to KSA 9-1402.

B. *Receivables*

Receivables at year end are as follows:

	<u>General</u>	<u>Bond and Interest</u>	<u>Sewer Utility</u>	<u>Solid Waste Utility</u>	<u>Total</u>
Receivables:					
Accounts	\$ -	\$ -	\$ 57,611	\$ 14,674	\$ 72,285
Taxes	1,304,622	15,319	-	-	1,319,941
Municipal court	63,515	-	-	-	63,515
Other	156,037	-	-	-	156,037
Total	<u>\$ 1,524,174</u>	<u>\$ 15,319</u>	<u>\$ 57,611</u>	<u>\$ 14,674</u>	<u>\$ 1,611,778</u>

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/09</u>
City governmental activities:				
Capital assets, not being depreciated				
Land	\$ 59,791	\$ 135,837	\$ -	\$ 195,628
Construction in progress	410,827	4,083,548	923,250	3,571,125
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>12,998,641</u>	<u>1,014,277</u>	<u>-</u>	<u>14,012,918</u>
Total capital assets	<u>13,469,259</u>	<u>5,233,662</u>	<u>923,250</u>	<u>17,779,671</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>5,769,701</u>	<u>696,464</u>	<u>-</u>	<u>6,466,165</u>
Total accumulated depreciation	<u>5,769,701</u>	<u>696,464</u>	<u>-</u>	<u>6,466,165</u>
Governmental activities capital assets, net	<u>\$ 7,699,558</u>	<u>\$ 4,537,198</u>	<u>\$ 923,250</u>	<u>\$ 11,313,506</u>
Business-type activities:				
Capital assets, not being depreciated				
Construction in progress	\$ 1,067,113	\$ 5,140,697	\$ 5,580,302	\$ 627,508
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	<u>22,297,723</u>	<u>5,585,082</u>	<u>-</u>	<u>27,882,805</u>
Total capital assets	<u>23,364,836</u>	<u>10,725,779</u>	<u>5,580,302</u>	<u>28,510,313</u>
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	<u>7,478,835</u>	<u>697,237</u>	<u>-</u>	<u>8,176,072</u>
Total accumulated depreciation	<u>7,478,835</u>	<u>697,237</u>	<u>-</u>	<u>8,176,072</u>
Business-type activities capital assets, net	<u>\$ 15,886,001</u>	<u>\$ 10,028,542</u>	<u>\$ 5,580,302</u>	<u>\$ 20,334,241</u>

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. *Capital Assets (Continued)*

The City's depreciation expense was charged as follows:

Governmental Activities:	
General government	\$ 17,146
Public safety	42,518
Public works	1,307
Culture and recreation	4,369
Infrastructure	<u>631,124</u>
Total depreciation expense	<u>\$ 696,464</u>
Business-type Activities:	
Sewer utility	<u>\$ 697,237</u>
Total depreciation expense	<u>\$ 697,237</u>

D. *Long-term Debt*

During the year ended December 31, 2009, the following changes occurred in long term liabilities:

<u>Government Fund Activities</u>				
	Balance January 1, 2009	Additions	Restatement/ Reductions	Balance December 31, 2009
General obligation bonds	\$ 4,240,900	\$ -	\$ 243,900	\$ 3,997,000
Temporary notes	2,967,300	-	-	2,967,300
KDOT loan	-	986,630	-	986,630
Capital lease	<u>75,600</u>	<u>-</u>	<u>7,400</u>	<u>68,200</u>
	<u>\$ 7,283,800</u>	<u>\$ 986,630</u>	<u>\$ 251,300</u>	<u>\$ 8,019,130</u>
 <u>Enterprise Fund Activities</u>				
General obligation bonds	\$ 1,089,100	\$ -	\$ 76,100	\$ 1,013,000
Temporary notes	835,000	-	-	835,000
KDHE revolving loan	<u>5,929,290</u>	<u>5,200,556</u>	<u>308,319</u>	<u>10,821,527</u>
	<u>\$ 7,853,390</u>	<u>\$ 5,200,556</u>	<u>\$ 384,419</u>	<u>\$ 12,669,527</u>

