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P R O F E S S I O N A L A S S O C I A T I O N

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Mayor and City Council
City of Basehor, Kansas

In planning and performing our audit of the financial statements of the City for the year ended December 31, 2006, we considered the City's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated July 15, 2007, on the financial statements of the City.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various City personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. The Federal Fair Labor Standards Act (FLSA) requires that covered employees be paid time and one-half hours for worked in excess of 40 in any one week. A Mississippi law firm has recently been successful in representing current and former hourly school district employees in Oklahoma and seven other southern states to obtain settlements based on the claim that the school district employers did not make these payments properly. Some of these settlements have been in the hundreds of thousands of dollars even approaching one million dollars in one case.

What should you do to protect the City? First, make sure that you are complying with the FLSA by paying your covered employees time and one-half hours worked in excess of 40 hours in one week. Second, check that your payroll records accurately show the hours worked and that you consider maintaining these records indefinitely, not just for the minimum of three years. And third, if you believe that you may not have properly complied with this or any other requirement of the FLSA, consult with your attorney as soon as possible.

2. Another issue even more basic than overtime is the proper classification of a worker as an employee or as an independent contractor. An employment relationship under the FLSA must be distinguished from a strictly contractual one. Such a relationship must exist for any provision of the FLSA to apply to any person engaged in work which may otherwise be subject to the Act. In the application of the FLSA an employee, as distinguished from a person who is engaged in a business of his or her own, is one who, as a matter of economic reality, follows the usual path of an employee and is dependent on the business which he or she serves. The employer-employee relationship under the FLSA is tested by "economic reality" rather than "technical concepts."

The U.S. Supreme Court has on a number of occasions indicated that there is no single rule or test for determining whether an individual is an independent contractor or an employee for purposes of the FLSA. The Court has held that it is the total activity or situation which controls. Among the factors which the court has considered significant are:

- a. The extent to which the services rendered are an integral part of the principal's business.
- b. The permanency of the relationship.
- c. The amount of the alleged contractor's investment in facilities and equipment.
- d. The nature and degree of control by the principal.
- e. The alleged contractor's opportunities for profit and loss.
- f. The amount of initiative, judgment, or foresight in open market competition with others required for the success of the claimed independent contractor.
- g. The degree of independent business organization and operation.

There are certain factors which are immaterial in determining whether there is an employment relationship. Such facts as the place where work is performed, the absence of a formal employment agreement, or whether an alleged independent contractor is licensed by State/local government are not considered to have a bearing on determinations as to whether there is an employment relationship. Additionally, the Supreme Court has held that the time or mode of pay does not control the determination of employee status.

We encourage you to evaluate the propriety of classifying any workers as independent contractors on a yearly basis.

3. Ordinance No. 275 directs that sales tax from a 1/2¢ sales tax (now 1¢) be deposited in the "Infrastructure Fund" and used for that purpose. Ordinance No. 8 (a.k.a. #299) directs the city portion of county 1¢ sales for same purpose. Currently, sales tax is deposited in the general fund and then transferred to consolidated highway and capital improvement funds the following year. This seems to follow the spirit of the ordinance but we recommend the use of the infrastructure fund for future receipts of sales tax. (2006 receipts should be transferred in 2006 to this new fund.)

This letter is intended for the information of the mayor, city council and other members of management and should not be used by anyone other than these specified parties.

Lowenthal, Singleton, Webb & Wilson

Professional Association

July 15, 2007

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Mayor and City Council
City of Basehor, Kansas

In planning and performing our audit of the financial statements of Basehor, Kansas, as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

1. The City currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with utility and municipal court receipts. In both functions, one person can enter the billing information into the computerized system, collect cash and record the cash receipt into the system. Proper cash controls provide that separate individuals be assigned to physical control and accounting control of cash receipt transactions.
2. We recommend the City Council approve accounting and internal control policies in the following areas:
 - a. Proper accounting and internal control over accounts payable and payroll disbursements.
 - b. Proper accounting and internal control for bank reconciliations.
 - c. Requirement of the presentation of interim and final financial statements to the City Council by management.
3. An individual independent of the preparation of journal entries and wire transfers should review and approve the entries and transfers.
4. We recommend the City enforce the credit card policy requirement of supporting documentation for all charges and that an individual independent of the credit card charges should review and approve the supporting documentation for the individual charges. We also recommend that all City credit cards be stored in a secure location on City owned property. We noted that a gas card is held by the clerk at Casey's.

