

CITY OF BASEHOR, KANSAS

FINANCIAL STATEMENTS

Year ended December 31, 2001

City of Basehor, Kansas
 Financial Statements
 Year ended December 31, 2001

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INDEPENDENT AUDITOR'S REPORT
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS

Mayor and City Council
City of Basehor, Kansas

We have audited the accompanying general purpose financial statements of the City of Basehor, Kansas (the City), as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Basehor, Kansas, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City of Basehor, Kansas. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Lowenthal, Singleton, Webb & Wilson

Professional Association

February 1, 2002

| Account Groups | | Total Reporting Entity (Memorandum Only) December 31, | |
|-------------------------|------------------------------|---|---------------------|
| General Fixed Assets | General Long-Term Debt | 2001 | 2000 |
| \$ - | \$ - | \$ 2,548,735 | \$ 346,218 |
| - | - | 1,589,000 | 870,833 |
| - | - | 395,478 | 214,250 |
| - | - | - | 287,000 |
| 671,637 | - | 7,353,020 | 4,310,869 |
| - | 58,980 | 58,980 | 38,247 |
| - | 3,546,020 | 3,546,020 | 236,753 |
| <u>\$ 671,637</u> | <u>\$ 3,605,000</u> | <u>\$ 15,491,233</u> | <u>\$ 6,304,170</u> |
| \$ - | \$ - | \$ 67,431 | \$ 26,954 |
| - | - | 386,015 | 199,516 |
| - | - | - | 205,063 |
| - | - | 658,554 | - |
| - | - | 5,726,616 | 2,890,072 |
| - | 15,000 | 15,000 | 15,000 |
| - | 3,345,000 | 3,345,000 | - |
| - | 245,000 | 245,000 | 260,000 |
| - | 3,605,000 | 10,443,616 | 3,596,605 |
| 671,637 | - | 671,637 | 655,626 |
| - | - | 312,856 | 312,856 |
| - | - | 952,047 | 1,076,976 |
| - | - | 58,980 | 38,247 |
| - | - | 3,052,097 | 623,860 |
| <u>671,637</u> | <u>-</u> | <u>5,047,617</u> | <u>2,707,565</u> |
| <u>\$ 671,637</u> | <u>\$ 3,605,000</u> | <u>\$ 15,491,233</u> | <u>\$ 6,304,170</u> |

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

City of Basehor, Kansas
 COMBINED STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES
 Year Ended December 31, 2001
 (With Comparative Totals for the Year Ended December 31, 2000)

| | Governmental Fund Types | | | | Total Reporting Entity (Memorandum Only) | |
|--|-------------------------|--------------------|------------------|---------------------|---|-------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Year Ended December 31, 2001 | 2000 |
| Revenues | | | | | | |
| Taxes | \$ 230,776 | \$ 4,967 | \$ 25,217 | \$ - | \$ 260,960 | \$ 231,952 |
| Intergovernmental | 229,733 | 77,692 | - | 2,405 | 309,830 | 279,091 |
| Licenses and permits | 72,505 | - | - | - | 72,505 | 108,296 |
| Use of money and property | 27,666 | 18,078 | 3,802 | 24,863 | 74,409 | 38,478 |
| Fines and fees | 166,044 | 7,070 | - | - | 173,114 | 52,250 |
| Reimbursed expenses | 13,733 | - | - | - | 13,733 | 10,358 |
| Grants | - | - | - | - | - | 3,990 |
| Contributions | - | - | - | - | - | 3,500 |
| Special assessments | 670 | - | 16,885 | - | 17,555 | 11,500 |
| Total revenues | <u>741,127</u> | <u>107,807</u> | <u>45,904</u> | <u>27,268</u> | <u>922,106</u> | <u>739,415</u> |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 371,234 | - | - | 203,969 | 575,203 | 243,414 |
| Public safety | 228,208 | 6,676 | - | - | 234,884 | 200,275 |
| Highways and streets | 79,953 | 43,015 | - | - | 122,968 | 117,276 |
| Culture and recreation | 4,981 | - | - | - | 4,981 | 11,709 |
| Capital outlay | 46,962 | - | - | 806,487 | 853,449 | 194,549 |
| Debt service | - | - | 29,259 | - | 29,259 | 30,154 |
| Total expenditures | <u>731,338</u> | <u>49,691</u> | <u>29,259</u> | <u>1,010,456</u> | <u>1,820,744</u> | <u>797,377</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>9,789</u> | <u>58,116</u> | <u>16,645</u> | <u>[983,188]</u> | <u>[898,638]</u> | <u>[57,962]</u> |
| Other financing sources [uses]: | | | | | | |
| Operating transfers in | 12,000 | 19,950 | 4,088 | - | 36,038 | 112,041 |
| Operating transfers out | [19,950] | - | - | [4,088] | [24,038] | [112,041] |
| Debt proceeds | - | - | - | 3,335,608 | 3,335,608 | [112,040] |
| Total other financing sources [uses] | <u>[7,950]</u> | <u>19,950</u> | <u>4,088</u> | <u>3,331,520</u> | <u>3,347,608</u> | <u>[112,040]</u> |
| Revenues and other sources over [under] expenditures and other sources [uses] | 1,839 | 78,066 | 20,733 | 2,348,332 | 2,448,970 | [57,962] |
| Fund balances, January 1 | <u>310,310</u> | <u>313,550</u> | <u>38,247</u> | <u>-</u> | <u>662,107</u> | <u>720,069</u> |
| Fund balances, December 31 | <u>\$ 312,149</u> | <u>\$ 391,616</u> | <u>\$ 58,980</u> | <u>\$ 2,348,332</u> | <u>\$ 3,111,077</u> | <u>\$ 662,107</u> |

