



# The City of Basehor

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June 9, 2008

Lowenthal, Singleton, Webb & Wilson  
Professional Association  
900 Massachusetts, Suite 301  
Basehor, Kansas 66044-2868

Gentlemen:

We are providing this letter in connection with your audit of the financial statements of the City of Basehor, Kansas (the City) as of and for the year ended December 31, 2007 for the purpose of expressing opinions as to whether the basic financial statements are fairly presented, in all material respects, in conformity with U. S. generally accepted accounting principles and to report on the fairness of the combining and individual fund financial statements supplementary information when considered in relation to the basic financial statements taken as a whole.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit:

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America, in all material respects.
2. We have made available to you all-
  - a. Financial records and related data.
  - b. Minutes of the meetings of the governing body for the year ended December 31, 2007 and for 2008 up to and including the date of this letter.
3. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
5. We are in agreement with adjusting some journal entries that you have provided to us and those entries have been posted to the accounting records.
6. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
7. We have no knowledge of any fraud or suspected fraud affecting the entity involving-
  - a. Management,

- b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
- 8. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators or others.
- 9. The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- 10. The following have been properly recorded or disclosed in the financial statements:
  - a. Related-party transactions, including sales, purchases, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
  - b. Guarantees, whether written or oral, under which the City is contingently liable.
  - c. Significant estimates and material concentrations known to management that are required to be disclosed in accordance with the AICPA's Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*.
- 11. There are no-
  - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board (FASB) Statement No. 5, *Accounting for Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by FASB Statement No. 5.
- 12. The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral, except as previously made known to you and properly disclosed in the financial statements.
- 13. The City has complied with all aspects of laws, regulations, contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance, including provisions for reporting specific activities in separate funds and SEC continuing disclosure requirements. Tax-exempt bonds issued have retained their tax-exempt status.
- 14. Management is responsible for establishing and maintaining effective internal control over financial reporting.
- 15. The financial statements classify all funds, accounts and activities and all assets, liabilities and net assets are valued.
- 16. All the funds that meet the quantitative criteria of generally accepted accounting principles for presentation as major are identified and presented as such.
- 17. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance-sheet date and have been appropriately reduced to their estimated net realizable value.
- 18. Management has followed applicable laws and regulations in adopting, approving and amending budgets.

19. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and related organizations or disclose that these entities have been omitted.
20. Net asset components (invested in capital assets, net of related debt; restricted; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
21. Provisions for uncollectible receivables have been properly identified and recorded.
22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
23. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
24. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
25. Special and extraordinary items if any are appropriately classified and reported.
26. Deposits and investment securities are properly classified in category of custodial credit risk.
27. Capital assets, including infrastructure assets, are properly capitalized, reported, and, if applicable, depreciated.
28. Required supplementary information is measured and presented within prescribed guidelines.
29. We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting the information in the City's general ledger into a working trial balance. Also, as part of your audit, you prepared the financial statements and related notes from the trial balance. We have reviewed and approved those financial statements and related notes and believe they are adequately supported by the books and records of the government.

To the best of our knowledge and belief, no events have occurred subsequent to the balance-sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

  
\_\_\_\_\_  
Carl E. Slauch, City Administrator

June 11, 2008  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Susan E. Adams, City Treasurer

06/11/08  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Mary A. Mogle, City Clerk

6-11-08  
\_\_\_\_\_  
Date

# Memorandum

**To:** Mayor and City Council  
**CC:** Carl Slauch, Mary Mogle  
**From:** Susan Adams, City Treasurer  
**Date:** 4/23/2008  
**Re:** Audit FY2007 Auditor Cover Letters

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I have received and reviewed the auditor cover letters along with considerations for the City of Basehor. I would like to address their statements in deficiencies for internal control as presented. They are as follows:

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. We also recommend that an individual independent of the receipting process review and approve all utility account write offs.

Response: This was note #1 verbatim in the FY 2005, FY 2006 and FY 2007 cover letter to the Mayor and City Council with the addition of the final sentence in FY 2007. In 2005 and 2006 the City did not have the staff to make the separation but this has been addressed and the staff was added in 2007 by approval of the council. Following is how the receipts are processed: receptionist opens up the checks and they are processed and stamped, the assistant city clerk processes the checks into the computerized system, and the city clerk makes the bank deposit. The treasurer enters the cash receipt into the general ledger. We were told by one of the auditors at the time of the audit that our procedure was "overkill". In the middle of last year the city clerk implemented that she sign off on all write offs with the exception of the having the receptionist sign off when the city clerk is out. The city clerk is independent of the receipting process and she will sign off on all utility account write offs to comply with the auditors request.

2. We recommend the City Council approve accounting and internal control policies in the following areas:
  - Proper accounting and internal control over accounts payable and payroll disbursements.
  - Proper accounting and internal control for bank reconciliation's.
  - Requirement of the presentation of interim and final financial statements to the City Council by management.

Response: This was note #3 verbatim in FY 2005, note #2 verbatim in FY 2006 and FY 2007 cover letter to the Mayor and City Council. Following is the processes: Accounts Payables – 1. Department heads submit purchase order attached to the bill for payment submission; 2. Treasurer works up vouchers and checks for review and approval from city administrator; 3. A summary of accounts payable is given to Council for their review before checks are mailed. Payroll Disbursements – 1. Department heads submit timesheets after review and approval to the city clerk for payroll entry; 2. City Administrator reviews and approves all timesheets before payroll processing. Bank reconciliation's process is as follows: Month end after receiving the bank statements the assistant city clerk will reconcile the payables and payroll checks. The treasurer compiles the monthly account reconciliation to make sure all accounts balance. Council is presented with financial information prior to each meeting. After the audit, we were told approval in writing by city

council is needed, even though city council has been made aware of our processes. We will prepare in writing procedures for council approval.

3. During the audit, we noted that two of the twenty-five credit card transactions tested did not have any supporting receipt documentation. We recommend the City enforce the credit card policy requirement of supporting documentation for all charges and that an individual independent of the credit cards charges should review and approve the supporting documentation for the individual charges.

Response: There were over 180 credit card transactions for the FY 2007 along with the gasoline credit card purchases which average 149 charges per month. Following is the process: Each department head carries a city credit card. There are also two additional cards for miscellaneous purchases stored in the administration and police office. These cards are checked out by the following procedure. An authorized employee will issue the card having the employee sign the checkout sheet for the credit card use. Upon the return the checkout sheet will be completed. Each credit card purchase requires a purchase order and is attached to the bill for the accounts payable process. The treasurer compiles the purchase orders against the bills and the city administrator gives the final approval. This comment was noted in FY 2005 and FY 2006 with procedures implemented to comply with auditor request.

4. 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 agree 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 be 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. After reviewing a sample of building permits for appropriate signatures we noted several missing.

Response: This was note verbatim #6 in FY 2005 and note #5 in FY 2006 and note #4 in FY 2007 cover letter to the Mayor and City Council with the addition of the final sentence in FY 2007. February 2008 a building permit procedure was put into place to address the above issues. The process is as follows: 1) Anyone wanting to apply for a building permit must come to City Hall or visit our website to receive an application and fill it out no fewer than five (5) days prior to beginning any residential project. Commercial projects must proceed through the appropriate process. 2) Applications shall be dated to ensure the five (5) day rule is followed and all applicable information (ie. building plans, site plans, sign plans and the like) are filled out at the front counter and given to the assistant city clerk, receptionist, treasurer or city clerk. That information is then given to the building inspector. 3) The building inspector then computes all necessary fees - value of construction and all permit fees. 4) After the permit has been processed the building inspector he will pass the request to the planning director, or other knowledgeable staff, to be reviewed and signed off on (within one business day) to assure all fees are correct. 5) Permits are then returned to the front counter processed, ready for payment and pick up by the applicant. 6) All applicant fees are paid to the assistant city clerk, receptionist, treasurer or the city clerk at the time of permit issuance. The treasurer will record the permit number, subdivision and name of individual making payment when the cash receipt is processed.

Special note that in FY 2005 the audit had six (6) comments for city review. FY 2006 the audit detailed five (5) comments for city review in which five (5) were verbatim to the FY 2005 comments. FY 2007 the audit detailed four (4) comments for city review in which three (3) were verbatim with the addition of a sentence and the fourth very similar in content. The city staff is implementing procedures or has implemented procedures to address all of the above comments.



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LOWENTHAL SINGLETON WEBB & WILSON  
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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, 2007, 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. We also recommend that an individual independent of the receipting process review and approve all utility account write offs.
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. During the audit, we noted that two of the twenty-five credit card transactions tested did not have any supporting receipt documentation. 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.

4. 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. Appropriate signatures were missing from several building permits that were in a sample of such permits we selected to review.

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.

*Howenthal, Singleton, Webb & Wilson*

Professional Association

June 9, 2008

**LOWENTHAL SINGLETON WEBB & WILSON**  
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AUDITOR'S COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Mayor and City Council  
City of Basehor, Kansas

We have audited the financial statements of the City of Basehor, Kansas for the year ended December 31, 2007, and have issued our report thereon dated June 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated, October 29, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and to express an opinion about whether the financial statements are fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

As part of our audit, we considered the internal control of the City of Basehor, Kansas. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to management in our meeting about planning matters on March 5, 2008.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Basehor, Kansas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended December 31, 2007. We noted no transactions entered into by the City of Basehor, Kansas during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.



Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the straight-line method of depreciation. We evaluated the key factors and assumptions used to develop the accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have been informed that management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 9, 2008.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of the accounting principles and auditing standards, with management each year prior to retention as the City of Basehor, Kansas's auditors. However, this discussion occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the mayor, city council and management of the City 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

June 9, 2008

**CITY OF BASEHOR, KANSAS**  
**FINANCIAL STATEMENTS**  
**Year Ended December 31, 2007**

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CITY OF BASEHOR, KANSAS

Financial Statements  
Year ending December 31, 2007

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CITY OF BASEHOR, KANSAS

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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, 2007, 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 inadequacies in the internal controls, we were unable to obtain sufficient audit evidence regarding the amount of building permit revenue in the financial statements for the year ended December 31, 2007, stated at \$197,086 and included in the General Fund in the Licenses, Permits and Fees account.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient audit evidence regarding the building permit revenue noted above, 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, 2007, 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.



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.