5. We recommend that a log of all building permit requests be kept by an individual independent of the building permit issuance and calculation process. All building permits should be recalculated, using the platting information, by an individual other than the building inspector. A reconciliation of the independent log, building permits and building permit revenues received should be done on a monthly basis and agreed to the general ledger. We recommend that periodically site permits be independently tested by tracing the site permit number to the log and the building permit revenue posted to the general ledger. The water companies serving the City should send monthly to the individual mentioned in the first sentence a list of new water hookups and these should be reconciled to the log of building permits.

This communication is intended solely for the information and use of the mayor, city council and other members of management of Basehor, Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Lowenthal, Singleton, Webb & Wilson

Professional Association

July 15, 2007

CITY OF BASEHOR, KANSAS

FINANCIAL STATEMENTS

Year Ended December 31, 2006

City of Basehor, Kansas
Financial Statements
Year ending December 31, 2006

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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, 2006, 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.

Because of the inadequacy of internal controls, we were unable to form an opinion regarding the amount of building permit revenue in the financial statements for the year ended December 31, 2006, stated at \$196,466 and included in General Fund Licenses and Permits.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the building permit revenue noted above been audited, the 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 of Basehor, Kansas, at December 31, 2006, 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.

As described in Note 3, the City has implemented for the year ended December 31, 2006, generally accepted accounting principles.

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.

CITY OF BASEHOR, KANSAS

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 4,252,740	\$ 276,339	\$ 4,529,079
Receivables:			
Taxes	1,012,267	-	1,012,267
Municipal court	126,619	-	126,619
Other	26,650	83,142	109,792
Total current assets	<u>5,418,276</u>	<u>359,481</u>	<u>5,777,757</u>
Noncurrent assets:			
Capital assets	12,160,921	22,248,587	34,409,508
Less: accumulated depreciation	<u>[4,539,116]</u>	<u>[6,089,010]</u>	<u>[10,628,126]</u>
Total noncurrent assets	<u>7,621,805</u>	<u>16,159,577</u>	<u>23,781,382</u>
Total assets	<u>\$ 13,040,081</u>	<u>\$ 16,519,058</u>	<u>\$ 29,559,139</u>
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	\$ 153	\$ 8,757	\$ 8,910
Accrued liabilities	30,581	4,230	34,811
Accrued interest payable	25,117	73,301	98,418
Deferred revenue	1,012,267	-	1,012,267
Compensated absences payable	19,303	2,687	21,990
Current portion of general obligation bonds payable	219,100	75,900	295,000
Current portion of KDHE loan payable	-	288,813	288,813
Total current liabilities (payable from current assets)	<u>1,306,521</u>	<u>453,688</u>	<u>1,760,209</u>
Noncurrent liabilities:			
General obligation bonds payable	4,468,000	1,322,000	5,790,000
KDHE note payable	-	6,229,637	6,229,637
Total noncurrent liabilities	<u>4,468,000</u>	<u>7,551,637</u>	<u>12,019,637</u>
Total liabilities	<u>\$ 5,774,521</u>	<u>\$ 8,005,325</u>	<u>\$ 13,779,846</u>
Net Assets			
Invested in fixed assets, net of related debt	\$ 3,153,805	\$ 8,607,940	\$ 11,761,745
Restricted for:			
Debt service	485,818	-	485,818
Unrestricted	<u>3,625,937</u>	<u>[94,207]</u>	<u>3,531,730</u>
Total net assets	<u>\$ 7,265,560</u>	<u>\$ 8,513,733</u>	<u>\$ 15,779,293</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, 2006