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

| Special Revenue Funds | | | | Debt Service Fund | | | |
|-------------------------|-------------------|-------------------|------------------------------------|-------------------------|------------------|------------------|------------------------------------|
| Prior Year Actual | Current Year | | Variance Positive [Negative] | Prior Year Actual | Current Year | | Variance Positive [Negative] |
| | Actual | Budget | | | Actual | Budget | |
| \$ 7,496 | \$ 4,967 | \$ 83,760 | \$ [78,793] | \$ 4,616 | \$ 25,217 | \$ 24,937 | \$ 280 |
| 69,713 | 77,692 | - | 77,692 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 22,410 | 18,078 | - | 18,078 | - | 3,802 | - | 3,802 |
| 950 | 7,070 | 3,000 | 4,070 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 3,500 | - | - | - | - | - | - | - |
| - | - | - | - | 11,500 | 16,885 | 16,644 | 241 |
| <u>104,069</u> | <u>107,807</u> | <u>\$ 86,760</u> | <u>\$ 21,047</u> | <u>16,116</u> | <u>45,904</u> | <u>\$ 41,581</u> | <u>\$ 4,323</u> |
| - | - | \$ - | \$ - | - | - | \$ - | \$ - |
| - | 6,676 | - | [6,676] | - | - | - | - |
| 54,912 | 43,015 | 86,381 | 43,366 | - | - | - | - |
| 3,569 | - | - | - | - | - | - | - |
| 194,214 | - | 21,018 | 21,018 | - | - | - | - |
| - | - | - | - | 30,154 | 29,259 | 48,308 | 19,049 |
| <u>252,695</u> | <u>49,691</u> | <u>\$ 107,399</u> | <u>\$ 57,708</u> | <u>30,154</u> | <u>29,259</u> | <u>\$ 48,308</u> | <u>\$ 19,049</u> |
| <u>[148,626]</u> | <u>58,116</u> | | | <u>[14,038]</u> | <u>16,645</u> | | |
| 85,000 | 19,950 | \$ 100,000 | \$ [80,050] | - | 4,088 | \$ - | \$ 4,088 |
| <u>[27,041]</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>57,959</u> | <u>19,950</u> | <u>\$ 100,000</u> | <u>\$ [80,050]</u> | <u>-</u> | <u>4,088</u> | <u>\$ -</u> | <u>\$ 4,088</u> |
| [90,667] | 78,066 | | | [14,038] | 20,733 | | |
| <u>404,217</u> | <u>313,550</u> | | | <u>52,285</u> | <u>38,247</u> | | |
| <u>\$ 313,550</u> | <u>\$ 391,616</u> | | | <u>\$ 38,247</u> | <u>\$ 58,980</u> | | |

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

City of Basehor, Kansas
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS/FUND BALANCES -
 ALL PROPRIETARY FUND TYPES
 Year Ended December 31, 2001
 (With Comparative Totals for the Year Ended December 31, 2000)

| | Totals (Memorandum Only) Year Ended December 31, | |
|---|--|---------------------|
| | 2001 | 2000 |
| Operating revenues | | |
| Charges for services | \$ 390,489 | \$ 289,809 |
| Total operating revenues | <u>390,489</u> | <u>289,809</u> |
| Operating expenses | | |
| Personal services | 72,209 | 40,944 |
| Contractual services | 108,096 | 98,991 |
| Commodities | 21,805 | 16,018 |
| Depreciation | <u>169,712</u> | <u>74,046</u> |
| Total operating expenses | <u>371,822</u> | <u>229,999</u> |
| Operating income | <u>18,667</u> | <u>59,810</u> |
| Nonoperating revenues | | |
| Taxes | - | 8,901 |
| Interest income | 22,652 | 31,225 |
| Interest expense | <u>[154,248]</u> | <u>[31,037]</u> |
| Total nonoperating revenues [expenses] | <u>[131,596]</u> | <u>9,089</u> |
| Income before operating transfers | [112,929] | 68,899 |
| Operating transfers | | |
| Operating transfers out | <u>[12,000]</u> | <u>-</u> |
| Net income [loss] | [124,929] | 68,899 |
| Unreserved retained earnings, January 1 | <u>1,076,976</u> | <u>1,008,077</u> |
| Unreserved retained earnings, December 31 | <u>\$ 952,047</u> | <u>\$ 1,076,976</u> |

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

City of Basehor, Kansas
**COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES**
 Year Ended December 31, 2001
 (With Comparative Totals for the Year Ended December 31, 2000)

| | Totals (Memorandum Only) Year Ended December 31, | |
|--|--|------------------|
| | 2001 | 2000 |
| Cash flows from operating activities | | |
| Cash received from customers | \$ 395,760 | \$ 294,166 |
| Cash paid to suppliers | [144,161] | [115,009] |
| Cash paid to employees | <u>[57,949]</u> | <u>[40,944]</u> |
| Net cash provided by operating activities | <u>193,650</u> | <u>138,213</u> |
| Cash flows from noncapital financing activities | | |
| Operating transfers out | [12,000] | - |
| Cash received from other governments | <u>-</u> | <u>8,901</u> |
| Net cash provided [used] by noncapital financing activities | <u>[12,000]</u> | <u>8,901</u> |
| Cash flows from capital and related financing activities | | |
| Purchase of fixed assets | [2,908,852] | [2,442,560] |
| Proceeds from notes payable | 3,080,534 | 2,362,273 |
| Payments of notes payable-principal | [243,990] | [163,774] |
| Payments of notes payable-interest | [116,010] | [16,226] |
| Payment of construction payable | <u>[205,063]</u> | <u>-</u> |
| Net cash provided [used] by capital and related financing activities | <u>[393,381]</u> | <u>[260,287]</u> |
| Cash flows from investing activities | | |
| Interest received | 22,652 | 31,225 |
| Proceeds from sale of investments | 495,833 | 198,270 |
| Purchase of investments | <u>[200,000]</u> | <u>[495,833]</u> |
| Net cash provided [used] by investing activities | <u>318,485</u> | <u>[266,338]</u> |
| Net increase [decrease] in cash and cash equivalents | 106,754 | [379,511] |
| Cash and cash equivalents, January 1 | <u>53,703</u> | <u>433,214</u> |
| Cash and cash equivalents, December 31 | <u>\$ 160,457</u> | <u>\$ 53,703</u> |