*Howenthal, Singleton, Webb & Wilson*

Professional Association

June 9, 2008

CITY OF BASEHOR, KANSAS

STATEMENT OF NET ASSETS  
December 31, 2007

|                                                         | Primary Government         |                             |                                |
|---------------------------------------------------------|----------------------------|-----------------------------|--------------------------------|
|                                                         | Governmental<br>Activities | Business-type<br>Activities | Primary<br>Government<br>Total |
| <b>ASSETS</b>                                           |                            |                             |                                |
| Current assets:                                         |                            |                             |                                |
| Cash and cash equivalents                               | \$ 4,799,848               | \$ 401,055                  | \$ 5,200,903                   |
| Receivables:                                            |                            |                             |                                |
| Taxes                                                   | 1,174,513                  | -                           | 1,174,513                      |
| Municipal court                                         | 55,031                     | -                           | 55,031                         |
| Other                                                   | 11,133                     | 64,762                      | 75,895                         |
| Total current assets                                    | <u>6,040,525</u>           | <u>465,817</u>              | <u>6,506,342</u>               |
| Noncurrent assets:                                      |                            |                             |                                |
| Capital assets                                          | 12,760,576                 | 22,314,613                  | 35,075,189                     |
| Less: accumulated depreciation                          | <u>[5,100,815]</u>         | <u>[6,789,434]</u>          | <u>[11,890,249]</u>            |
| Total noncurrent assets                                 | <u>7,659,761</u>           | <u>15,525,179</u>           | <u>23,184,940</u>              |
| Total assets                                            | <u>\$ 13,700,286</u>       | <u>\$ 15,990,996</u>        | <u>\$ 29,691,282</u>           |
| <b>LIABILITIES AND NET ASSETS</b>                       |                            |                             |                                |
| Current liabilities:                                    |                            |                             |                                |
| Accounts payable                                        | \$ 32,126                  | \$ 19,026                   | \$ 51,152                      |
| Accrued liabilities                                     | 36,866                     | 4,259                       | 41,125                         |
| Accrued interest payable                                | 60,608                     | 84,136                      | 144,744                        |
| Deferred revenue                                        | 1,174,513                  | -                           | 1,174,513                      |
| Compensated absences payable                            | 16,467                     | 3,796                       | 20,263                         |
| Current portion of general obligation bonds payable     | 227,100                    | 67,900                      | 295,000                        |
| Current portion of KDHE loan payable                    | -                          | 297,805                     | 297,805                        |
| Total current liabilities (payable from current assets) | <u>1,547,680</u>           | <u>476,922</u>              | <u>2,024,602</u>               |
| Noncurrent liabilities:                                 |                            |                             |                                |
| General obligation bonds payable                        | 4,240,900                  | 1,089,100                   | 5,330,000                      |
| KDHE note payable                                       | -                          | 5,930,552                   | 5,930,552                      |
| Total noncurrent liabilities                            | <u>4,240,900</u>           | <u>7,019,652</u>            | <u>11,260,552</u>              |
| Total liabilities                                       | <u>\$ 5,788,580</u>        | <u>\$ 7,496,574</u>         | <u>\$ 13,285,154</u>           |
| <b>Net Assets</b>                                       |                            |                             |                                |
| Invested in fixed assets, net of related debt           | \$ 3,418,861               | \$ 8,139,822                | \$ 11,558,683                  |
| Restricted for:                                         |                            |                             |                                |
| Debt service                                            | 576,188                    | -                           | 576,188                        |
| Unrestricted                                            | <u>3,916,657</u>           | <u>354,600</u>              | <u>4,271,257</u>               |
| Total net assets                                        | <u>\$ 7,911,706</u>        | <u>\$ 8,494,422</u>         | <u>\$ 16,406,128</u>           |

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

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## CITY OF BASEHOR, KANSAS

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2007

|                                  | Program Revenues    |                         |                                          | Net [Expenses] Revenue<br>and Changes in Net Assets |                                |                      |
|----------------------------------|---------------------|-------------------------|------------------------------------------|-----------------------------------------------------|--------------------------------|----------------------|
|                                  | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary Government                                  |                                |                      |
|                                  |                     |                         |                                          | Governmental<br>Activities                          | Business<br>Type<br>Activities | Total                |
| <b>Governmental activities:</b>  |                     |                         |                                          |                                                     |                                |                      |
| General government               | \$ 1,597,750        | \$ 23,292               | \$ -                                     | \$ [1,574,458]                                      | \$ -                           | \$ [1,574,458]       |
| Public safety                    | 618,815             | 203,463                 | 39,279                                   | [376,073]                                           | -                              | [376,073]            |
| Public works                     | 127,587             | 210,299                 | -                                        | 82,712                                              | -                              | 82,712               |
| Culture and recreation           | 32,967              | 44,994                  | -                                        | 12,027                                              | -                              | 12,027               |
| Interest on long-term debt       | <u>229,211</u>      | <u>-</u>                | <u>-</u>                                 | <u>[229,211]</u>                                    | <u>-</u>                       | <u>[229,211]</u>     |
| Total governmental activities    | <u>2,606,330</u>    | <u>482,048</u>          | <u>39,279</u>                            | <u>[2,085,003]</u>                                  | <u>-</u>                       | <u>[2,085,003]</u>   |
| <b>Business-type activities:</b> |                     |                         |                                          |                                                     |                                |                      |
| Sewer Utility                    | 1,335,535           | 1,032,410               | -                                        | -                                                   | [303,125]                      | [303,125]            |
| Solid Waste Utility              | <u>118,153</u>      | <u>147,749</u>          | <u>-</u>                                 | <u>-</u>                                            | <u>29,596</u>                  | <u>29,596</u>        |
| Total business-type activities   | <u>1,453,688</u>    | <u>1,180,159</u>        | <u>-</u>                                 | <u>-</u>                                            | <u>[273,529]</u>               | <u>[273,529]</u>     |
| Total primary government         | <u>\$ 4,060,018</u> | <u>\$ 1,662,207</u>     | <u>\$ 39,279</u>                         | <u>[2,085,003]</u>                                  | <u>[273,529]</u>               | <u>[2,358,532]</u>   |
| <b>General Revenues:</b>         |                     |                         |                                          |                                                     |                                |                      |
| Property taxes levied for        |                     |                         |                                          |                                                     |                                |                      |
| General purposes                 |                     |                         |                                          | 993,581                                             | -                              | 993,581              |
| Debt service                     |                     |                         |                                          | 496,391                                             | -                              | 496,391              |
| Franchise tax                    |                     |                         |                                          | 134,726                                             | -                              | 134,726              |
| Liquor tax                       |                     |                         |                                          | 14,628                                              | -                              | 14,628               |
| Sales tax                        |                     |                         |                                          | 536,701                                             | -                              | 536,701              |
| Motor vehicle tax                |                     |                         |                                          | 161,525                                             | -                              | 161,525              |
| Excise tax                       |                     |                         |                                          | 180,305                                             | -                              | 180,305              |
| Miscellaneous tax                |                     |                         |                                          | 109,539                                             | -                              | 109,539              |
| Investments earnings             |                     |                         |                                          | 174,048                                             | 26,041                         | 200,089              |
| Miscellaneous                    |                     |                         |                                          | 74,700                                              | 926                            | 75,626               |
| Transfers, net                   |                     |                         |                                          | <u>[85,000]</u>                                     | <u>85,000</u>                  | <u>-</u>             |
| Total general revenues           |                     |                         |                                          | <u>2,791,144</u>                                    | <u>111,967</u>                 | <u>2,903,111</u>     |
| Change in net assets             |                     |                         |                                          | <u>706,141</u>                                      | <u>[161,562]</u>               | <u>544,579</u>       |
| Net assets - beginning           |                     |                         |                                          | 7,265,560                                           | 8,513,733                      | 15,779,293           |
| Prior period adjustment          |                     |                         |                                          | <u>[59,995]</u>                                     | <u>142,251</u>                 | <u>82,256</u>        |
| Net assets - beginning, restated |                     |                         |                                          | <u>7,205,565</u>                                    | <u>8,655,984</u>               | <u>15,861,549</u>    |
| Net assets - ending              |                     |                         |                                          | <u>\$ 7,911,706</u>                                 | <u>\$ 8,494,422</u>            | <u>\$ 16,406,128</u> |

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

## CITY OF BASEHOR, KANSAS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2007

|                                      | <u>General</u>      | <u>Consolidated<br/>Highway</u> | <u>Special<br/>Parks and<br/>Recreation</u> | <u>Capital<br/>Improvements<br/>Reserve</u> |
|--------------------------------------|---------------------|---------------------------------|---------------------------------------------|---------------------------------------------|
| <b>ASSETS</b>                        |                     |                                 |                                             |                                             |
| Cash and cash equivalents            | \$ 1,284,234        | \$ 1,836,511                    | \$ 122,658                                  | \$ 713,661                                  |
| Receivables                          |                     |                                 |                                             |                                             |
| Taxes                                | 1,042,572           | -                               | -                                           | -                                           |
| Municipal court                      | 55,031              | -                               | -                                           | -                                           |
| Other                                | 11,133              | -                               | -                                           | -                                           |
| Total assets                         | <u>\$ 2,392,970</u> | <u>\$ 1,836,511</u>             | <u>\$ 122,658</u>                           | <u>\$ 713,661</u>                           |
| <b>LIABILITIES AND FUND BALANCES</b> |                     |                                 |                                             |                                             |
| Liabilities:                         |                     |                                 |                                             |                                             |
| Accounts payable                     | \$ 7,169            | \$ 4,008                        | \$ -                                        | \$ -                                        |
| Accrued liabilities                  | 36,866              | -                               | -                                           | -                                           |
| Deferred revenue                     | 1,042,572           | -                               | -                                           | -                                           |
| Total liabilities                    | <u>1,086,607</u>    | <u>4,008</u>                    | <u>-</u>                                    | <u>-</u>                                    |
| Fund balance:                        |                     |                                 |                                             |                                             |
| Unreserved                           |                     |                                 |                                             |                                             |
| Special revenue funds                | -                   | 1,832,503                       | 122,658                                     | 713,661                                     |
| Debt service funds                   | -                   | -                               | -                                           | -                                           |
| Capital projects funds               | -                   | -                               | -                                           | -                                           |
| General fund                         | 1,306,363           | -                               | -                                           | -                                           |
| Total fund balance [deficit]         | <u>1,306,363</u>    | <u>1,832,503</u>                | <u>122,658</u>                              | <u>713,661</u>                              |
| Total liabilities and fund balances  | <u>\$ 2,392,970</u> | <u>\$ 1,836,511</u>             | <u>\$ 122,658</u>                           | <u>\$ 713,661</u>                           |