				Net [Expenses] Revenue and Changes in Net Assets		
	Program Revenues			Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	\$ 1,849,662	\$ 73,110	\$ -	\$ [1,776,552]	\$ -	\$ [1,776,552]
Public safety	113,639	222,512	1,842	110,715	-	110,715
Public works	543,467	435,937	-	[107,530]	-	[107,530]
Culture and recreation	5,627	24,200	16,000	34,573	-	34,573
Interest on long-term debt	180,510	-	-	[180,510]	-	[180,510]
Total governmental activities	<u>2,692,905</u>	<u>755,759</u>	<u>17,842</u>	<u>[1,919,304]</u>	<u>-</u>	<u>[1,919,304]</u>
Business-type activities:						
Sewer Utility	1,713,605	864,860	-	-	[848,745]	[848,745]
Solid Waste Utility	121,004	134,382	-	-	13,378	13,378
Total business-type activities	<u>1,834,609</u>	<u>999,242</u>	<u>-</u>	<u>-</u>	<u>[835,367]</u>	<u>[835,367]</u>
Total primary government	<u>\$ 4,527,514</u>	<u>\$ 1,755,001</u>	<u>\$ 17,842</u>	<u>[1,919,304]</u>	<u>[835,367]</u>	<u>[2,754,671]</u>
General Revenues:						
Property taxes levied for						
General purposes				857,264	-	857,264
Debt service				522,036	-	522,036
Franchise tax				121,420	-	121,420
Liquor tax				18,504	-	18,504
Sales tax				542,659	-	542,659
Motor vehicle tax				152,019	-	152,019
Excise tax				172,123	-	172,123
Miscellaneous tax				97,799	-	97,799
Investments earnings				164,145	23,916	188,061
Miscellaneous				-	60,380	60,380
Transfers, net				[391,006]	391,006	-
Total general revenues				<u>2,256,963</u>	<u>475,302</u>	<u>2,732,265</u>
Change in net assets				<u>337,659</u>	<u>[360,065]</u>	<u>[22,406]</u>
Net assets - beginning				3,612,619	340,033	3,952,652
Prior period adjustment				<u>3,315,282</u>	<u>8,533,765</u>	<u>11,849,047</u>
Net assets - beginning, restated				<u>6,927,901</u>	<u>8,873,798</u>	<u>15,801,699</u>
Net assets - ending				<u>\$ 7,265,560</u>	<u>\$ 8,513,733</u>	<u>\$ 15,779,293</u>

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

<u>Municipal Equipment Reserve</u>	<u>Bond and Interest</u>	<u>Cedar Lakes Maintenance</u>	<u>Road Improvements</u>	<u>Total Governmental Funds</u>
\$ 136,916	\$ 485,818	\$ 52,772	\$ 1,211,732	\$ 4,252,740
-	-	-	-	1,012,267
-	-	-	-	126,619
-	-	-	-	26,650
<u>\$ 136,916</u>	<u>\$ 485,818</u>	<u>\$ 52,772</u>	<u>\$ 1,211,732</u>	<u>\$ 5,418,276</u>
\$ -	\$ -	\$ -	\$ -	\$ 153
-	-	-	-	30,581
-	-	-	-	1,012,267
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,043,001</u>
136,916	-	-	-	1,337,449
-	485,818	-	-	485,818
-	-	52,772	1,211,732	1,264,504
-	-	-	-	1,287,504
<u>136,916</u>	<u>485,818</u>	<u>52,772</u>	<u>1,211,732</u>	<u>4,375,275</u>
<u>\$ 136,916</u>	<u>\$ 485,818</u>	<u>\$ 52,772</u>	<u>\$ 1,211,732</u>	<u>\$ 5,418,276</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, 2006

Total Governmental Fund Balances \$ 4,375,275

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	12,160,921	
Accumulated depreciation is	<u>[4,539,116]</u>	7,621,805

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	4,687,100	
Interest payable	25,117	
Compensated absences payable	<u>19,303</u>	<u>[4,731,520]</u>