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

City of Basehor, Kansas
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES (Continued)
 Year Ended December 31, 2001
 (With Comparative Totals for the Year Ended December 31, 2000)

| | Totals (Memorandum Only) Year Ended December 31, | |
|---|--|-------------------|
| | <u>2001</u> | <u>2000</u> |
| Reconciliation of operating income [loss] to net cash provided by operating activities | | |
| Operating income | \$ 18,667 | \$ 59,810 |
| Adjustments to reconcile net income from operations to net cash provided by operating activities: | | |
| Depreciation and amortization expense | 169,712 | 74,046 |
| Changes in assets and liabilities | | |
| Accounts receivable decrease | <u>5,271</u> | <u>4,357</u> |
| Net cash provided by operating activities | <u>\$ 193,650</u> | <u>\$ 138,213</u> |

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

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Measurements Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The City has the following fund types and account groups:

Governmental funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the City and are recognized as revenue at that time.

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.

Governmental funds include the following fund types:

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

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *debt service fund* accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *capital projects funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable 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 funds include *enterprise funds* which are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Account Groups. The *general fixed assets account group* is used to account for fixed assets not accounted for in proprietary or trust funds. The *general long-term debt account group* is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C. 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 three months or less from the date of acquisition.

Investments are stated at cost, which approximates market, and consist of certificates of deposit and amounts held at the Kansas Municipal Investment Pool.

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.

Collection of current year property tax by the City 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 2002.

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

2. Receivables and Payables (continued)

It is not practicable to apportion delinquent taxes held by the City Treasurer at the end of the accounting period, and further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The City Appraiser annually determines assessed valuations on January 1 and the City Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. 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 June 20 of the following year.

The City Treasurer is the tax collection agent for all taxing entities within the City. The initial distribution to the subdivisions, including the City, is on or before January 20 of the ensuing year. Additional amounts are distributed on five (5) subsequent dates throughout the calendar year.

3. Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

4. Fixed Assets

Fixed assets used in governmental fund types of the City are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds of the City are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

4. Fixed Assets (continued)

Property, plant and equipment are depreciated in the proprietary and similar trust funds of the City using the straight line method over their estimated useful lives.

5. Compensated Absences

It is the City's policy to pay the employees for earned but unused vacation time at the end of the year or they may carry over their time to the following year. The employees are allowed to accumulate 960 hours of unused sick leave, but will not be paid for this upon termination of employment. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in proprietary funds and reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

6. Long-term Obligations

The City reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. For proprietary fund types, 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. Issuance costs are reported as deferred charges.

7. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

8. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned as "memorandum only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with accounting principles. Interfund eliminations have not been made in the aggregation of this data.

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Assets, Liabilities and Equity (Continued)

9. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 Fund, 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 City Council 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 City Council may amend the budget at that time. The budget was not amended in 2001.

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. Budget comparison statements 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.

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 commission.

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Compliance with Kansas Statutes

Actual expenditures exceeded budgeted expenditures in the Special Law Enforcement fund but this overage is permitted by KSA 79-2958.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year end, the City's carrying amount of deposits and cash on hand was \$4,066,789 and the bank balance was \$4,108,508. The difference between the carrying amount and the bank balance is outstanding checks, deposits in transit and cash on hand. All the bank balance was covered by federal depository insurance or by collateral held by the City's agent in the City's name.

Kansas statutes authorize the City to invest in U.S. Treasury bills and notes, repurchase agreements, the Kansas Municipal Investment Pool (KMIP), and certain other types of federal and Kansas municipal obligations. All investments must be insured, registered, or held by the City or its agent in the City's name. \$70,946 was held at the KMIP at December 31, 2001. The KMIP is regulated by the Pooled Money Investment Board and the fair value of the City's position in the KMIP is the same as the shares value.

A reconciliation of cash and cash equivalents and investments as shown on the Combined Balance Sheet for the city follows:

| | |
|--|---------------------|
| Carrying amount of deposits and cash on hand | \$ 4,066,789 |
| Carrying amount of investments, as defined above | <u>70,946</u> |
| Total | <u>\$ 4,137,735</u> |
| | |
| Cash and cash equivalents | \$ 2,548,735 |
| Investments | <u>1,589,000</u> |
| Total | <u>\$ 4,137,735</u> |

B. Receivables

Receivables as of year end are as follows:

| | General | Debt Service | Enterprise | Totals |
|-------------------|-------------------|-------------------|-----------------|-------------------|
| Receivables: | | | | |
| Taxes | \$ 139,186 | \$ 246,829 | \$ - | \$ 386,015 |
| Accounts | <u>-</u> | <u>-</u> | <u>9,463</u> | <u>9,463</u> |
| Total receivables | <u>\$ 139,186</u> | <u>\$ 246,829</u> | <u>\$ 9,463</u> | <u>\$ 395,478</u> |