| <u>Municipal<br/>Equipment<br/>Reserve</u> | <u>Bond and<br/>Interest</u> | <u>Cedar<br/>Lakes<br/>Maintenance</u> | <u>Road<br/>Improvements</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------------|------------------------------|----------------------------------------|------------------------------|-----------------------------------------|
| \$ 203,074                                 | \$ 576,188                   | \$ 63,522                              | \$ -                         | \$ 4,799,848                            |
| -                                          | 131,941                      | -                                      | -                            | 1,174,513                               |
| -                                          | -                            | -                                      | -                            | 55,031                                  |
| -                                          | -                            | -                                      | -                            | 11,133                                  |
| <u>\$ 203,074</u>                          | <u>\$ 708,129</u>            | <u>\$ 63,522</u>                       | <u>\$ -</u>                  | <u>\$ 6,040,525</u>                     |
|                                            |                              |                                        |                              |                                         |
| \$ 20,949                                  | \$ -                         | \$ -                                   | \$ -                         | \$ 32,126                               |
| -                                          | -                            | -                                      | -                            | 36,866                                  |
| -                                          | 131,941                      | -                                      | -                            | 1,174,513                               |
| <u>20,949</u>                              | <u>131,941</u>               | <u>-</u>                               | <u>-</u>                     | <u>1,243,505</u>                        |
|                                            |                              |                                        |                              |                                         |
| 182,125                                    | -                            | -                                      | -                            | 2,850,947                               |
| -                                          | 576,188                      | -                                      | -                            | 576,188                                 |
| -                                          | -                            | 63,522                                 | -                            | 63,522                                  |
| -                                          | -                            | -                                      | -                            | 1,306,363                               |
| <u>182,125</u>                             | <u>576,188</u>               | <u>63,522</u>                          | <u>-</u>                     | <u>4,797,020</u>                        |
| <u>\$ 203,074</u>                          | <u>\$ 708,129</u>            | <u>\$ 63,522</u>                       | <u>\$ -</u>                  | <u>\$ 6,040,525</u>                     |

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

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CITY OF BASEHOR, KANSAS

RECONCILIATION OF THE TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
December 31, 2007

Total Governmental Fund Balances \$ 4,797,020

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 | 12,760,576         |           |
| Accumulated depreciation is   | <u>[5,100,815]</u> | 7,659,761 |

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 | 4,468,000     |                    |
| Interest payable                 | 60,608        |                    |
| Compensated absences payable     | <u>16,467</u> | <u>[4,545,075]</u> |

Net Assets of Governmental Activities \$ 7,911,706

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



## CITY OF BASEHOR, KANSAS

STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2007

|                                                                                                    | <u>General</u>      | <u>Consolidated<br/>Highway</u> | <u>Special<br/>Parks and<br/>Recreation</u> | <u>Capital<br/>Improvements<br/>Reserve</u> |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------------------|---------------------------------------------|---------------------------------------------|
| REVENUES:                                                                                          |                     |                                 |                                             |                                             |
| Taxes                                                                                              | \$ 1,835,531        | \$ 288,160                      | \$ 7,314                                    | \$ -                                        |
| Intergovernmental                                                                                  | 39,279              | -                               | -                                           | -                                           |
| Special assessments                                                                                | -                   | -                               | -                                           | -                                           |
| Licenses, permits and fees                                                                         | 220,378             | -                               | 21,600                                      | -                                           |
| Fines, forfeitures and penalties                                                                   | 216,676             | -                               | -                                           | -                                           |
| Use of money and property                                                                          | 71,193              | 64,441                          | 4,335                                       | 21,292                                      |
| Reimbursed expenses                                                                                | 50,960              | -                               | -                                           | -                                           |
| Miscellaneous                                                                                      | 23,680              | -                               | 60                                          | -                                           |
| Total revenues                                                                                     | <u>2,457,697</u>    | <u>352,601</u>                  | <u>33,309</u>                               | <u>21,292</u>                               |
| EXPENDITURES:                                                                                      |                     |                                 |                                             |                                             |
| Current                                                                                            |                     |                                 |                                             |                                             |
| General government                                                                                 | 843,915             | 484,583                         | -                                           | 144,937                                     |
| Public works                                                                                       | 158,888             | -                               | -                                           | -                                           |
| Culture and recreation                                                                             | 5,204               | -                               | 11,125                                      | -                                           |
| Public safety                                                                                      | 635,836             | -                               | -                                           | -                                           |
| Debt service                                                                                       |                     |                                 |                                             |                                             |
| Principal                                                                                          | -                   | -                               | -                                           | -                                           |
| Interest and other charges                                                                         | -                   | -                               | -                                           | -                                           |
| Total expenditures                                                                                 | <u>1,643,843</u>    | <u>484,583</u>                  | <u>11,125</u>                               | <u>144,937</u>                              |
| Excess [deficiency] of revenues<br>over [under] expenditures                                       | <u>813,854</u>      | <u>[131,982]</u>                | <u>22,184</u>                               | <u>[123,645]</u>                            |
| OTHER FINANCING SOURCES [USES]                                                                     |                     |                                 |                                             |                                             |
| Transfers in                                                                                       | 15,000              | 245,000                         | -                                           | 245,000                                     |
| Transfers [out]                                                                                    | <u>[750,000]</u>    | <u>-</u>                        | <u>-</u>                                    | <u>-</u>                                    |
| Total other financing sources [uses]                                                               | <u>[735,000]</u>    | <u>245,000</u>                  | <u>-</u>                                    | <u>245,000</u>                              |
| Excess [deficiency] of revenues<br>and other sources over [under]<br>expenditures and other [uses] | <u>78,854</u>       | <u>113,018</u>                  | <u>22,184</u>                               | <u>121,355</u>                              |
| Fund balance - Beginning of year                                                                   | 1,287,504           | 507,753                         | 100,474                                     | 592,306                                     |
| Prior period adjustments                                                                           | <u>[59,995]</u>     | <u>1,211,732</u>                | <u>-</u>                                    | <u>-</u>                                    |
| Fund balance, Beginning of year, restated                                                          | <u>1,227,509</u>    | <u>1,719,485</u>                | <u>100,474</u>                              | <u>592,306</u>                              |
| Fund balance - End of year                                                                         | <u>\$ 1,306,363</u> | <u>\$ 1,832,503</u>             | <u>\$ 122,658</u>                           | <u>\$ 713,661</u>                           |

| <u>Municipal<br/>Equipment<br/>Reserve</u> | <u>Bond and<br/>Interest</u> | <u>Cedar<br/>Lakes<br/>Maintenance</u> | <u>Road<br/>Improvements</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------------------|------------------------------|----------------------------------------|------------------------------|-----------------------------------------|
| \$ -                                       | \$ 116                       | \$ -                                   | \$ -                         | \$ 2,131,121                            |
| -                                          | -                            | -                                      | -                            | 39,279                                  |
| -                                          | 496,275                      | -                                      | -                            | 496,275                                 |
| -                                          | -                            | 23,394                                 | -                            | 265,372                                 |
| -                                          | -                            | -                                      | -                            | 216,676                                 |
| 3,533                                      | 6,798                        | 2,456                                  | -                            | 174,048                                 |
| -                                          | -                            | -                                      | -                            | 50,960                                  |
| -                                          | -                            | -                                      | -                            | 23,740                                  |
| <u>3,533</u>                               | <u>503,189</u>               | <u>25,850</u>                          | <u>-</u>                     | <u>3,397,471</u>                        |
| 118,324                                    | -                            | -                                      | -                            | 1,591,759                               |
| -                                          | -                            | -                                      | -                            | 158,888                                 |
| -                                          | -                            | 15,100                                 | -                            | 31,429                                  |
| -                                          | -                            | -                                      | -                            | 635,836                                 |
| -                                          | 219,100                      | -                                      | -                            | 219,100                                 |
| -                                          | 193,719                      | -                                      | -                            | 193,719                                 |
| <u>118,324</u>                             | <u>412,819</u>               | <u>15,100</u>                          | <u>-</u>                     | <u>2,830,731</u>                        |
| <u>[114,791]</u>                           | <u>90,370</u>                | <u>10,750</u>                          | <u>-</u>                     | <u>566,740</u>                          |
| 160,000                                    | -                            | -                                      | -                            | 665,000                                 |
| -                                          | -                            | -                                      | -                            | [750,000]                               |
| <u>160,000</u>                             | <u>-</u>                     | <u>-</u>                               | <u>-</u>                     | <u>[85,000]</u>                         |
| <u>45,209</u>                              | <u>90,370</u>                | <u>10,750</u>                          | <u>-</u>                     | <u>481,740</u>                          |
| 136,916                                    | 485,818                      | 52,772                                 | 1,211,732                    | 4,375,275                               |
| -                                          | -                            | -                                      | [1,211,732]                  | [59,995]                                |
| <u>136,916</u>                             | <u>485,818</u>               | <u>52,772</u>                          | <u>-</u>                     | <u>4,315,280</u>                        |
| <u>\$ 182,125</u>                          | <u>\$ 576,188</u>            | <u>\$ 63,522</u>                       | <u>\$ -</u>                  | <u>\$ 4,797,020</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, 2007

Total Net Change In Fund Balances - Governmental Funds \$ 481,740

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.

|                        |                  |        |
|------------------------|------------------|--------|
| Loss on sale of assets | [300]            |        |
| Capital outlays        | 673,191          |        |
| Depreciation expense   | <u>[634,933]</u> | 37,958 |

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 increased.

[35,492]

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.

2,835

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.