General Obligation Bonds. The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund other general obligation bonds.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

	<u>Date of Issuance</u>	<u>Date of Final Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
<u>Governmental Activities</u>					
Improvements, Series 2004	01/15/04	09/01/19	3.25-4.35%	\$ 3,415,000	\$ 2,555,000
Improvements, Series 2005	08/15/05	09/01/25	3.65-5.25%	<u>2,840,000</u>	<u>2,455,000</u>
				<u>\$ 6,255,000</u>	<u>\$ 5,010,000</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 330,000	\$ 201,121	\$ 531,121
2011	350,000	186,821	536,821
2012	360,000	173,346	533,346
2013	370,000	159,540	529,540
2014	385,000	144,600	529,600
2015-2019	2,110,000	488,743	2,598,743
2020-2024	900,000	155,255	1,055,255
2025	<u>205,000</u>	<u>8,405</u>	<u>213,405</u>
Total	<u>\$ 5,010,000</u>	<u>\$ 1,517,831</u>	<u>\$ 6,527,831</u>

Temporary Notes. The City issued temporary notes in the amount of \$3,802,300 to provide temporary funds for the acquisition and construction of major capital facilities. The interest rate on the notes is 4.00% with a final maturity of September 1, 2010. The City plans to issue general obligation bonds to refund the temporary notes. Annual debt service requirements to maturity for the temporary notes is as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	<u>\$ 3,802,300</u>	<u>\$ 150,400</u>	<u>\$ 3,952,700</u>

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

State Agency Loans. The Kansas Department of Health and Environment has issued a loan to the City. The City intends to make principal and interest payments on the loans from revenue derived from wastewater and water charges to the consumer. The loan was for \$8,285,000 and calls for an interest rate of 3.07%. This loan had an outstanding balance of \$5,620,971 at December 31, 2009. The City will retire this loan with semi-annual payments through March 2020. Interest paid on this KDHE loan in 2009 was \$173,547. Annual debt service requirements to maturity for the KDHE loan is as follows:

Year Ending <u>December 31.</u>	State Agency <u>Loan</u>
2010	\$ 527,000
2011	565,999
2012	566,000
2013	566,000
2014	566,000
2015-2019	3,789,085
2020	<u>99,422</u>
Total principal and interest	6,679,506
Less: interest	<u>1,058,535</u>
Total principal	<u>\$ 5,620,971</u>

The Kansas Department of Health and Environment and the City has entered into an agreement for an additional loan. The City intends to make principal and interest payments on the loans from revenue derived from wastewater and water charges to the consumer. The loan will be for \$6,417,016 and calls for an interest rate of 2.82%. This loan had an outstanding balance of \$5,200,556 at December 31, 2009. The City will retire this loan with semi-annual payments through September 2030.

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

The following displays annual debt service requirements to maturity for this KDHE loan for the full proceeds amount:

<u>Year Ending December 31,</u>	<u>State Agency Loan</u>
2010	\$ 210,995
2011	421,989
2012	421,990
2013	421,989
2014	421,990
2015-2019	2,109,949
2020-2024	2,109,948
2025-2029	2,109,948
2030	<u>210,985</u>
Total principal and interest	8,439,783
Less: interest	<u>2,022,767</u>
Total principal	<u>\$ 6,417,016</u>

The Kansas Department of Transportation and the City has entered into an agreement for an additional loan. The City intends to make principal and interest payments on the loans from tax revenue. The loan will be for \$1,500,000. This loan had an outstanding balance of \$986,630 at December 31, 2009. The City will retire this loan with semi-annual payments through August 2029. The following displays annual debt service requirements to maturity for this KDOT loan for the full proceeds amount:

<u>Year Ending December 31,</u>	<u>State Agency Loan</u>
2010	\$ -
2011	115,668
2012	115,668
2013	115,668
2014	115,668
2015-2019	578,339
2020-2024	578,339
2025-2029	<u>578,339</u>
Total principal and interest	2,197,689
Less: interest	<u>697,689</u>
Total principal	<u>\$ 1,500,000</u>