City of Basehor, Kansas
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended December 31, 2001

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. Fixed Assets

Activity in the general fixed assets account group for the City for the year ending December 31, 2001, was as follows:

| | January 1, 2001 | Additions | Retirements | December 31, 2001 |
|-------------------------------|--------------------|------------------|-------------|----------------------|
| Property, plant and equipment | \$ 655,626 | \$ 16,011 | \$ - | \$ 671,637 |
| Total general fixed assets | <u>\$ 655,626</u> | <u>\$ 16,011</u> | <u>\$ -</u> | <u>\$ 671,637</u> |

The following is a summary of proprietary fund type fixed assets for the City at December 31, 2001:

| | Enterprise Funds |
|--------------------------------|---------------------|
| Property, plant and equipment | \$ 7,243,380 |
| Less: accumulated depreciation | <u>[561,997]</u> |
| Total net fixed assets | <u>\$ 6,681,383</u> |

D. Long-term Debt

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 general government activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Issued</u> | <u>Interest Rates</u> | <u>Original Amount</u> |
|------------------------------|---------------|-----------------------|----------------------------|
| Street Repairs & Improvement | 1993 | 4.75 - 5.25% | \$ 100,000 |
| Sewer District #12 | 1997 | 4.55 - 6.50% | 256,592 |

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Long-term Debt (Continued)

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

| <u>Year Ending December 31,</u> | <u>General Long-term Debt Account Group</u> |
|-------------------------------------|---|
| 2002 | \$ 28,354 |
| 2003 | 27,456 |
| 2004 | 26,576 |
| 2005 | 25,864 |
| 2006 | 25,137 |
| Thereafter | <u>244,532</u> |
| Total Principal and Interest | 377,919 |
| Less: Interest | <u>117,919</u> |
| Total Principal | <u>\$ 260,000</u> |

Changes in General Long-term Liabilities. During the year ended December 31, 2001, the following changes occurred in general long-term liabilities:

| | <u>January 1, 2001</u> | <u>Additions</u> | <u>Retirements</u> | <u>December 31, 2001</u> |
|-------------------------|----------------------------|------------------|--------------------|------------------------------|
| General obligation debt | \$ 275,000 | \$ - | \$ 15,000 | \$ 260,000 |
| Totals | <u>\$ 275,000</u> | <u>\$ -</u> | <u>\$ 15,000</u> | <u>\$ 260,000</u> |

Notes Payable. The City has entered into a loan agreement with the Kansas Department of Health and Environment to borrow up to \$3,160,000 for sewer facility improvements. The City is repaying this loan over a 20 year period, which began in September of 2000 and will end in March of 2020. The gross interest rate being charged on this loan is 3.07 percent. Of this, .25 percent is a service fee for a net interest rate of 2.82 percent.

Following is a summary of changes in this revolving loan for the year ended December 31, 2001:

| <u>Type of Issue</u> | <u>Beginning Principal Outstanding</u> | <u>Additions to Principal</u> | <u>Reductions of Principal</u> | <u>Ending Principal Outstanding</u> |
|----------------------|--|---------------------------------------|--|---|
| KDHE Revolving Loan | <u>\$ 2,890,072</u> | <u>\$ 3,080,534</u> | <u>\$ 243,990</u> | <u>\$ 5,726,616</u> |

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Long-term Debt (Continued)

Projected payments are as follows on the ending principal outstanding as of December 31, 2001:

| Year ending <u>December 31.</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|------------------------------------|---------------------|---------------------|---------------------|
| 2002 | \$ 153,051 | \$ 206,949 | \$ 360,000 |
| 2003 | 157,785 | 202,215 | 360,000 |
| 2004 | 162,667 | 197,333 | 360,000 |
| 2005 | 207,699 | 152,301 | 360,000 |
| 2006 | 254,738 | 105,262 | 360,000 |
| Thereafter | <u>4,790,676</u> | <u>1,814,645</u> | <u>6,605,321</u> |
| Totals | <u>\$ 5,726,616</u> | <u>\$ 2,678,705</u> | <u>\$ 8,405,321</u> |

Temporary Notes. \$3,345,000 of temporary notes were issued in 2001, due in full on September 1, 2002, to fund construction of infrastructure, pending permanent financing.

IV. OTHER INFORMATION

A. Segment Information - Enterprise Funds

The City maintains two enterprise funds. Selected segment information for the year ended December 31, 2001, is as follows:

| | <u>Sewer</u> | <u>Solid Waste</u> | <u>Totals</u> |
|-----------------------|--------------|--------------------|---------------|
| Operating revenues | \$ 304,070 | \$ 86,419 | \$ 390,489 |
| Depreciation | 169,712 | - | 169,712 |
| Operating income | 12,098 | 6,569 | 18,667 |
| Net income (loss) | [119,498] | [5,431] | [124,929] |
| Fixed asset additions | 2,908,852 | - | 2,908,852 |
| Net working capital | 291,210 | 18,926 | 310,136 |
| Total assets | 7,032,377 | 18,926 | 7,051,303 |
| Notes payable | 5,726,616 | - | 5,726,616 |
| Contributed capital | 312,856 | - | 312,856 |
| Total equity | 1,245,977 | 18,926 | 1,264,903 |

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by these agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of 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.