Net Assets of Governmental Activities \$ 7,265,560

<u>Municipal Equipment Reserve</u>	<u>Bond and Interest</u>	<u>Cedar Lakes Maintenance</u>	<u>Road Improvements</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,491	\$ -	\$ 172,123	\$ 1,962,326
-	-	-	-	1,842
-	521,498	-	-	521,498
-	-	4,823	-	250,034
-	-	-	-	229,201
6,088	8,929	9,560	41,130	164,145
-	-	-	-	270,820
-	-	-	-	21,704
<u>6,088</u>	<u>531,918</u>	<u>14,383</u>	<u>213,253</u>	<u>3,421,570</u>
50,768	-	-	30,762	1,275,491
-	-	-	-	109,419
-	-	9,684	-	60,815
-	-	-	-	536,007
-	206,550	-	-	206,550
-	200,877	-	-	200,877
<u>50,768</u>	<u>407,427</u>	<u>9,684</u>	<u>30,762</u>	<u>2,389,159</u>
<u>[44,680]</u>	<u>124,491</u>	<u>4,699</u>	<u>182,491</u>	<u>1,032,411</u>
10,000	244,000	-	-	710,000
-	-	[253,786]	-	[1,101,006]
<u>10,000</u>	<u>244,000</u>	<u>[253,786]</u>	<u>-</u>	<u>[391,006]</u>
<u>[34,680]</u>	<u>368,491</u>	<u>[249,087]</u>	<u>182,491</u>	<u>641,405</u>
171,596	117,327	301,859	1,029,241	3,612,618
-	-	-	-	121,252
<u>171,596</u>	<u>117,327</u>	<u>301,859</u>	<u>1,029,241</u>	<u>3,733,870</u>
<u>\$ 136,916</u>	<u>\$ 485,818</u>	<u>\$ 52,772</u>	<u>\$ 1,211,732</u>	<u>\$ 4,375,275</u>

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

CITY OF BASEHOR, KANSAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2006

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 1,681,661	\$ -	\$ 1,681,661	\$ 1,553,403	\$ 1,553,403	\$ 128,258
Intergovernmental	1,842	-	1,842	-	-	1,842
Licenses and permits	221,011	-	221,011	168,442	168,442	52,569
Fines, forfeitures and penalties	229,201	[56,656]	172,545	152,950	152,950	19,595
Use of money and property	66,791	-	66,791	16,888	16,888	49,903
Reimbursed expenses	270,820	-	270,820	63,500	63,500	207,320
Miscellaneous	5,704	-	5,704	6,800	6,800	[1,096]
Total Revenues	<u>2,477,030</u>	<u>[56,656]</u>	<u>2,420,374</u>	<u>1,961,983</u>	<u>1,961,983</u>	<u>458,391</u>
Expenditures:						
General Administration:						
Personal services	381,773	-	381,773	565,005	565,005	183,232
Contractual services	588,137	[45,043]	543,094	425,183	425,183	[117,911]
Commodities	33,154	-	33,154	35,278	35,278	2,124
Capital outlay	16,336	-	16,336	25,100	25,100	8,764
	<u>1,019,400</u>	<u>[45,043]</u>	<u>974,357</u>	<u>1,050,566</u>	<u>1,050,566</u>	<u>76,209</u>
Public Safety						
Personal services	370,532	-	370,532	470,540	470,540	100,008
Contractual services	129,353	-	129,353	97,677	97,677	[31,676]
Commodities	36,122	-	36,122	27,109	27,109	[9,013]
Capital outlay	-	-	-	10,500	10,500	10,500
	<u>536,007</u>	<u>-</u>	<u>536,007</u>	<u>605,826</u>	<u>605,826</u>	<u>69,819</u>
Highways and Streets						
Personal services	55,892	-	55,892	103,856	103,856	47,964
Contractual services	37,337	-	37,337	36,100	36,100	[1,237]
Commodities	12,426	-	12,426	15,100	15,100	2,674
Capital outlay	3,764	-	3,764	181,400	181,400	177,636
	<u>109,419</u>	<u>-</u>	<u>109,419</u>	<u>336,456</u>	<u>336,456</u>	<u>227,037</u>
Culture and recreation						
Personal services	1,560	-	1,560	2,720	2,720	1,160
Contractual services	2,782	-	2,782	4,100	4,100	1,318
Commodities	1,770	-	1,770	2,000	2,000	230
	<u>6,112</u>	<u>-</u>	<u>6,112</u>	<u>8,820</u>	<u>8,820</u>	<u>2,708</u>