219,100

Changes In Net Assets of Governmental Activities

\$ 706,141

## CITY OF BASEHOR, KANSAS

## GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - ACTUAL AND BUDGET  
For the Year Ended December 31, 2007

|                                  | GAAP<br>Basis | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts |              | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|----------------------------------|---------------|--------------------------------------|--------------------|------------------|--------------|---------------------------------------------------------|
|                                  |               |                                      |                    | Original         | Final        |                                                         |
| Revenues:                        |               |                                      |                    |                  |              |                                                         |
| Taxes                            | \$ 1,835,531  | \$ -                                 | \$ 1,835,531       | \$ 1,789,674     | \$ 1,789,674 | \$ 45,857                                               |
| Intergovernmental                | 39,279        | -                                    | 39,279             | -                | -            | 39,279                                                  |
| Licenses and permits             | 220,378       | -                                    | 220,378            | 222,528          | 222,528      | [2,150]                                                 |
| Fines, forfeitures and penalties | 216,676       | [12,821]                             | 203,855            | 167,500          | 167,500      | 36,355                                                  |
| Use of money and property        | 71,193        | -                                    | 71,193             | 26,000           | 26,000       | 45,193                                                  |
| Federal grant                    | 50,960        | 15,517                               | 66,477             | 150,184          | 150,184      | [83,707]                                                |
| Reimbursed expenses              | -             | -                                    | -                  | 40,000           | 40,000       | [40,000]                                                |
| Miscellaneous                    | 23,680        | -                                    | 23,680             | 10,608           | 10,608       | 13,072                                                  |
| Total Revenues                   | 2,457,697     | 2,696                                | 2,460,393          | 2,406,494        | 2,406,494    | 53,899                                                  |
| Expenditures:                    |               |                                      |                    |                  |              |                                                         |
| General Administration:          |               |                                      |                    |                  |              |                                                         |
| Personal services                | 521,852       | -                                    | 521,852            | 236,974          | 236,974      | [284,878]                                               |
| Contractual services             | 275,376       | [24,576]                             | 250,800            | 649,033          | 649,033      | 398,233                                                 |
| Commodities                      | 28,664        | -                                    | 28,664             | 34,809           | 34,809       | 6,145                                                   |
| Capital outlay                   | 18,023        | -                                    | 18,023             | 31,432           | 31,432       | 13,409                                                  |
|                                  | 843,915       | [24,576]                             | 819,339            | 952,248          | 952,248      | 132,909                                                 |
| Public Safety                    |               |                                      |                    |                  |              |                                                         |
| Personal services                | 476,789       | -                                    | 476,789            | 518,666          | 518,666      | 41,877                                                  |
| Contractual services             | 94,950        | -                                    | 94,950             | 114,982          | 114,982      | 20,032                                                  |
| Commodities                      | 56,442        | -                                    | 56,442             | 30,109           | 30,109       | [26,333]                                                |
| Capital outlay                   | 7,655         | -                                    | 7,655              | 14,500           | 14,500       | 6,845                                                   |
|                                  | 635,836       | -                                    | 635,836            | 678,257          | 678,257      | 42,421                                                  |
| Highways and Streets             |               |                                      |                    |                  |              |                                                         |
| Personal services                | 102,672       | -                                    | 102,672            | 186,553          | 186,553      | 83,881                                                  |
| Contractual services             | 42,724        | -                                    | 42,724             | 46,848           | 46,848       | 4,124                                                   |
| Commodities                      | 12,652        | -                                    | 12,652             | 15,842           | 15,842       | 3,190                                                   |
| Capital outlay                   | 840           | -                                    | 840                | 12,000           | 12,000       | 11,160                                                  |
|                                  | 158,888       | -                                    | 158,888            | 261,243          | 261,243      | 102,355                                                 |
| Culture and recreation           |               |                                      |                    |                  |              |                                                         |
| Personal services                | 1,370         | -                                    | 1,370              | 2,856            | 2,856        | 1,486                                                   |
| Contractual services             | 3,449         | -                                    | 3,449              | 8,715            | 8,715        | 5,266                                                   |
| Commodities                      | 385           | -                                    | 385                | 2,080            | 2,080        | 1,695                                                   |
|                                  | 5,204         | -                                    | 5,204              | 13,651           | 13,651       | 8,447                                                   |

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, 2007

|                                                                                                    | GAAP<br>Basis | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts |              | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|----------------------------------------------------------------------------------------------------|---------------|--------------------------------------|--------------------|------------------|--------------|---------------------------------------------------------|
|                                                                                                    |               |                                      |                    | Original         | Final        |                                                         |
| Expenditures (Continued):                                                                          |               |                                      |                    |                  |              |                                                         |
| Total Expenditures                                                                                 | \$ 1,643,843  | \$ [24,576]                          | \$ 1,619,267       | \$ 1,905,399     | \$ 1,905,399 | \$ 286,132                                              |
| Excess [Deficiency] of Revenues<br>Over [Under] Expenditures                                       | 813,854       | 27,272                               | 841,126            | 501,095          | 501,095      | 340,031                                                 |
| Other Financing Sources [Uses]:                                                                    |               |                                      |                    |                  |              |                                                         |
| Transfers in                                                                                       | 15,000        | -                                    | 15,000             | 15,000           | 15,000       | -                                                       |
| Transfers [out]                                                                                    | [750,000]     | -                                    | [750,000]          | [690,350]        | [690,350]    | [59,650]                                                |
| Total Other Financing Sources [Uses]                                                               | [735,000]     | -                                    | [735,000]          | [675,350]        | [675,350]    | [59,650]                                                |
| Excess [Deficiency] of Revenues<br>and Other Sources Over [Under]<br>Expenditures and Other [Uses] | 78,854        | 27,272                               | 106,126            | \$ [174,255]     | \$ [174,255] | \$ 280,381                                              |
| Fund Balance, January 1                                                                            | 1,287,504     | [153,269]                            | 1,134,235          |                  |              |                                                         |
| Prior period adjustment                                                                            | [59,995]      | 59,833                               | [162]              |                  |              |                                                         |
| Fund Balance, restated January 1                                                                   | 1,227,509     | [93,436]                             | 1,134,073          |                  |              |                                                         |
| Fund Balance, December 31                                                                          | \$ 1,306,363  | \$ [66,164]                          | \$ 1,240,199       |                  |              |                                                         |

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, 2007

|                                                                                                    | GAAP<br>Basis       | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis  | Budgeted Amounts |                  | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|----------------------------------------------------------------------------------------------------|---------------------|--------------------------------------|---------------------|------------------|------------------|---------------------------------------------------------|
|                                                                                                    |                     |                                      |                     | Original         | Final            |                                                         |
| Revenues:                                                                                          |                     |                                      |                     |                  |                  |                                                         |
| Taxes                                                                                              | \$ 288,160          | \$ -                                 | \$ 288,160          | \$ 301,837       | \$ 301,837       | \$ [13,677]                                             |
| Use of money and property                                                                          | 64,441              | -                                    | 64,441              | 18,393           | 18,393           | 46,048                                                  |
| Total Revenues                                                                                     | <u>352,601</u>      | <u>-</u>                             | <u>352,601</u>      | <u>320,230</u>   | <u>320,230</u>   | <u>32,371</u>                                           |
| Expenditures:                                                                                      |                     |                                      |                     |                  |                  |                                                         |
| Commodities                                                                                        | 15,499              | -                                    | 15,499              | 57,200           | 57,200           | 41,701                                                  |
| Contractual                                                                                        | <u>469,084</u>      | <u>-</u>                             | <u>469,084</u>      | <u>477,215</u>   | <u>477,215</u>   | <u>8,131</u>                                            |
| Total Expenditures                                                                                 | <u>484,583</u>      | <u>-</u>                             | <u>484,583</u>      | <u>534,415</u>   | <u>534,415</u>   | <u>49,832</u>                                           |
| Excess [Deficiency] of Revenues<br>Over [Under] Expenditures                                       | <u>[131,982]</u>    | <u>-</u>                             | <u>[131,982]</u>    | <u>[214,185]</u> | <u>[214,185]</u> | <u>82,203</u>                                           |
| Other Financing Sources [Uses]:                                                                    |                     |                                      |                     |                  |                  |                                                         |
| Transfers in                                                                                       | <u>245,000</u>      | <u>-</u>                             | <u>245,000</u>      | <u>256,350</u>   | <u>256,350</u>   | <u>[11,350]</u>                                         |
| Total Other Financing Sources [Uses]                                                               | <u>245,000</u>      | <u>-</u>                             | <u>245,000</u>      | <u>256,350</u>   | <u>256,350</u>   | <u>[11,350]</u>                                         |
| Excess [Deficiency] of Revenues<br>and Other Sources Over [Under]<br>Expenditures and Other [Uses] | <u>113,018</u>      | <u>-</u>                             | <u>113,018</u>      | <u>\$ 42,165</u> | <u>\$ 42,165</u> | <u>\$ 70,853</u>                                        |
| Fund Balance, January 1                                                                            | 507,753             | -                                    | 507,753             |                  |                  |                                                         |
| Prior period adjustment                                                                            | <u>1,211,732</u>    | <u>-</u>                             | <u>1,211,732</u>    |                  |                  |                                                         |
| Fund balance, restated January 1                                                                   | <u>1,719,485</u>    | <u>-</u>                             | <u>1,719,485</u>    |                  |                  |                                                         |
| Fund Balance, December 31                                                                          | <u>\$ 1,832,503</u> | <u>\$ -</u>                          | <u>\$ 1,832,503</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, 2007

|                                                              | GAAP<br>Basis     | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts |                  | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|--------------------------------------------------------------|-------------------|--------------------------------------|--------------------|------------------|------------------|---------------------------------------------------------|
|                                                              |                   |                                      |                    | Original         | Final            |                                                         |
| Revenues:                                                    |                   |                                      |                    |                  |                  |                                                         |
| Taxes                                                        | \$ 7,314          | \$ -                                 | \$ 7,314           | \$ 18,249        | \$ 18,249        | \$ [10,935]                                             |
| Licenses, permits and fees                                   | 21,600            | -                                    | 21,600             | 21,500           | 21,500           | 100                                                     |
| Miscellaneous                                                | 60                | -                                    | 60                 | -                | -                | 60                                                      |
| Use of money and property                                    | 4,335             | -                                    | 4,335              | 1,111            | 1,111            | 3,224                                                   |
| Total Revenues                                               | <u>33,309</u>     | <u>-</u>                             | <u>33,309</u>      | <u>40,860</u>    | <u>40,860</u>    | <u>[7,551]</u>                                          |
| Expenditures:                                                |                   |                                      |                    |                  |                  |                                                         |
| Capital outlay                                               | 11,125            | -                                    | 11,125             | 22,932           | 22,932           | 11,807                                                  |
| Maintenance and repair                                       | -                 | -                                    | -                  | 6,000            | 6,000            | 6,000                                                   |
| Total Expenditures                                           | <u>11,125</u>     | <u>-</u>                             | <u>11,125</u>      | <u>28,932</u>    | <u>28,932</u>    | <u>17,807</u>                                           |
| Excess [Deficiency] of Revenues<br>Over [Under] Expenditures | 22,184            | -                                    | 22,184             | <u>\$ 11,928</u> | <u>\$ 11,928</u> | <u>\$ 10,256</u>                                        |
| Fund Balance, January 1                                      | <u>100,474</u>    | <u>-</u>                             | <u>100,474</u>     |                  |                  |                                                         |
| Fund Balance, December 31                                    | <u>\$ 122,658</u> | <u>\$ -</u>                          | <u>\$ 122,658</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, 2007