City of Basehor, Kansas

NOTES TO THE FINANCIAL STATEMENTS
Year ended December 31, 2001

IV. OTHER INFORMATION (Continued)

C. Deferred Compensation

All employees employed by the City are entitled to enroll at the City Council's discretion, in a Deferred Compensation Plan, offered by AETNA Life insurance & Annuity Company or such other insurance company as may offer a plan approved by the Kansas Legislature pursuant to KSA 75-5522 et seq. and KSA 75-5529 et seq. For an employee who is employed at least 520 hours per year, the City shall contribute to the Plan an amount as specified according to the current maximum contribution to old age Social Security benefits. The payroll for employees covered by the Plan was \$363,792. Total gross payroll was \$411,497. The contribution for the year ending December 31, 2001 was \$5,890 from employees and \$36,139 from employer representing 1.62% and 9.9% of covered payroll, respectively.

D. Interfund Transfers

A reconciliation of all operating transfers by fund type for 2001 follows

| | <u>To</u> | <u>From</u> |
|------------------|------------------|------------------|
| General | \$ 12,000 | \$ 19,950 |
| Enterprise | - | 12,000 |
| Debt Service | 4,088 | - |
| Capital Projects | - | 4,088 |
| Special Revenue | <u>19,950</u> | <u>-</u> |
| | <u>\$ 36,038</u> | <u>\$ 36,038</u> |

E. 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 for which the City carries commercial insurance. No significant reductions in insurance coverage from that of the prior year have occurred. Settlements have not exceeded commercial insurance coverage in any of the past three fiscal years.

F. New Governmental Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued the following statements:

Statement No. 34 – “Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments” which establishes a new financial reporting model for state and local governments.

Statement No. 37 – “Basic Financial Statements – And Management’s Discussion and Analysis – For State and Local Governments: Omnibus” which changes the reporting of escheat property to coincide with Statement No. 34, clarifies provisions of Statement No. 34 which are not sufficiently clear, and modifies provisions of Statement No. 34 which have unintended consequences.

Statement No. 38 – “Certain Financial Statement Note Disclosures” which modifies, establishes, and rescinds certain financial statement disclosure requirements.

Statements 34, 37, 38 will become effective for the period beginning January 1, 2004. Management has not yet completed their assessment of these statements, however, they will have a material effect on the overall financial statement presentation for the City.

City of Basehor, Kansas
 GENERAL FUND
 BALANCE SHEET
 December 31, 2001 and 2000

| ASSETS | December 31, | |
|------------------------------------|-----------------------|-----------------------|
| | 2001 | 2000 |
| Cash and cash equivalents | \$ 19,796 | \$ 15,718 |
| Investments | 300,000 | 300,000 |
| Receivables | <u>139,186</u> | <u>174,579</u> |
| Total assets | <u>\$ 458,982</u> | <u>\$ 490,297</u> |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Accrued liabilities | \$ 7,647 | \$ 5,408 |
| Deferred revenue | <u>139,186</u> | <u>174,579</u> |
| Total liabilities | <u>146,833</u> | <u>179,987</u> |
| Fund balance | | |
| Unreserved, undesignated | <u>312,149</u> | <u>310,310</u> |
| Total liabilities and fund balance | <u>\$ 458,982</u> | <u>\$ 490,297</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
Year Ended December 31, 2001 and 2000

| | Year Ended December 31, | |
|--|-------------------------|-------------------|
| | <u>2001</u> | <u>2000</u> |
| Revenues | | |
| Taxes | \$ 230,776 | \$ 219,840 |
| Intergovernmental | 229,733 | 209,378 |
| Licenses and permits | 72,505 | 108,296 |
| Use of money and property | 27,666 | 16,068 |
| Fines and fees | 166,044 | 51,300 |
| Reimbursed expenses | 13,733 | 10,358 |
| Miscellaneous | <u>670</u> | <u>3,990</u> |
| Total revenues | <u>741,127</u> | <u>619,230</u> |
| Expenditures | | |
| General government | 371,234 | 243,414 |
| Public safety | 228,208 | 200,275 |
| Highways and streets | 79,953 | 62,364 |
| Culture and recreation | 4,981 | 8,140 |
| Capital outlay | <u>46,962</u> | <u>335</u> |
| Total expenditures | <u>731,338</u> | <u>514,528</u> |
| Excess of revenues over expenditures | <u>9,789</u> | <u>104,702</u> |
| Other financing sources [uses] | | |
| Operating transfers in | 12,000 | 27,041 |
| Operating transfers [out] | <u>[19,950]</u> | <u>[85,000]</u> |
| Total other financing sources and [uses] | <u>[7,950]</u> | <u>[57,959]</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | <u>1,839</u> | <u>46,743</u> |
| Fund balance, January 1 | <u>310,310</u> | <u>263,567</u> |
| Fund balance, December 31 | <u>\$ 312,149</u> | <u>\$ 310,310</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
 GENERAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - ACTUAL AND BUDGET
 Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|---------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Taxes | \$ 219,840 | \$ 230,776 | \$ 213,733 | \$ 17,043 |
| Intergovernmental | 209,378 | 229,733 | 209,180 | 20,553 |
| Licenses and permits | 108,296 | 72,505 | 31,500 | 41,005 |
| Use of money and property | 16,068 | 27,666 | 12,500 | 15,166 |
| Fines and fees | 51,300 | 166,044 | 141,500 | 24,544 |
| Reimbursed expenses | 10,358 | 13,733 | - | 13,733 |
| Miscellaneous | 3,990 | 670 | - | 670 |
| Total revenues | <u>619,230</u> | <u>741,127</u> | <u>\$ 608,413</u> | <u>\$ 132,714</u> |
| Expenditures | | | | |
| General government | 243,414 | 371,234 | \$ 325,920 | \$ [45,314] |
| Public safety | 200,275 | 228,208 | 226,795 | [1,413] |
| Highways and streets | 62,364 | 79,953 | 97,668 | 17,715 |
| Culture and recreation | 8,140 | 4,981 | 12,200 | 7,219 |
| Capital outlay | 335 | 46,962 | - | [46,962] |
| Total expenditures | <u>514,528</u> | <u>731,338</u> | <u>\$ 662,583</u> | <u>\$ [68,755]</u> |
| Excess of revenues over expenditures | <u>104,702</u> | <u>9,789</u> | | |
| Other financing sources [uses] | | | | |
| Operating transfers in | 27,041 | 12,000 | \$ 18,000 | \$ [6,000] |
| Operating transfers out | [85,000] | [19,950] | [120,000] | 100,050 |
| Total other financing sources and [uses] | <u>[57,959]</u> | <u>[7,950]</u> | <u>\$ [102,000]</u> | <u>\$ 94,050</u> |
| Excess of revenues and other financing sources over expenditures and other financing uses | 46,743 | 1,839 | | |
| Fund balance, January 1 | <u>263,567</u> | <u>310,310</u> | | |
| Fund balance, December 31 | <u>\$ 310,310</u> | <u>\$ 312,149</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
December 31, 2001
(With Comparative Totals for December 31, 2000)