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, 2006

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Taxes	\$ 97,799	\$ -	\$ 97,799	\$ 88,200	\$ 88,200	\$ 9,599
Use of money and property	13,063	-	13,063	-	-	13,063
Total Revenues	<u>110,862</u>	<u>-</u>	<u>110,862</u>	<u>88,200</u>	<u>88,200</u>	<u>22,662</u>
Expenditures:						
Commodities	9,223	-	9,223	55,000	55,000	45,777
Contractual	165,338	-	165,338	170,000	170,000	4,662
Total Expenditures	<u>174,561</u>	<u>-</u>	<u>174,561</u>	<u>225,000</u>	<u>225,000</u>	<u>50,439</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	<u>[63,699]</u>	<u>-</u>	<u>[63,699]</u>	<u>[136,800]</u>	<u>[136,800]</u>	<u>73,101</u>
Other Financing Sources [Uses]:						
Transfers in	228,000	-	228,000	300,000	300,000	[72,000]
Total Other Financing Sources [Uses]	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>300,000</u>	<u>300,000</u>	<u>[72,000]</u>
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	164,301	-	164,301	<u>\$ 163,200</u>	<u>\$ 163,200</u>	<u>\$ 1,101</u>
Fund Balances, January 1	<u>343,452</u>	<u>-</u>	<u>343,452</u>			
Fund Balances, December 31	<u>\$ 507,753</u>	<u>\$ -</u>	<u>\$ 507,753</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, 2006

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Use of money and property	\$ 14,400	\$ -	\$ 14,400	\$ 4,002	\$ 4,002	\$ 10,398
Total Revenues	<u>14,400</u>	<u>-</u>	<u>14,400</u>	<u>4,002</u>	<u>4,002</u>	<u>10,398</u>
Expenditures:						
Capital outlay	-	-	-	600,000	600,000	600,000
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	<u>14,400</u>	<u>-</u>	<u>14,400</u>	<u>[595,998]</u>	<u>[595,998]</u>	<u>610,398</u>
Other Financing Sources [Uses]:						
Transfers in	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>156,700</u>	<u>156,700</u>	<u>71,300</u>
Total Other Financing Sources [Uses]	<u>228,000</u>	<u>-</u>	<u>228,000</u>	<u>156,700</u>	<u>156,700</u>	<u>71,300</u>
Excess [Deficiency] of Revenues and Other Financing Sources Over [Under] Expenditures and Other [Uses]	<u>242,400</u>	<u>-</u>	<u>242,400</u>	<u>\$ [439,298]</u>	<u>\$ [439,298]</u>	<u>\$ 681,698</u>
Fund Balances, January 1	<u>349,906</u>	<u>-</u>	<u>349,906</u>			
Fund Balances, December 31	<u>\$ 592,306</u>	<u>\$ -</u>	<u>\$ 592,306</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, 2006

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 219,447	\$ 56,892	\$ 276,339
Receivables:			
Accounts	<u>66,670</u>	<u>16,472</u>	<u>83,142</u>
Total current assets	<u>286,117</u>	<u>73,364</u>	<u>359,481</u>
Noncurrent assets:			
Capital assets, nondepreciable	22,248,587	-	22,248,587
Less: accumulated depreciation	<u>[6,089,010]</u>	<u>-</u>	<u>[6,089,010]</u>
Total noncurrent assets	<u>16,159,577</u>	<u>-</u>	<u>16,159,577</u>
Total Assets	<u>\$ 16,445,694</u>	<u>\$ 73,364</u>	<u>\$ 16,519,058</u>
LIABILITIES AND NET ASSETS			
Current liabilities (payable from current assets):			
Accounts payable	\$ -	\$ 8,757	\$ 8,757
Accrued interest	73,301	-	73,301
Accrued compensation	2,367	320	2,687
Accrued payroll	3,762	468	4,230
Current portion of general obligation payable	75,900	-	75,900
Current portion of KDHE loan payable	<u>288,813</u>	<u>-</u>	<u>288,813</u>
Total current liabilities (payable from current assets):	<u>444,143</u>	<u>9,545</u>	<u>453,688</u>
Noncurrent liabilities:			
General obligation bond payable	1,322,000	-	1,322,000
KDHE loan payable	<u>6,229,637</u>	<u>-</u>	<u>6,229,637</u>
Total noncurrent liabilities:	<u>7,551,637</u>	<u>-</u>	<u>7,551,637</u>
Total Liabilities	<u>\$ 7,995,780</u>	<u>\$ 9,545</u>	<u>\$ 8,005,325</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 8,607,940	\$ -	\$ 8,607,940
Unrestricted	<u>[158,026]</u>	<u>63,819</u>	<u>[94,207]</u>
Total Net Assets	<u>\$ 8,449,914</u>	<u>\$ 63,819</u>	<u>\$ 8,513,733</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, 2006