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

The Kansas Department of Transportation and the City have entered into a lease agreement for communication equipment. The total lease amount is for \$75,600. This lease had an outstanding balance of \$68,200 at December 31, 2009. The City will retire this lease with semi-annual payments through April 2020. The following displays annual lease payment requirements to maturity for this lease as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 5,800	\$ 3,115	\$ 8,915
2011	6,100	2,831	8,931
2012	6,300	2,536	8,836
2013	6,600	2,229	8,829
2014	6,900	1,908	8,808
2015-2019	33,700	4,309	38,009
2020-2024	<u>2,800</u>	<u>67</u>	<u>2,867</u>
Total	<u>\$ 68,200</u>	<u>\$ 16,996</u>	<u>\$ 85,196</u>

Special Assessments. As provided by Kansas Statutes, projects financed in part by special assessments are financed through general obligation bonds of the City and are retired from the bond and interest fund. Special assessments paid prior to the issuance of bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of bonds are recorded as revenue in the bond and interest fund. The special assessments receivable are not recorded as revenue when levied against the respective property owners as such amounts are not available to finance current year operations. The special assessment debt is a contingent liability of the City to the extent of property owner defaults, which have historically been immaterial.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City carries commercial insurance for these risks of loss including related lost revenue. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded insurance coverage for each of the last three years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of additional expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is a party in various pending claims. Although the outcome of these pending claims is not presently determinable, it is the opinion of management that resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

IV. OTHER INFORMATION (Continued)

C. Retirement Plans

All employees employed by the City are entitled to enroll at the City Council's discretion, in a Deferred Compensation Plan, offered by ING or such other insurance company as may offer a plan approved by the Kansas Legislature pursuant to KSA 75-5522 et seq. and KSA 75-5529 et seq. For an employee who is employed full time, the City shall contribute to the Plan an amount as specified according to the current maximum contribution to old age Social Security benefits. The payroll for employees covered by the Plan was \$551,488. Total gross payroll was \$1,168,422. The contribution for the year ending December 31, 2009 was \$9,009 from employees and \$74,506 from employer representing 13.51% of covered payroll, respectively.

The City participates in the Kansas Police and Firemen's Retirement System (KP&F) which is part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KP&F provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KP&F issues a publicly available financial report that includes financial statements and required supplementary information. Those reports may be obtained by writing to Kansas Public Employees Retirement System (KPERs); 611 South Kansas Avenue, Topeka, KS 66603.

K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KP&F is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KP&F uniform participating employer rate established for fiscal years beginning in 2009 is 13.51%. 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, 2009, 2008 and 2007 were \$68,982, \$53,244, and \$52,487, respectively equal to the required contribution for each year.

D. Restatement

Governmental activities beginning net assets have been restated to include the lease payable with KDOT that was previously omitted from the financial statements. The effects of the restatement are as follows:

Net assets - beginning	\$ 7,704,920
Capital lease adjustment	<u>[75,600]</u>
Net assets - beginning, restated	<u>\$ 7,629,320</u>

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

IV OTHER INFORMATION (Continued)

E Interfund Transfers

A reconciliation of all operating transfers by fund type for 2009 follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General	\$ 30,678	\$ 30,000
Sewer Utility	119,400	-
Solid Waste Utility	-	15,000
Municipal Equipment Reserve	30,000	-
Bond and Interest	-	119,400
Wolf Creek Project	-	15,678
	<u>\$ 180,078</u>	<u>\$ 180,078</u>

The City uses interfund transfers to share administrative costs between funds.

F Restricted Cash

In an agreement with the developer of the Falcon Lakes subdivision dated February 20, 2001, the City agreed to restrict the use of the \$2,405 per lot impact fee. This restriction limited the use of these funds to improvements to the perimeter roads (Donohoo Road, Hollingsworth Road and 147th Street). Of the \$1,747,322 of cash in the Consolidated Highway Fund as of December 31, 2009, \$56,964 was subject to this restriction.