| ASSETS | Special Highway | Special Parks and Recreation | Capital Improvements Reserve | Equipment Reserve | Special Law Enforcement | Totals December 31, | |
|-------------------------------------|--------------------|------------------------------------|------------------------------------|----------------------|-------------------------------|------------------------|-------------------|
| | | | | | | 2001 | 2000 |
| Cash and cash equivalents | \$ 16,971 | \$ 33,037 | \$ 42,192 | \$ 40,416 | \$ - | \$ 132,616 | \$ 263,550 |
| Investments | <u>59,000</u> | <u>-</u> | <u>200,000</u> | <u>-</u> | <u>-</u> | <u>259,000</u> | <u>50,000</u> |
| Total assets | <u>\$ 75,971</u> | <u>\$ 33,037</u> | <u>\$ 242,192</u> | <u>\$ 40,416</u> | <u>\$ -</u> | <u>\$ 391,616</u> | <u>\$ 313,550</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accrued liabilities | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund balances | | | | | | | |
| Unreserved, undesignated | <u>75,971</u> | <u>33,037</u> | <u>242,192</u> | <u>40,416</u> | <u>-</u> | <u>391,616</u> | <u>313,550</u> |
| Total liabilities and fund balances | <u>\$ 75,971</u> | <u>\$ 33,037</u> | <u>\$ 242,192</u> | <u>\$ 40,416</u> | <u>\$ -</u> | <u>\$ 391,616</u> | <u>\$ 313,550</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
Year Ended December 31, 2001
(With Comparative Totals for the Year Ended December 31, 2000)