|                                                                                                              | GAAP<br>Basis     | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts |                  | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|--------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|--------------------|------------------|------------------|---------------------------------------------------------|
|                                                                                                              |                   |                                      |                    | Original         | Final            |                                                         |
| Revenues:                                                                                                    |                   |                                      |                    |                  |                  |                                                         |
| Use of money and property                                                                                    | \$ 21,292         | \$ -                                 | \$ 21,292          | \$ 4,098         | \$ 4,098         | \$ 17,194                                               |
| Total Revenues                                                                                               | <u>21,292</u>     | <u>-</u>                             | <u>21,292</u>      | <u>4,098</u>     | <u>4,098</u>     | <u>17,194</u>                                           |
| Expenditures:                                                                                                |                   |                                      |                    |                  |                  |                                                         |
| Contractual                                                                                                  | 10,109            | -                                    | 10,109             | -                | -                | [10,109]                                                |
| Capital outlay                                                                                               | <u>134,828</u>    | <u>-</u>                             | <u>134,828</u>     | <u>300,000</u>   | <u>300,000</u>   | <u>165,172</u>                                          |
| Total Expenditures                                                                                           | <u>144,937</u>    | <u>-</u>                             | <u>144,937</u>     | <u>300,000</u>   | <u>300,000</u>   | <u>155,063</u>                                          |
| Excess [Deficiency] of Revenues<br>Over [Under] Expenditures                                                 | <u>[123,645]</u>  | <u>-</u>                             | <u>[123,645]</u>   | <u>[295,902]</u> | <u>[295,902]</u> | <u>172,257</u>                                          |
| Other Financing Sources [Uses]:                                                                              |                   |                                      |                    |                  |                  |                                                         |
| Transfers in                                                                                                 | <u>245,000</u>    | <u>-</u>                             | <u>245,000</u>     | <u>250,000</u>   | <u>250,000</u>   | <u>[5,000]</u>                                          |
| Total Other Financing Sources [Uses]                                                                         | <u>245,000</u>    | <u>-</u>                             | <u>245,000</u>     | <u>250,000</u>   | <u>250,000</u>   | <u>[5,000]</u>                                          |
| Excess [Deficiency] of Revenues and<br>Other Financing Sources Over [Under]<br>Expenditures and Other [Uses] | 121,355           | -                                    | 121,355            | \$ [45,902]      | \$ [45,902]      | \$ 167,257                                              |
| Fund Balance, January 1                                                                                      | <u>592,306</u>    | <u>-</u>                             | <u>592,306</u>     |                  |                  |                                                         |
| Fund Balance, December 31                                                                                    | <u>\$ 713,661</u> | <u>\$ -</u>                          | <u>\$ 713,661</u>  |                  |                  |                                                         |



## 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, 2007

|                                                                                                              | GAAP<br>Basis     | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts |                  | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|--------------------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|--------------------|------------------|------------------|---------------------------------------------------------|
|                                                                                                              |                   |                                      |                    | Original         | Final            |                                                         |
| Revenues:                                                                                                    |                   |                                      |                    |                  |                  |                                                         |
| Use of money and property                                                                                    | \$ 3,533          | \$ -                                 | \$ 3,533           | \$ 688           | \$ 688           | \$ 2,845                                                |
| Total Revenues                                                                                               | <u>3,533</u>      | <u>-</u>                             | <u>3,533</u>       | <u>688</u>       | <u>688</u>       | <u>2,845</u>                                            |
| Expenditures:                                                                                                |                   |                                      |                    |                  |                  |                                                         |
| Capital outlay                                                                                               | 118,324           | -                                    | 118,324            | 105,000          | 105,000          | [13,324]                                                |
| Total Expenditures                                                                                           | <u>118,324</u>    | <u>-</u>                             | <u>118,324</u>     | <u>105,000</u>   | <u>105,000</u>   | <u>[13,324]</u>                                         |
| Excess [Deficiency] of Revenues<br>Over [Under] Expenditures                                                 | <u>[114,791]</u>  | <u>-</u>                             | <u>[114,791]</u>   | <u>[104,312]</u> | <u>[104,312]</u> | <u>[10,479]</u>                                         |
| Other Financing Sources [Uses]:                                                                              |                   |                                      |                    |                  |                  |                                                         |
| Transfers in                                                                                                 | 160,000           | -                                    | 160,000            | 84,000           | 84,000           | 76,000                                                  |
| Total Other Financing Sources [Uses]                                                                         | <u>160,000</u>    | <u>-</u>                             | <u>160,000</u>     | <u>84,000</u>    | <u>84,000</u>    | <u>76,000</u>                                           |
| Excess [Deficiency] of Revenues and<br>Other Financing Sources Over [Under]<br>Expenditures and Other [Uses] | 45,209            | -                                    | 45,209             | \$ [20,312]      | \$ [20,312]      | \$ 65,521                                               |
| Fund Balance, January 1                                                                                      | <u>136,916</u>    | <u>-</u>                             | <u>136,916</u>     |                  |                  |                                                         |
| Fund Balance, December 31                                                                                    | <u>\$ 182,125</u> | <u>\$ -</u>                          | <u>\$ 182,125</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, 2007

|                                                          | Business-Type Activities:<br>Enterprise Funds |                        |                              |
|----------------------------------------------------------|-----------------------------------------------|------------------------|------------------------------|
|                                                          | Sewer<br>Utility                              | Solid Waste<br>Utility | Total<br>Enterprise<br>Funds |
| <b>ASSETS</b>                                            |                                               |                        |                              |
| Current assets:                                          |                                               |                        |                              |
| Cash and cash equivalents                                | \$ 336,437                                    | \$ 64,618              | \$ 401,055                   |
| Receivables:                                             |                                               |                        |                              |
| Accounts                                                 | 52,064                                        | 12,698                 | 64,762                       |
| Total current assets                                     | <u>388,501</u>                                | <u>77,316</u>          | <u>465,817</u>               |
| Noncurrent assets:                                       |                                               |                        |                              |
| Capital assets, nondepreciable                           | 22,314,613                                    | -                      | 22,314,613                   |
| Less: accumulated depreciation                           | <u>[6,789,434]</u>                            | <u>-</u>               | <u>[6,789,434]</u>           |
| Total noncurrent assets                                  | <u>15,525,179</u>                             | <u>-</u>               | <u>15,525,179</u>            |
| Total Assets                                             | <u>\$ 15,913,680</u>                          | <u>\$ 77,316</u>       | <u>\$ 15,990,996</u>         |
| <b>LIABILITIES AND NET ASSETS</b>                        |                                               |                        |                              |
| Current liabilities (payable from current assets):       |                                               |                        |                              |
| Accounts payable                                         | \$ 19,026                                     | \$ -                   | \$ 19,026                    |
| Accrued interest                                         | 84,136                                        | -                      | 84,136                       |
| Accrued compensation                                     | 3,556                                         | 240                    | 3,796                        |
| Accrued payroll                                          | 3,839                                         | 420                    | 4,259                        |
| Current portion of general obligation payable            | 67,900                                        | -                      | 67,900                       |
| Current portion of KDHE loan payable                     | <u>297,805</u>                                | <u>-</u>               | <u>297,805</u>               |
| Total current liabilities (payable from current assets): | <u>476,262</u>                                | <u>660</u>             | <u>476,922</u>               |
| Noncurrent liabilities:                                  |                                               |                        |                              |
| General obligation bond payable                          | 1,089,100                                     | -                      | 1,089,100                    |
| KDHE loan payable                                        | <u>5,930,552</u>                              | <u>-</u>               | <u>5,930,552</u>             |
| Total noncurrent liabilities:                            | <u>7,019,652</u>                              | <u>-</u>               | <u>7,019,652</u>             |
| Total Liabilities                                        | <u>\$ 7,495,914</u>                           | <u>\$ 660</u>          | <u>\$ 7,496,574</u>          |
| Net Assets:                                              |                                               |                        |                              |
| Invested in capital assets, net of related debt          | \$ 8,139,822                                  | \$ -                   | \$ 8,139,822                 |
| Unrestricted                                             | <u>277,944</u>                                | <u>76,656</u>          | <u>354,600</u>               |
| Total Net Assets                                         | <u>\$ 8,417,766</u>                           | <u>\$ 76,656</u>       | <u>\$ 8,494,422</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, 2007