G Postemployment Healthcare Plan

Plan Description. The City provides for a continuation of medical, pharmacy and dental insurance benefits to eligible early retirees and their spouses. KSA 12-5040 requires all local governmental entities in the state that provide a group health care plan to make participation available to all retirees and dependents until the retiree reaches the age of 65 years. No separate financial report is issued for the Plan.

Funding Policy. The contribution requirements of plan participants and the City are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. Plan participants contributed approximately 100% of the total premiums to the Plan, through their required contribution of \$367 per month for retiree-only coverage and \$703 to \$1,088, per month, for retiree and dependent coverage.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

IV. OTHER INFORMATION (Continued)

G. *Postemployment Healthcare Plan (Continued)*

The following table shows the components of the City's annual OPEB cost for the Plan for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation to the Plan:

Annual required contribution	\$ 2,859
Interest on Net OPEB Obligation	-
Adjustment to Annual Required Contribution	-
Annual OPEB cost (expense)	2,859
Benefit payments	-
Change in net OPEB obligation	2,859
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 2,859</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2009 was as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost	Annual OPEB Cost <u>Contributed</u>	Net OPEB Obligation
December 31, 2009	\$ 2,859	\$ -	\$ 2,859

The information for the two preceding years was not available.

Funding Status and Funding Progress. As of the year ended December 31, 2009, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was \$11,407 and the actuarial value of asset was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$11,407. The covered payroll (annual payroll of active employees covered by the plan) was \$1,020,641, and the ratio of the UAAL to the covered payroll was 1.1%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statement, presents multiyear trend information about whether the actuarial value of plan assets (if any) are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the year ended December 31, 2009, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and an annual healthcare cost trend of 11% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized as a level dollar over an open thirty-year period.

CITY OF BASEHOR, KANSAS
OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended December 31, 2009

Schedule of Funding Progress

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as Percent of Payroll (b-a)/(c)
1/1/2010	\$ -	\$ 11,407	\$ 11,407	\$ -	\$ 1,020,641	1.1%

CITY OF BASEHOR, KANSAS

BOND AND INTEREST FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 47,146	\$ -	\$ 47,146	\$ 46,757	\$ 46,757	\$ 389
Special assessments	460,902	-	460,902	415,645	415,645	45,257
Use of money and property	2,772	-	2,772	3,100	3,100	[328]
Total Revenues	<u>510,820</u>	<u>-</u>	<u>510,820</u>	<u>465,502</u>	<u>465,502</u>	<u>45,318</u>
Expenditures:						
Debt service:						
Principal	243,900	-	243,900	320,000	320,000	76,100
Interest	172,089	-	172,089	217,193	217,193	45,104
Total Expenditures	<u>415,989</u>	<u>-</u>	<u>415,989</u>	<u>537,193</u>	<u>537,193</u>	<u>121,204</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	<u>94,831</u>	<u>-</u>	<u>94,831</u>	<u>[71,691]</u>	<u>[71,691]</u>	<u>166,522</u>
Other Financing Sources [Uses]:						
Transfers [out]	<u>[119,400]</u>	<u>-</u>	<u>[119,400]</u>	<u>-</u>	<u>-</u>	<u>[119,400]</u>
Total Other Financing Sources [Uses]	<u>[119,400]</u>	<u>-</u>	<u>[119,400]</u>	<u>-</u>	<u>-</u>	<u>[119,400]</u>
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	<u>[24,569]</u>	<u>-</u>	<u>[24,569]</u>	<u>\$ [71,691]</u>	<u>\$ [71,691]</u>	<u>\$ 47,122</u>
Fund Balances, January 1	<u>106,182</u>	<u>-</u>	<u>106,182</u>			
Fund Balances, December 31	<u>\$ 81,613</u>	<u>\$ -</u>	<u>\$ 81,613</u>			