| | Special Highway | Special Parks and Recreation | Capital Improvements Reserve | Equipment Reserve | Special Law Enforcement | Totals Year Ended December 31, 2001 2000 | |
|---|--------------------|------------------------------------|------------------------------------|----------------------|-------------------------------|---|-------------------|
| Revenues | | | | | | | |
| Taxes | \$ 4,967 | \$ - | \$ - | \$ - | \$ - | \$ 4,967 | \$ 7,496 |
| Intergovernmental | 66,997 | 4,019 | - | - | 6,676 | 77,692 | 69,713 |
| Use of money and property | - | - | 16,934 | 1,144 | - | 18,078 | 22,410 |
| Fines and fees | - | 7,070 | - | - | - | 7,070 | 950 |
| Contributions | - | - | - | - | - | - | 3,500 |
| Total revenues | <u>71,964</u> | <u>11,089</u> | <u>16,934</u> | <u>1,144</u> | <u>6,676</u> | <u>107,807</u> | <u>104,069</u> |
| Expenditures | | | | | | | |
| Public safety | - | - | - | - | 6,676 | 6,676 | - |
| Highways and streets | 43,015 | - | - | - | - | 43,015 | 54,912 |
| Culture and recreation | - | - | - | - | - | - | 3,569 |
| Capital outlay | - | - | - | - | - | - | 194,214 |
| Total expenditures | <u>43,015</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,676</u> | <u>49,691</u> | <u>252,695</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>28,949</u> | <u>11,089</u> | <u>16,934</u> | <u>1,144</u> | <u>-</u> | <u>58,116</u> | <u>[148,626]</u> |
| Other financing sources [uses] | | | | | | | |
| Operating transfers in | - | - | 4,950 | 15,000 | - | 19,950 | 85,000 |
| Operating transfers out | - | - | - | - | - | - | [27,041] |
| Total other financing sources [uses] | <u>-</u> | <u>-</u> | <u>4,950</u> | <u>15,000</u> | <u>-</u> | <u>19,950</u> | <u>57,959</u> |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses] | <u>28,949</u> | <u>11,089</u> | <u>21,884</u> | <u>16,144</u> | <u>-</u> | <u>78,066</u> | <u>[90,667]</u> |
| Fund balances, January 1 | <u>47,022</u> | <u>21,948</u> | <u>220,308</u> | <u>24,272</u> | <u>-</u> | <u>313,550</u> | <u>404,217</u> |
| Fund balances, December 31 | <u>\$ 75,971</u> | <u>\$ 33,037</u> | <u>\$ 242,192</u> | <u>\$ 40,416</u> | <u>\$ -</u> | <u>\$ 391,616</u> | <u>\$ 313,550</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
SPECIAL HIGHWAY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET
Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | <u>Current Year</u> | | Variance Positive [Negative] |
|--------------------------------------|--------------------------------|---------------------|------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Taxes | \$ 4,290 | \$ 4,967 | \$ 5,650 | \$ [683] |
| Intergovernmental | <u>69,713</u> | <u>66,997</u> | <u>76,610</u> | <u>[9,613]</u> |
| Total revenues | <u>74,003</u> | <u>71,964</u> | <u>\$ 82,260</u> | <u>\$ [10,296]</u> |
| Expenditures | | | | |
| Personal services | 4,457 | - | \$ - | \$ - |
| Contractual services | 5,587 | 43,015 | 86,381 | 43,366 |
| Commodities | 3,254 | - | - | - |
| Capital outlay | <u>41,614</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>54,912</u> | <u>43,015</u> | <u>\$ 86,381</u> | <u>\$ 43,366</u> |
| Excess of revenues over expenditures | 19,091 | 28,949 | | |
| Fund balance, January 1 | <u>27,931</u> | <u>47,022</u> | | |
| Fund balance, December 31 | <u>\$ 47,022</u> | <u>\$ 75,971</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
SPECIAL PARKS AND RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET
Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|----------------------|----------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Taxes | \$ 3,206 | \$ 4,019 | \$ 1,500 | \$ 2,519 |
| Fines and fees | 950 | 7,070 | 3,000 | 4,070 |
| Contributions | <u>3,500</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total revenues | <u>7,656</u> | <u>11,089</u> | <u>\$ 4,500</u> | <u>\$ 6,589</u> |
| Expenditures | | | | |
| Contractual services | 69 | - | \$ - | \$ - |
| Commodities | 3,500 | - | - | - |
| Capital outlay | <u>-</u> | <u>-</u> | <u>21,018</u> | <u>21,018</u> |
| Total expenditures | <u>3,569</u> | <u>-</u> | <u>\$ 21,018</u> | <u>\$ 21,018</u> |
| Excess of revenues over expenditures | 4,087 | 11,089 | | |
| Fund balance, January 1 | <u>17,861</u> | <u>21,948</u> | | |
| Fund balance, December 31 | <u>\$ 21,948</u> | <u>\$ 33,037</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
CAPITAL IMPROVEMENTS RESERVE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET
Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|-------------------|-------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Use of money and property | \$ 17,764 | \$ 16,934 | \$ - | \$ 16,934 |
| Total revenues | <u>17,764</u> | <u>16,934</u> | <u>\$ -</u> | <u>\$ 16,934</u> |
| Expenditures | | | | |
| Capital outlay | <u>110,141</u> | - | \$ - | \$ - |
| Total expenditures | <u>110,141</u> | - | <u>\$ -</u> | <u>\$ -</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>[92,377]</u> | <u>16,934</u> | | |
| Other financing sources | | | | |
| Operating transfers in | <u>50,000</u> | <u>4,950</u> | <u>\$ 100,000</u> | <u>\$ 95,050</u> |
| Total other financing sources | <u>50,000</u> | <u>4,950</u> | <u>\$ 100,000</u> | <u>\$ 95,050</u> |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing uses | <u>[42,377]</u> | <u>21,884</u> | | |
| Fund balance, January 1 | <u>262,685</u> | <u>220,308</u> | | |
| Fund balance, December 31 | <u>\$ 220,308</u> | <u>\$ 242,192</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
EQUIPMENT RESERVE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET
Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|--|--------------------------------|------------------|---------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Use of money and property | \$ 4,646 | \$ 1,144 | \$ - | \$ 1,144 |
| Total revenues | <u>4,646</u> | <u>1,144</u> | <u>\$ -</u> | <u>\$ 1,144</u> |
| Expenditures | | | | |
| Capital outlay | 84,073 | - | \$ - | \$ - |
| Total expenditures | <u>84,073</u> | <u>-</u> | <u>\$ -</u> | <u>\$ -</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>[79,427]</u> | <u>1,144</u> | | |
| Other financing sources | | | | |
| Operating transfers in | 35,000 | 15,000 | \$ - | \$ 15,000 |
| Total other financing sources | <u>35,000</u> | <u>15,000</u> | <u>\$ -</u> | <u>\$ 15,000</u> |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing uses | <u>[44,427]</u> | <u>16,144</u> | | |
| Fund balance, January 1 | <u>68,699</u> | <u>24,272</u> | | |
| Fund balance, December 31 | <u>\$ 24,272</u> | <u>\$ 40,416</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
SPECIAL LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
ACTUAL AND BUDGET
Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | <u>Current Year</u> | | Variance Positive [Negative] |
|--|--------------------------------|---------------------|---------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Grants | \$ - | \$ 6,676 | \$ - | \$ 6,676 |
| Total revenues | <u>-</u> | <u>6,676</u> | <u>\$ -</u> | <u>\$ 6,676</u> |
| Expenditures | | | | |
| Personal services | <u>-</u> | <u>6,676</u> | <u>\$ -</u> | <u>\$ [6,676]</u> |
| Total expenditures | <u>-</u> | <u>6,676</u> | <u>\$ -</u> | <u>\$ [6,676]</u> |
| Excess of revenues over expenditures | <u>-</u> | <u>-</u> | | |
| Other financing sources [uses] | | | | |
| Operating transfers out | <u>[3,799]</u> | <u>-</u> | | |
| Total other financing sources and [uses] | <u>[3,799]</u> | <u>-</u> | | |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing uses | <u>[3,799]</u> | <u>-</u> | | |
| Fund balance, January 1 | <u>3,799</u> | <u>-</u> | | |
| Fund balance, December 31 | <u>\$ -</u> | <u>\$ -</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
DEBT SERVICE FUND
BALANCE SHEET
December 31, 2001 and 2000