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	\$ 920,659	\$ 133,206	\$ 1,053,865
Cash paid to suppliers and employees	<u>[779,962]</u>	<u>[127,668]</u>	<u>[907,630]</u>
Net Cash Provided by [Used in] Operating Activities	<u>140,697</u>	<u>5,538</u>	<u>146,235</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers in	<u>391,006</u>	<u>-</u>	<u>391,006</u>
Net Cash Provided by [Used in] Non-Capital Financing Activities	<u>391,006</u>	<u>-</u>	<u>391,006</u>
Cash Flows from Capital and Related Financing Activities			
Capital asset acquisition	<u>[43,320]</u>	<u>-</u>	<u>[43,320]</u>
Principal paid on bonds, notes and loans	<u>[354,838]</u>	<u>-</u>	<u>[354,838]</u>
Interest expense and fiscal charges	<u>[265,628]</u>	<u>-</u>	<u>[265,628]</u>
Net Cash Provided by [Used in] Capital and Related Financing Activities	<u>[663,786]</u>	<u>-</u>	<u>[663,786]</u>
Cash Flows from Investing Activities:			
Interest income	<u>21,792</u>	<u>2,127</u>	<u>23,919</u>
Net Cash Provided by [Used in] Investing Activities	<u>21,792</u>	<u>2,127</u>	<u>23,919</u>
Net Increase [Decrease] in Cash and Cash Equivalents	<u>[110,291]</u>	<u>7,665</u>	<u>[102,626]</u>
Cash and Equivalents, January 1	<u>329,738</u>	<u>49,227</u>	<u>378,965</u>
Cash and Equivalents, December 31	<u>\$ 219,447</u>	<u>\$ 56,892</u>	<u>\$ 276,339</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, 2006

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, 2006

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 2007.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

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, 2006

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, 2006	\$ 1,287,504	\$ 507,753	\$ 100,474	\$ 592,306	\$ 136,916
Adjustments:					
Municipal court receivable	[126,619]	-	-	-	-
Other receivable	[26,650]	-	-	-	-
Total deductions	[153,269]	-	-	-	-
BUDGETARY FUND BALANCE					
December 31, 2006	\$ 1,134,235	\$ 507,753	\$ 100,474	\$ 592,306	\$ 136,916

	Major Governmental Funds			
	Bond and Interest Fund	Cedar Lakes Maintenance Fund	Road Improvements Funds	Total Governmental Funds
GAAP FUND BALANCE				
December 31, 2006	\$ 485,818	\$ 52,772	\$ 1,211,732	\$ 4,375,275
Adjustments:				
Municipal court receivable	-	-	-	[126,619]
Other receivable	-	-	-	[26,650]
Total deductions	-	-	-	[153,269]
BUDGETARY FUND BALANCE				
December 31, 2006	\$ 485,818	\$ 52,772	\$ 1,211,732	\$ 4,222,006

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

III. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF EQUITY

A. *Changes in Accounting Principles*

The City has implemented for the year ended December 31, 2006, generally accepted accounting principles.

B. *Restatement of Equity*

The transition to GAAP financial statements had the following effect on the beginning balances:

	Total Governmental Funds	General Fund	Total Business Type Funds
Original Fund Balance/Net Assets December 31, 2006	\$ 3,612,619	\$ 1,207,380	\$ 340,033
Accrued payroll adjustment	[20,404]	[20,404]	[2,932]
Receivables adjustment	141,656	141,656	77,385
Capital assets adjustment	8,147,029	-	16,815,660
Compensated absence adjustment	[13,869]	-	[1,757]
Interest payable adjustment	[45,480]	-	[83,403]
Long term liability adjustment	[4,893,650]	-	[8,271,188]
Restated Fund Balance/Net Assets December 31, 2006	<u>\$ 6,927,901</u>	<u>\$ 1,328,632</u>	<u>\$ 8,873,798</u>

IV. 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 statute requires that at 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, 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.