CITY OF BASEHOR, KANSAS

SEWER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues						
Charges for services	\$ 785,262	\$ [26,841]	\$ 758,421	\$ 886,794	\$ 886,794	\$ [128,373]
Use of money and property	<u>7,927</u>	<u>-</u>	<u>7,927</u>	<u>10,900</u>	<u>10,900</u>	<u>[2,973]</u>
Total revenues	<u>793,189</u>	<u>[26,841]</u>	<u>766,348</u>	<u>897,694</u>	<u>897,694</u>	<u>[131,346]</u>
Expenditures						
Personnel	162,830	[2,364]	160,466	179,683	179,683	19,217
Contractual	153,737	[26,273]	127,464	1,984,034	1,984,034	1,856,570
Commodities	23,972	-	23,972	38,785	38,785	14,813
Capital outlay	33,649	4,607,634	4,641,283	4,217,355	4,217,355	[423,928]
Depreciation	<u>697,237</u>	<u>[697,237]</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,071,425</u>	<u>3,881,760</u>	<u>4,953,185</u>	<u>6,419,857</u>	<u>6,419,857</u>	<u>1,466,672</u>
Operating income [loss]	<u>[278,236]</u>	<u>[3,908,601]</u>	<u>[4,186,837]</u>	<u>[5,522,163]</u>	<u>[5,522,163]</u>	<u>1,335,326</u>
Other Financing Sources [Uses]:						
Debt principal	-	[384,419]	[384,419]	[554,125]	[554,125]	169,706
Debt interest and fees	[285,356]	23,253	[262,103]	[323,861]	[323,861]	61,758
Bond proceeds	-	5,200,556	5,200,556	5,676,000	5,676,000	[475,444]
Transfers in	<u>119,400</u>	<u>-</u>	<u>119,400</u>	<u>100,000</u>	<u>100,000</u>	<u>19,400</u>
Total Other Financing Sources [Uses]	<u>[165,956]</u>	<u>4,839,390</u>	<u>4,673,434</u>	<u>4,898,014</u>	<u>4,898,014</u>	<u>[224,580]</u>
Change in net assets	<u>[444,192]</u>	<u>930,789</u>	<u>486,597</u>	<u>\$ [624,149]</u>	<u>\$ [624,149]</u>	<u>\$ 1,110,746</u>
Net assets, January 1	<u>8,731,614</u>	<u>[8,753,962]</u>	<u>[22,348]</u>			
Net assets, December 31	<u>\$ 8,287,422</u>	<u>\$ [7,823,173]</u>	<u>\$ 464,249</u>			

CITY OF BASEHOR, KANSAS

SOLID WASTE UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET ASSETS - ACTUAL AND BUDGET
For the Year Ended December 31, 2009

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues						
Charges for services	\$ 176,133	\$ [7,708]	\$ 168,425	\$ 163,501	\$ 163,501	\$ 4,924
Use of money and property	1,066	-	1,066	1,140	1,140	[74]
Total revenues	<u>177,199</u>	<u>[7,708]</u>	<u>169,491</u>	<u>164,641</u>	<u>164,641</u>	<u>4,850</u>
Expenditures						
Personnel	19,664	[187]	19,477	22,879	22,879	3,402
Contractual	132,883	[6,569]	126,314	125,770	125,770	[544]
Commodities	3,091	-	3,091	3,500	3,500	409
Total expenditures	<u>155,638</u>	<u>[6,756]</u>	<u>148,882</u>	<u>152,149</u>	<u>152,149</u>	<u>3,267</u>
Operating income [loss]	<u>21,561</u>	<u>[952]</u>	<u>20,609</u>	<u>12,492</u>	<u>12,492</u>	<u>8,117</u>
Other Financing Sources [Uses]:						
Transfer [out]	<u>[15,000]</u>	-	<u>[15,000]</u>	<u>[15,000]</u>	<u>[15,000]</u>	-
Total Other Financing Sources [Uses]	<u>[15,000]</u>	-	<u>[15,000]</u>	<u>[15,000]</u>	<u>[15,000]</u>	-
Change in net assets	6,561	[952]	5,609	<u>\$ [2,508]</u>	<u>\$ [2,508]</u>	<u>\$ 8,117</u>
Net assets, January 1	<u>79,176</u>	<u>[13,251]</u>	<u>65,925</u>			
Net assets, December 31	<u>\$ 85,737</u>	<u>\$ [14,203]</u>	<u>\$ 71,534</u>			