|                                        | Business-Type Activities:<br>Enterprise Funds |                        |                              |
|----------------------------------------|-----------------------------------------------|------------------------|------------------------------|
|                                        | Sewer<br>Utility                              | Solid Waste<br>Utility | Total<br>Enterprise<br>Funds |
| Operating revenues:                    |                                               |                        |                              |
| Charges for services                   | \$ 949,696                                    | \$ 147,749             | \$ 1,097,445                 |
| Special assessments                    | 82,714                                        | -                      | 82,714                       |
| Other revenues                         | 926                                           | -                      | 926                          |
| Total operating revenues               | <u>1,033,336</u>                              | <u>147,749</u>         | <u>1,181,085</u>             |
| Operating expenses:                    |                                               |                        |                              |
| Personnel                              | 127,086                                       | 13,510                 | 140,596                      |
| Contractual                            | 110,012                                       | 101,445                | 211,457                      |
| Commodities                            | 18,516                                        | 3,198                  | 21,714                       |
| Capital outlay                         | 15,860                                        | -                      | 15,860                       |
| Depreciation                           | 700,424                                       | -                      | 700,424                      |
| Total operating expenses               | <u>971,898</u>                                | <u>118,153</u>         | <u>1,090,051</u>             |
| Operating income [loss]                | <u>61,438</u>                                 | <u>29,596</u>          | <u>91,034</u>                |
| Nonoperating revenues [expenses]:      |                                               |                        |                              |
| Interest on long term debt             | [363,637]                                     | -                      | [363,637]                    |
| Interest earned                        | 23,250                                        | 2,791                  | 26,041                       |
| Total nonoperating revenues [expenses] | <u>[340,387]</u>                              | <u>2,791</u>           | <u>26,041</u>                |
| Income [loss] before transfers         | <u>[278,949]</u>                              | <u>32,387</u>          | <u>[246,562]</u>             |
| Transfers from [to] other funds        |                                               |                        |                              |
| Transfers in                           | 100,000                                       | -                      | 100,000                      |
| Transfers [out]                        | -                                             | [15,000]               | [15,000]                     |
| Total transfers                        | <u>100,000</u>                                | <u>[15,000]</u>        | <u>85,000</u>                |
| Change in net assets                   | <u>[178,949]</u>                              | <u>17,387</u>          | <u>[161,562]</u>             |
| Net assets, January 1                  | 8,449,914                                     | 63,819                 | 8,513,733                    |
| Prior period adjustment                | 146,801                                       | [4,550]                | 142,251                      |
| Net assets, January 1 - restated       | <u>8,596,715</u>                              | <u>59,269</u>          | <u>8,655,984</u>             |
| Net assets, December 31                | <u>\$ 8,417,766</u>                           | <u>\$ 76,656</u>       | <u>\$ 8,494,422</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, 2007

|                                                                         | Business-Type Activities:<br>Enterprise Funds |                        |                              |
|-------------------------------------------------------------------------|-----------------------------------------------|------------------------|------------------------------|
|                                                                         | Sewer<br>Utility                              | Solid Waste<br>Utility | Total<br>Enterprise<br>Funds |
| Cash Flows from Operating Activities:                                   |                                               |                        |                              |
| Cash received from customers                                            | \$ 1,029,743                                  | \$ 146,973             | \$ 1,176,716                 |
| Cash paid to suppliers and employees                                    | <u>[251,182]</u>                              | <u>[127,038]</u>       | <u>[378,220]</u>             |
| Net Cash Provided by [Used in] Operating Activities                     | <u>778,561</u>                                | <u>19,935</u>          | <u>798,496</u>               |
| Cash Flows from Non-Capital Financing Activities:                       |                                               |                        |                              |
| Transfers [in] out                                                      | <u>100,000</u>                                | <u>[15,000]</u>        | <u>85,000</u>                |
| Net Cash Provided by [Used in] Non-Capital Financing Activities         | <u>100,000</u>                                | <u>[15,000]</u>        | <u>85,000</u>                |
| Cash Flows from Capital and Related Financing Activities                |                                               |                        |                              |
| Capital asset acquisition                                               | <u>[66,026]</u>                               | -                      | <u>[66,026]</u>              |
| Principal paid on bonds, notes and loans                                | <u>[365,993]</u>                              | -                      | <u>[365,993]</u>             |
| Interest expense and fiscal charges                                     | <u>[352,802]</u>                              | -                      | <u>[352,802]</u>             |
| Net Cash Provided by [Used in] Capital and Related Financing Activities | <u>[784,821]</u>                              | -                      | <u>[784,821]</u>             |
| Cash Flows from Investing Activities:                                   |                                               |                        |                              |
| Interest income                                                         | <u>23,250</u>                                 | <u>2,791</u>           | <u>26,041</u>                |
| Net Cash Provided by [Used in] Investing Activities                     | <u>23,250</u>                                 | <u>2,791</u>           | <u>26,041</u>                |
| Net Increase [Decrease] in Cash and Cash Equivalents                    | 116,990                                       | 7,726                  | 124,716                      |
| Cash and Equivalents, January 1                                         | <u>219,447</u>                                | <u>56,892</u>          | <u>276,339</u>               |
| Cash and Equivalents, December 31                                       | <u>\$ 336,437</u>                             | <u>\$ 64,618</u>       | <u>\$ 401,055</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, 2007

|                                                                                               | Business-Type Activities:<br>Enterprise Funds |                        |                              |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------|------------------------|------------------------------|
|                                                                                               | Sewer<br>Utility                              | Solid Waste<br>Utility | Total<br>Enterprise<br>Funds |
| Reconciliation of Operating Net Income to<br>Net Cash Provided by Operating Activities:       |                                               |                        |                              |
| Operating income [loss]                                                                       | \$ 61,438                                     | \$ 29,596              | \$ 91,034                    |
| Adjustments to reconcile operating<br>income to net cash provided by<br>operating activities: |                                               |                        |                              |
| Depreciation                                                                                  | 700,424                                       | -                      | 700,424                      |
| Change in assets and liabilities:                                                             |                                               |                        |                              |
| [Increase] decrease in accounts receivable                                                    | [3,593]                                       | [776]                  | [4,369]                      |
| Increase [decrease] in accounts payable                                                       | 19,026                                        | [8,757]                | 10,269                       |
| Increase [decrease] in compensated absences/accrued payroll                                   | 1,266                                         | [128]                  | 1,138                        |
| Total Adjustments                                                                             | 717,123                                       | [9,661]                | 707,462                      |
| Net Cash Provided by [Used in] Operating Activities                                           | \$ 778,561                                    | \$ 19,935              | \$ 798,496                   |

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

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

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, 2007

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 road improvements fund is used for road improvement projects.

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, 2007

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 2008.



CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

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, 2007

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, 2007

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 2007: 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. In supplementary schedules to this report, budget comparisons are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. 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, 2007

## 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<br>Fund          | Consolidated<br>Highway<br>Fund | Special<br>Parks and<br>Recreation<br>Fund | Capital<br>Improvements<br>Reserve<br>Fund | Municipal<br>Equipment<br>Reserve<br>Fund |
| GAAP FUND BALANCE                                                 |                          |                                 |                                            |                                            |                                           |
| December 31, 2007                                                 | \$ 1,306,363             | \$ 1,832,503                    | \$ 122,658                                 | \$ 713,661                                 | \$ 182,125                                |
| Unreserved fund balances not subject<br>to the Kansas budget law: |                          |                                 |                                            |                                            |                                           |
| Cedar Lakes Maintenance Fund                                      | -                        | -                               | -                                          | -                                          | -                                         |
| Adjustments:                                                      |                          |                                 |                                            |                                            |                                           |
| Municipal court receivable                                        | [55,031]                 | -                               | -                                          | -                                          | -                                         |
| Other receivable                                                  | [11,133]                 | -                               | -                                          | -                                          | -                                         |
| Total deductions                                                  | [66,164]                 | -                               | -                                          | -                                          | -                                         |
| BUDGETARY FUND BALANCE                                            |                          |                                 |                                            |                                            |                                           |
| December 31, 2007                                                 | \$ 1,240,199             | \$ 1,832,503                    | \$ 122,658                                 | \$ 713,661                                 | \$ 182,125                                |

|                                                                   | Major Governmental Funds     |                                       |                               |                                |
|-------------------------------------------------------------------|------------------------------|---------------------------------------|-------------------------------|--------------------------------|
|                                                                   | Bond and<br>Interest<br>Fund | Cedar<br>Lakes<br>Maintenance<br>Fund | Road<br>Improvements<br>Funds | Total<br>Governmental<br>Funds |
| GAAP FUND BALANCE                                                 |                              |                                       |                               |                                |
| December 31, 2007                                                 | \$ 576,188                   | \$ 63,522                             | \$ -                          | \$ 4,797,020                   |
| Unreserved fund balances not subject<br>to the Kansas budget law: |                              |                                       |                               |                                |
| Cedar Lakes Maintenance Fund                                      | -                            | [63,522]                              | -                             | [63,522]                       |
| Adjustments:                                                      |                              |                                       |                               |                                |
| Municipal court receivable                                        | -                            | -                                     | -                             | [55,031]                       |
| Other receivable                                                  | -                            | -                                     | -                             | [11,133]                       |
| Total deductions                                                  | -                            | [63,522]                              | -                             | [129,686]                      |
| BUDGETARY FUND BALANCE                                            |                              |                                       |                               |                                |
| December 31, 2007                                                 | \$ 576,188                   | \$ -                                  | \$ -                          | \$ 4,667,334                   |

CITY OF BASEHOR, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

|                            | Major Business-Type Funds |                                   |                                 |
|----------------------------|---------------------------|-----------------------------------|---------------------------------|
|                            | Sewer<br>Utility<br>Fund  | Solid<br>Waste<br>Utility<br>Fund | Total<br>Business-Type<br>Funds |
| NET ASSETS                 |                           |                                   |                                 |
| December 31, 2007          | \$ 8,417,766              | \$ 76,656                         | \$ 8,494,422                    |
| Adjustments:               |                           |                                   |                                 |
| Capital assets, net        | [15,525,179]              | -                                 | [15,525,179]                    |
| Receivables                | [52,064]                  | [12,698]                          | [64,762]                        |
| Accrued interest           | 84,136                    | -                                 | 84,136                          |
| Accrued compensation       | 3,556                     | 240                               | 3,796                           |
| General obligation payable | 1,157,000                 | -                                 | 1,157,000                       |
| KDHE loan payable          | 6,228,357                 | -                                 | 6,228,357                       |
| Total deductions           | [8,104,194]               | [12,458]                          | [8,116,652]                     |
| BUDGETARY NET ASSETS       |                           |                                   |                                 |
| December 31, 2007          | \$ 313,572                | \$ 64,198                         | \$ 377,770                      |

B. Compliance with Kansas Statutes

Actual exceeded budgeted expenditures in the Municipal Equipment Reserve and the Sewer Utility Fund, which violates KSA 79-2935.