At December 31, 2006, the City has the following investments:

Investment Type	Fair Value	Rating	Maturity Less Than 5 Years	5 - 10 Years	10 - 15 Years
Kansas Municipal Investment Pool	<u>\$ 80,770</u>	S&P AAf/S1+	\$ 80,770	\$ -	\$ -

CITY OF BASEHOR, KANSAS
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. *Capital Assets (Continued)*

The City's depreciation expense was charged as follows:

Governmental Activities:	
General government	\$ 591,979
Public safety	13,522
Public works	6,582
Culture and recreation	<u>2,791</u>
Total depreciation expense	<u>\$ 614,874</u>
Business-type Activities:	
Sewer utility	<u>\$ 699,403</u>
Total depreciation expense	<u>\$ 699,403</u>

D. *Long-term Debt*

During the year ended December 31, 2006, the following changes occurred in long term liabilities:

<u>Governmental Activities</u>				Amounts
	Balance		Balance	Due Within
	January 1, 2006	Additions	December 31, 2006	One Year
General obligation bonds	<u>\$ 4,893,650</u>	<u>\$ -</u>	<u>\$ 206,550</u>	<u>\$ 4,687,100</u>
				<u>\$ 219,100</u>
<u>Business-type Activities</u>				Amounts
	Balance		Balance	Due Within
	January 1, 2006	Additions	December 31, 2006	One Year
KDHE Revolving Loan	<u>\$ 6,799,838</u>	<u>\$ -</u>	<u>\$ 281,388</u>	<u>\$ 6,518,450</u>
General obligation bonds	<u>1,471,350</u>	<u>-</u>	<u>73,450</u>	<u>1,397,900</u>
				<u>75,900</u>
Total business-type activities	<u>\$ 8,271,188</u>	<u>\$ -</u>	<u>\$ 354,838</u>	<u>\$ 7,916,350</u>
				<u>\$ 364,713</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.

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

	Date of Issuance	Date of Final Maturity	Interest Rate	Original Amount	Outstanding Amount
<u>Governmental Activities</u>					
Street Improvement, Series 1993	11/01/93	11/01/17	5.25%	\$ 100,000	\$ 10,000
Sewer District, Series 1997	08/01/97	11/01/08	4.65-5.35%	256,592	175,000
Street Improvements, Series 2004	01/15/04	09/01/19	3.25-4.35%	3,415,000	3,145,000
Street Improvements, Series 2005	08/15/05	09/01/25	3.65-5.25%	<u>2,840,000</u>	<u>2,755,000</u>
				<u>\$ 6,611,592</u>	<u>\$ 6,085,000</u>

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

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.

Defeased bonds. In prior years, the City had defeased certain outstanding debt obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the City's financial statements. At December 31, 2006, \$165,000 of the Series 1997A General Obligation Bonds were considered defeased.

V. 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.

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 AETNA Life insurance & Annuity Company 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 at least 520 hours per year, 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 \$383,583. Total gross payroll was \$745,944. The contribution for the year ending December 31, 2006 was \$7,671 from employees and \$43,963 from employer representing .5% and 12.39% of covered payroll, respectively.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

V. OTHER INFORMATION (Continued)

G. *New Governmental Accounting Standards*

The Governmental Accounting Standards Board (GASB) has issued the following statements which will or may affect the City:

Statement 43 - "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" which establishes new reporting standards for Other Post Employment Benefit Plans (OPEB). This statement would impact the City in the event that it should decide to fund its OPEB liability as reported under Statement 45. See below. Statement 43 would be effective immediately after the implementation of Statement 45 in the event that the OPEB were funded.

Statement 45 - "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" which requires that the cost of providing Other Post Employment Benefits (OPEB) be accounted for in basically the same way as pension benefits including the use of actuarial valuation methods. The liability reported under this standard may be funded as provided for by Statement 43 above. Statement 45 is effective for the fiscal year beginning January 1, 2008.

CITY OF BASEHOR, KANSAS

CEDAR LAKES MAINTENANCE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2006

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues:						
Charges to customers	\$ 4,823	\$ -	\$ 4,823	\$ -	\$ 4,823	\$ -
Use of money and property	9,560	-	9,560	-	9,308	252
Total Revenues	<u>14,383</u>	<u>-</u>	<u>14,383</u>	<u>-</u>	<u>14,131</u>	<u>252</u>
Expenditures:						
Contractual	9,684	-	9,684	-	9,684	-
Total Expenditures	<u>9,684</u>	<u>-</u>	<u>9,684</u>	<u>-</u>	<u>9,684</u>	<u>-</u>
Excess [Deficiency] of Revenues Over [Under] Expenditures	<u>4,699</u>	<u>-</u>	<u>4,699</u>	<u>-</u>	<u>4,447</u>	<u>252</u>
Other Financing Sources [Uses]:						
Transfers out	<u>[253,786]</u>	<u>-</u>	<u>[253,786]</u>	<u>-</u>	<u>-</u>	<u>[253,786]</u>
Total Other Financing Sources [Uses]	<u>[253,786]</u>	<u>-</u>	<u>[253,786]</u>	<u>-</u>	<u>-</u>	<u>[253,786]</u>
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	<u>[249,087]</u>	<u>-</u>	<u>[249,087]</u>	<u>\$ -</u>	<u>\$ 4,447</u>	<u>\$ [253,534]</u>
Fund Balances, January 1	<u>301,859</u>	<u>-</u>	<u>301,859</u>			
Fund Balances, December 31	<u>\$ 52,772</u>	<u>\$ -</u>	<u>\$ 52,772</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, 2006

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts		Variance with Final Budget Positive [Negative]
				Original	Final	
Revenues and transfers						
Charges for services	\$ 864,860	\$ -	\$864,860	\$684,596	\$745,927	\$ 118,933
Special assessments	47,680	-	47,680	175,440	175,440	[127,760]
Use of money and property	21,792	-	21,792	6,477	13,309	8,483
Fines and fees	12,700	-	12,700	61,000	25,786	[13,086]
Total revenues and transfers	<u>947,032</u>	<u>-</u>	<u>947,032</u>	<u>927,513</u>	<u>960,462</u>	<u>[13,430]</u>
Expenditures and transfers						
Personnel	150,367	[905]	149,462	129,787	129,787	[19,675]
Contractual	205,736	47,902	253,638	284,955	366,700	113,062
Commodities	20,580	-	20,580	17,290	28,730	8,150
Capital outlay	774	-	774	774	6,800	6,026
Developer reimbursements	381,220	-	381,220	24,361	389,703	8,483
Depreciation	699,403	[699,403]	-	-	-	-
Total expenditures and transfers	<u>1,458,080</u>	<u>[652,406]</u>	<u>805,674</u>	<u>457,167</u>	<u>921,720</u>	<u>116,046</u>
Operating income [loss]	<u>[511,048]</u>	<u>652,406</u>	<u>141,358</u>	<u>470,346</u>	<u>38,742</u>	<u>102,616</u>
Other Financing Sources [Uses]:						
Debt principal	-	[354,838]	[354,838]	-	-	[354,838]
Debt interest and fees	[255,525]	[10,102]	[265,627]	-	-	[265,627]
Operating transfers in	391,006	-	391,006	-	137,220	253,786
Operating transfers [out]	-	-	-	[488,000]	[244,000]	244,000
Total Other Financing Sources [Uses]	<u>135,481</u>	<u>[364,940]</u>	<u>[229,459]</u>	<u>[488,000]</u>	<u>[106,780]</u>	<u>[122,679]</u>
Change in net assets	<u>[375,567]</u>	<u>287,466</u>	<u>[88,101]</u>	<u>\$ [17,654]</u>	<u>\$ [68,038]</u>	<u>\$ [20,063]</u>
Net assets, January 1	306,394	-	306,394			
Prior period adjustment	<u>8,519,087</u>	<u>[8,521,695]</u>	<u>[2,608]</u>			
Net assets, January 1, restated	<u>8,825,481</u>	<u>[8,521,695]</u>	<u>303,786</u>			
Net assets, December 31	<u>\$8,449,914</u>	<u>\$[8,234,229]</u>	<u>\$215,685</u>			

See independent auditor's report on the financial statements