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 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 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, 2007

III. DETAILED NOTES ON ALL FUNDS

A. *Deposits and Investments (Continued)*

At December 31, 2007, the City has the following investments:

| <u>Investment Type</u>           | <u>Fair Value</u> | <u>Rating</u> | Maturity                    |                        |                         |
|----------------------------------|-------------------|---------------|-----------------------------|------------------------|-------------------------|
|                                  |                   |               | Less Than<br><u>5 Years</u> | 5 - 10<br><u>Years</u> | 10 - 15<br><u>Years</u> |
| Kansas Municipal Investment Pool | <u>\$ 84,754</u>  | S&P AAAf/S1+  | \$ 84,754                   | \$ -                   | \$ -                    |

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<br/>Interest</u> | <u>Sewer<br/>Utility</u> | <u>Solid Waste<br/>Utility</u> | <u>Total</u>        |
|-----------------|---------------------|------------------------------|--------------------------|--------------------------------|---------------------|
| Receivables:    |                     |                              |                          |                                |                     |
| Accounts        | \$ -                | \$ -                         | \$ 52,064                | \$ 12,698                      | \$ 64,762           |
| Taxes           | 1,042,572           | 131,941                      | -                        | -                              | 1,174,513           |
| Municipal court | 55,031              | -                            | -                        | -                              | 55,031              |
| Other           | 11,133              | -                            | -                        | -                              | 11,133              |
| Total           | <u>\$ 1,108,736</u> | <u>\$ 131,941</u>            | <u>\$ 52,064</u>         | <u>\$ 12,698</u>               | <u>\$ 1,305,439</u> |

CITY OF BASEHOR, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

III. DETAILED NOTES ON ALL FUNDS

C. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

|                                                  | Balance<br>12/31/06 | Additions    | Retirements | Balance<br>12/31/07 |
|--------------------------------------------------|---------------------|--------------|-------------|---------------------|
| City governmental activities:                    |                     |              |             |                     |
| Capital assets, not being depreciated            |                     |              |             |                     |
| Land                                             | \$ 59,791           | \$ -         | \$ -        | \$ 59,791           |
| Construction in progress                         | -                   | 3,098        | -           | 3,098               |
| Capital assets, being depreciated                |                     |              |             |                     |
| Buildings, improvements, vehicles, and equipment | 12,101,130          | 670,092      | 73,535      | 12,697,687          |
| Total capital assets                             | 12,160,921          | 673,190      | 73,535      | 12,760,576          |
| Less accumulated depreciation for:               |                     |              |             |                     |
| Buildings, improvements, vehicles, and equipment | 4,539,116           | 634,934      | 73,235      | 5,100,815           |
| Total accumulated depreciation                   | 4,539,116           | 634,934      | 73,235      | 5,100,815           |
| Governmental activities capital assets, net      | \$ 7,621,805        | \$ 38,256    | \$ 300      | \$ 7,659,761        |
| Business-type activities:                        |                     |              |             |                     |
| Capital assets, not being depreciated            |                     |              |             |                     |
| Construction in progress                         | \$ -                | \$ 19,026    | \$ -        | \$ 19,026           |
| Capital assets, being depreciated                |                     |              |             |                     |
| Buildings, improvements, vehicles, and equipment | 22,248,587          | 47,000       | -           | 22,295,587          |
| Total capital assets                             | 22,248,587          | 66,026       | -           | 22,314,613          |
| Less accumulated depreciation for:               |                     |              |             |                     |
| Buildings, improvements, vehicles, and equipment | 6,089,010           | 700,424      | -           | 6,789,434           |
| Total accumulated depreciation                   | 6,089,010           | 700,424      | -           | 6,789,434           |
| Business-type activities capital assets, net     | \$ 16,159,577       | \$ [634,398] | \$ -        | \$ 15,525,179       |

CITY OF BASEHOR, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital Assets (Continued)

The City's depreciation expense was charged as follows:

|                            |                   |
|----------------------------|-------------------|
| Governmental Activities:   |                   |
| General government         | \$ 605,860        |
| Public safety              | 20,845            |
| Public works               | 3,890             |
| Culture and recreation     | <u>4,339</u>      |
| Total depreciation expense | <u>\$ 634,934</u> |
| Business-type Activities:  |                   |
| Sewer utility              | \$ 700,424        |
| Total depreciation expense | <u>\$ 700,424</u> |

D. Long-term Debt

During the year ended December 31, 2007, the following changes occurred in long term liabilities:

Governmental Activities

|                          | Balance<br>January 1, 2007 | Additions | Restatement/<br>Reductions | Balance<br>December 31, 2007 | Due Within<br>One Year |
|--------------------------|----------------------------|-----------|----------------------------|------------------------------|------------------------|
| General obligation bonds | \$ 4,687,100               | \$ -      | \$ 219,100                 | \$ 4,468,000                 | \$ 227,100             |

Business-type Activities

|                          |                     |             |                   |                     |                   |
|--------------------------|---------------------|-------------|-------------------|---------------------|-------------------|
| General obligation bonds | \$ 1,397,900        | \$ -        | \$ 240,900        | \$ 1,157,000        | \$ 67,900         |
| KDHE Revolving Loan      | 6,518,450           | -           | 290,093           | 6,228,357           | 297,805           |
|                          | <u>\$ 7,916,350</u> | <u>\$ -</u> | <u>\$ 530,993</u> | <u>\$ 7,385,357</u> | <u>\$ 365,705</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<br>Issuance | Date of<br>Final<br>Maturity | Interest Rate | Original<br>Amount  | Outstanding<br>Amount |
|--------------------------------|---------------------|------------------------------|---------------|---------------------|-----------------------|
| <u>Governmental Activities</u> |                     |                              |               |                     |                       |
| Improvements, Series 1993      | 11/01/93            | 11/01/17                     | 5.25%         | \$ 100,000          | \$ 5,000              |
| Improvements, Series 2004      | 01/15/04            | 09/01/19                     | 3.25-4.35%    | 3,415,000           | 2,960,000             |
| Improvements, Series 2005      | 08/15/05            | 09/01/25                     | 3.65-5.25%    | <u>2,840,000</u>    | <u>2,660,000</u>      |
|                                |                     |                              |               | <u>\$ 6,355,000</u> | <u>\$ 5,625,000</u>   |



CITY OF BASEHOR, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

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

| Year Ending<br>December 31, | Principal           | Interest            | Total               |
|-----------------------------|---------------------|---------------------|---------------------|
| 2008                        | \$ 295,000          | \$ 228,084          | \$ 523,084          |
| 2009                        | 320,000             | 214,971             | 534,971             |
| 2010                        | 330,000             | 201,121             | 531,121             |
| 2011                        | 350,000             | 186,821             | 536,821             |
| 2012                        | 360,000             | 173,346             | 533,346             |
| 2013-2017                   | 1,990,000           | 647,925             | 2,637,925           |
| 2018-2022                   | 1,395,000           | 259,828             | 1,654,828           |
| 2023-2026                   | <u>585,000</u>      | <u>48,790</u>       | <u>633,790</u>      |
| Total                       | <u>\$ 5,625,000</u> | <u>\$ 1,960,887</u> | <u>\$ 7,585,887</u> |

*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 \$6,228,357 at December 31, 2007. The City will retire this loan with semi-annual payments through March 2020. Interest paid on this KDHE loan in 2007 was \$199,961. Annual debt service requirements to maturity for the KDHE loan is as follows:

| Year Ending<br>December 31,  | State Agency<br>Loans |
|------------------------------|-----------------------|
| 2008                         | \$ 488,000            |
| 2009                         | 488,000               |
| 2010                         | 527,000               |
| 2011                         | 565,999               |
| 2012                         | 566,000               |
| 2013 - 2017                  | 3,362,825             |
| 2018 - 2021                  | <u>1,660,185</u>      |
| Total principal and interest | 7,658,009             |
| Less: interest               | <u>1,429,652</u>      |
| Total principal              | <u>\$ 6,228,357</u>   |
| Current portion              | \$ 297,805            |
| Long-term portion            | <u>5,930,552</u>      |
|                              | <u>\$ 6,228,357</u>   |

CITY OF BASEHOR, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

III. 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.

The City is negotiating with the State of Kansas to borrow \$2.9 million under a revolving loan for the wastewater treatment plant expansion.

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.

*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 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 \$488,743. Total gross payroll was \$967,043. The contribution for the year ending December 31, 2007 was \$8,947 from employees and \$61,821 from employer representing 14.48% of covered payroll, respectively.

CITY OF BASEHOR, KANSAS

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

IV. OTHER INFORMATION (Continued)

C. *Retirement Plans (Continued)*

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 2007 is 13.32%. 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, 2007, 2006 and 2005 were \$52,487, \$36,274 and \$25,770, respectively equal to the required contribution for each year.

D. *Interfund Transfers*

A reconciliation of all operating transfers by fund type for 2007 follows:

|                              | <u>In</u>         | <u>Out</u>        |
|------------------------------|-------------------|-------------------|
| Major Funds:                 |                   |                   |
| General                      | \$ 15,000         | \$ 750,000        |
| Sewer Utility                | 100,000           | -                 |
| Solid Waste Utility          | -                 | 15,000            |
| Consolidated Highway         | 245,000           | -                 |
| Municipal Equipment Reserve  | 160,000           | -                 |
| Capital Improvements Reserve | 245,000           | -                 |
|                              | <u>\$ 765,000</u> | <u>\$ 765,000</u> |

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

E. *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 147<sup>th</sup> Street). Of the \$1,836,511 of unencumbered cash in the Consolidated Highway Fund as of December 31, 2007, \$50,314 was subject to this restriction.

CITY OF BASEHOR, KANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2007

IV. OTHER INFORMATION (Continued)

*F. 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.

*G. Restatement*

The beginning equity as of December 31, 2006 was restated for the consolidation of two funds as well as the recording of allowance for doubtful accounts. The effects of which were as follows:

|                                               | <u>General</u>      | <u>Consolidated<br/>Highway</u> | <u>Road<br/>Improvements</u> | <u>Sewer<br/>Utility</u> | <u>Solid Waste<br/>Utility</u> |
|-----------------------------------------------|---------------------|---------------------------------|------------------------------|--------------------------|--------------------------------|
| Net assets/fund balance,<br>December 31, 2006 | \$ 1,287,504        | \$ 507,753                      | \$ 1,211,732                 | \$ 8,449,914             | \$ 63,819                      |
| Prior period adjustments                      | <u>[59,995]</u>     | <u>1,211,732</u>                | <u>[1,211,732]</u>           | <u>146,801</u>           | <u>[4,550]</u>                 |
| Net assets/fund balance,<br>December 31, 2006 | <u>\$ 1,227,509</u> | <u>\$ 1,719,485</u>             | <u>\$ -</u>                  | <u>\$ 8,596,715</u>      | <u>\$ 59,269</u>               |

## 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, 2007

|                                                                                                    | GAAP<br>Basis     | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts    |                     | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|----------------------------------------------------------------------------------------------------|-------------------|--------------------------------------|--------------------|---------------------|---------------------|---------------------------------------------------------|
|                                                                                                    |                   |                                      |                    | Original            | Final               |                                                         |
| Revenues:                                                                                          |                   |                                      |                    |                     |                     |                                                         |
| Taxes                                                                                              | \$ 116            | \$ -                                 | \$ 116             | \$ 3,668            | \$ 3,668            | \$ [3,552]                                              |
| Special assessments                                                                                | 496,275           | -                                    | 496,275            | 334,272             | 334,272             | 162,003                                                 |
| Use of money and property                                                                          | 6,798             | -                                    | 6,798              | 3,620               | 3,620               | 3,178                                                   |
| Total Revenues                                                                                     | <u>503,189</u>    | <u>-</u>                             | <u>503,189</u>     | <u>341,560</u>      | <u>341,560</u>      | <u>161,629</u>                                          |
| Expenditures:                                                                                      |                   |                                      |                    |                     |                     |                                                         |
| Debt service:                                                                                      |                   |                                      |                    |                     |                     |                                                         |
| Principal                                                                                          | 219,100           | -                                    | 219,100            | 578,945             | 578,945             | 359,845                                                 |
| Interest                                                                                           | 193,719           | -                                    | 193,719            | 473,505             | 473,505             | 279,786                                                 |
| Commissions                                                                                        | -                 | -                                    | -                  | 17,000              | 17,000              | 17,000                                                  |
| Total Expenditures                                                                                 | <u>412,819</u>    | <u>-</u>                             | <u>412,819</u>     | <u>1,069,450</u>    | <u>1,069,450</u>    | <u>656,631</u>                                          |
| Excess [Deficiency] of Revenues<br>Over [Under] Expenditures                                       | <u>90,370</u>     | <u>-</u>                             | <u>90,370</u>      | <u>[727,890]</u>    | <u>[727,890]</u>    | <u>818,260</u>                                          |
| Other Financing Sources [Uses]:                                                                    |                   |                                      |                    |                     |                     |                                                         |
| Transfers in                                                                                       | -                 | -                                    | -                  | 469,000             | 469,000             | [469,000]                                               |
| Total Other Financing Sources [Uses]                                                               | <u>-</u>          | <u>-</u>                             | <u>-</u>           | <u>469,000</u>      | <u>469,000</u>      | <u>[469,000]</u>                                        |
| Excess [Deficiency] of Revenues<br>and Other Sources Over [Under]<br>Expenditures and Other [Uses] | <u>90,370</u>     | <u>-</u>                             | <u>90,370</u>      | <u>\$ [258,890]</u> | <u>\$ [258,890]</u> | <u>\$ 349,260</u>                                       |
| Fund Balances, January 1                                                                           | <u>485,818</u>    | <u>-</u>                             | <u>485,818</u>     |                     |                     |                                                         |
| Fund Balances, December 31                                                                         | <u>\$ 576,188</u> | <u>\$ -</u>                          | <u>\$ 576,188</u>  |                     |                     |                                                         |

See independent auditor's report on the financial statements

## 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, 2007

|                                      | GAAP<br>Basis       | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts |                  | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|--------------------------------------|---------------------|--------------------------------------|--------------------|------------------|------------------|---------------------------------------------------------|
|                                      |                     |                                      |                    | Original         | Final            |                                                         |
| Revenues                             |                     |                                      |                    |                  |                  |                                                         |
| Charges for services                 | \$ 949,696          | \$ [3,392]                           | \$ 946,304         | \$ 722,435       | \$ 722,435       | \$ 223,869                                              |
| Special assessments                  | 82,714              | -                                    | 82,714             | 317,513          | 317,513          | [234,799]                                               |
| Use of money and property            | 23,250              | -                                    | 23,250             | 8,598            | 8,598            | 14,652                                                  |
| Other revenues                       | 926                 | -                                    | 926                | -                | -                | 926                                                     |
| Total revenues                       | <u>1,056,586</u>    | <u>[3,392]</u>                       | <u>1,053,194</u>   | <u>1,048,546</u> | <u>1,048,546</u> | <u>4,648</u>                                            |
| Expenditures                         |                     |                                      |                    |                  |                  |                                                         |
| Personnel                            | 127,086             | [1,188]                              | 125,898            | 150,577          | 150,577          | 24,679                                                  |
| Contractual                          | 110,012             | 41,350                               | 151,362            | 364,264          | 364,264          | 212,902                                                 |
| Commodities                          | 18,516              | -                                    | 18,516             | 33,624           | 33,624           | 15,108                                                  |
| Capital outlay                       | 15,860              | 19,026                               | 34,886             | 107,072          | 107,072          | 72,186                                                  |
| Depreciation                         | 700,424             | [700,424]                            | -                  | -                | -                | -                                                       |
| Total expenditures                   | <u>971,898</u>      | <u>[641,236]</u>                     | <u>330,662</u>     | <u>655,537</u>   | <u>655,537</u>   | <u>324,875</u>                                          |
| Operating Income [loss]              | <u>84,688</u>       | <u>637,844</u>                       | <u>722,532</u>     | <u>393,009</u>   | <u>393,009</u>   | <u>329,523</u>                                          |
| Other Financing Sources [Uses]:      |                     |                                      |                    |                  |                  |                                                         |
| Debt principal                       | -                   | [365,993]                            | [365,993]          | -                | -                | [365,993]                                               |
| Debt interest and fees               | [363,637]           | 10,834                               | [352,803]          | -                | -                | [352,803]                                               |
| Transfers in                         | 100,000             | -                                    | 100,000            | 100,000          | 100,000          | -                                                       |
| Transfers [out]                      | -                   | -                                    | -                  | [488,000]        | [488,000]        | 488,000                                                 |
| Total Other Financing Sources [Uses] | <u>[263,637]</u>    | <u>[355,159]</u>                     | <u>[618,796]</u>   | <u>[388,000]</u> | <u>[388,000]</u> | <u>[230,796]</u>                                        |
| Change in net assets                 | <u>[178,949]</u>    | <u>282,685</u>                       | <u>103,736</u>     | <u>\$ 5,009</u>  | <u>\$ 5,009</u>  | <u>\$ 98,727</u>                                        |
| Net assets, January 1                | 8,449,914           | [8,234,229]                          | 215,685            |                  |                  |                                                         |
| Prior period adjustment              | <u>146,801</u>      | <u>[152,650]</u>                     | <u>[5,849]</u>     |                  |                  |                                                         |
| Net assets, January 1, restated      | <u>8,596,715</u>    | <u>[8,386,879]</u>                   | <u>209,836</u>     |                  |                  |                                                         |
| Net assets, December 31              | <u>\$ 8,417,766</u> | <u>\$ [8,104,194]</u>                | <u>\$ 313,572</u>  |                  |                  |                                                         |

See independent auditor's report on the financial statements

## 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, 2007

|                                      | GAAP<br>Basis    | Adjustments<br>to Budgetary<br>Basis | Budgetary<br>Basis | Budgeted Amounts   |                    | Variance with<br>Final Budget<br>Positive<br>[Negative] |
|--------------------------------------|------------------|--------------------------------------|--------------------|--------------------|--------------------|---------------------------------------------------------|
|                                      |                  |                                      |                    | Original           | Final              |                                                         |
| <b>Revenues</b>                      |                  |                                      |                    |                    |                    |                                                         |
| Charges for services                 | \$ 147,749       | \$ [2,044]                           | \$ 145,705         | \$ 125,301         | \$ 125,301         | \$ 20,404                                               |
| Use of money and property            | 2,791            | -                                    | 2,791              | 400                | 400                | 2,391                                                   |
| Total revenues                       | <u>150,540</u>   | <u>[2,044]</u>                       | <u>148,496</u>     | <u>125,701</u>     | <u>125,701</u>     | <u>22,795</u>                                           |
| <b>Expenditures</b>                  |                  |                                      |                    |                    |                    |                                                         |
| Personnel                            | 13,510           | 79                                   | 13,589             | 18,739             | 18,739             | 5,150                                                   |
| Contractual                          | 101,445          | [1,267]                              | 100,178            | 113,160            | 113,160            | 12,982                                                  |
| Commodities                          | 3,198            | -                                    | 3,198              | 3,952              | 3,952              | 754                                                     |
| Total expenditures                   | <u>118,153</u>   | <u>[1,188]</u>                       | <u>116,965</u>     | <u>135,851</u>     | <u>135,851</u>     | <u>18,886</u>                                           |
| Operating income [loss]              | <u>32,387</u>    | <u>[856]</u>                         | <u>31,531</u>      | <u>[10,150]</u>    | <u>[10,150]</u>    | <u>41,681</u>                                           |
| Other Financing Sources [Uses]:      |                  |                                      |                    |                    |                    |                                                         |
| Transfer [out]                       | <u>[15,000]</u>  | <u>-</u>                             | <u>[15,000]</u>    | <u>[15,000]</u>    | <u>[15,000]</u>    | <u>-</u>                                                |
| Total Other Financing Sources [Uses] | <u>[15,000]</u>  | <u>-</u>                             | <u>[15,000]</u>    | <u>[15,000]</u>    | <u>[15,000]</u>    | <u>-</u>                                                |
| Change in net assets                 | <u>17,387</u>    | <u>[856]</u>                         | <u>16,531</u>      | <u>\$ [25,150]</u> | <u>\$ [25,150]</u> | <u>\$ 41,681</u>                                        |
| Net assets, January 1                | 63,819           | [16,152]                             | 47,667             |                    |                    |                                                         |
| Prior period adjustment              | <u>[4,550]</u>   | <u>4,550</u>                         | <u>-</u>           |                    |                    |                                                         |
| Net assets, January 1, restated      | <u>59,269</u>    | <u>[11,602]</u>                      | <u>47,667</u>      |                    |                    |                                                         |
| Net assets, December 31              | <u>\$ 76,656</u> | <u>\$ [12,458]</u>                   | <u>\$ 64,198</u>   |                    |                    |                                                         |

See independent auditor's report on the financial statements