| | December 31, | |
|------------------------------------|--------------|-----------|
| | 2001 | 2000 |
| ASSETS | | |
| Cash and cash equivalents | \$ 33,980 | \$ 13,247 |
| Investments | 25,000 | 25,000 |
| Receivables | 246,829 | 24,937 |
| Total assets | \$ 305,809 | \$ 63,184 |
| LIABILITIES AND FUND BALANCE | | |
| Liabilities | | |
| Deferred revenue | \$ 246,829 | \$ 24,937 |
| Total liabilities | 246,829 | 24,937 |
| Fund balance | | |
| Unreserved | | |
| Designated for debt service | 58,980 | 38,247 |
| Total liabilities and fund balance | \$ 305,809 | \$ 63,184 |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Years ended December 31, 2001 and 2000

| | Years ended December 31, | |
|--|--------------------------|------------------|
| | <u>2001</u> | <u>2000</u> |
| Revenues | | |
| Taxes | \$ 25,217 | \$ 4,616 |
| Use of money and property | 3,802 | - |
| Special assessments | <u>16,885</u> | <u>11,500</u> |
| Total revenues | <u>45,904</u> | <u>16,116</u> |
| Expenditures | | |
| Debt service | | |
| Principal | 15,000 | 15,000 |
| Interest and other charges | <u>14,259</u> | <u>15,154</u> |
| Total expenditures | <u>29,259</u> | <u>30,154</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>16,645</u> | <u>[14,038]</u> |
| Other financing sources | | |
| Operating transfers in | <u>4,088</u> | <u>-</u> |
| Total other financing sources | <u>4,088</u> | <u>-</u> |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing uses | 20,733 | [14,038] |
| Fund balance, January 1 | <u>38,247</u> | <u>52,285</u> |
| Fund balance, December 31 | <u>\$ 58,980</u> | <u>\$ 38,247</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
Year Ended December 31, 2001

| | Prior Year <u>Actual</u> | Current Year | | Variance Positive [Negative] |
|---|--------------------------------|------------------|------------------|------------------------------------|
| | | <u>Actual</u> | <u>Budget</u> | |
| Revenues | | | | |
| Taxes | \$ 4,616 | \$ 25,217 | \$ 24,937 | \$ 280 |
| Use of money and property | - | 3,802 | - | - |
| Special assessments | <u>11,500</u> | <u>16,885</u> | <u>16,644</u> | <u>241</u> |
| Total revenues | <u>16,116</u> | <u>45,904</u> | <u>\$ 41,581</u> | <u>\$ 521</u> |
| Expenditures | | | | |
| Principal | 15,000 | 15,000 | \$ 15,000 | \$ - |
| Interest and other charges | 15,154 | 14,259 | 14,256 | [3] |
| Other debt service | <u>-</u> | <u>-</u> | <u>19,052</u> | <u>19,052</u> |
| Total expenditures | <u>30,154</u> | <u>29,259</u> | <u>\$ 48,308</u> | <u>\$ 19,049</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>[14,038]</u> | <u>16,645</u> | | |
| Other financing sources | | | | |
| Operating transfers in | <u>-</u> | <u>4,088</u> | <u>\$ -</u> | <u>\$ 4,088</u> |
| Total other financing sources | <u>-</u> | <u>4,088</u> | <u>\$ -</u> | <u>\$ 4,088</u> |
| Excess [deficiency] of revenues and other financing sources over [under] expenditures and other financing [uses] | <u>[14,038]</u> | <u>20,733</u> | | |
| Fund balance, January 1 | <u>52,285</u> | <u>38,247</u> | | |
| Fund balance, December 31 | <u>\$ 38,247</u> | <u>\$ 58,980</u> | | |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
 CAPITAL PROJECTS FUNDS
 COMBINING BALANCE SHEET
 December 31, 2001

| ASSETS | Road Improvement | Falcon Lake Infrastructure | Totals |
|---------------------------------------|---------------------|-------------------------------|-------------------------|
| Cash and cash equivalents | \$ 2,405 | \$ 2,199,481 | \$ 2,201,886 |
| Investments | <u>-</u> | <u>805,000</u> | <u>805,000</u> |
| Total assets | <u>\$ 2,405</u> | <u>\$ 3,004,481</u> | <u>\$ 3,006,886</u> |
| LIABILITIES AND FUND EQUITY | | | |
| Liabilities | | | |
| Accounts payable | <u>\$ -</u> | <u>\$ 658,554</u> | <u>\$ 658,554</u> |
| Total liabilities | <u>-</u> | <u>658,554</u> | <u>658,554</u> |
| Fund balance | | | |
| Unreserved, undesignated | <u>2,405</u> | <u>2,345,927</u> | <u>2,348,332</u> |
| Total fund balance | <u>2,405</u> | <u>2,345,927</u> | <u>2,348,332</u> |
| Total liabilities and fund equity | <u>\$ 2,405</u> | <u>\$ 3,004,481</u> | <u>\$ 3,006,886</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
 CAPITAL PROJECTS FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 Year Ended December 31, 2001

| | Road Improvement | Falcon Lake Infrastructure | Totals |
|--|---------------------|-------------------------------|---------------------|
| Revenues | | | |
| Use of money and property | \$ 2,405 | \$ 24,863 | \$ 27,268 |
| Total revenues | <u>2,405</u> | <u>24,863</u> | <u>27,268</u> |
| Expenditures | | | |
| Contractual services | - | 203,969 | 203,969 |
| Capital outlay | - | 806,487 | 806,487 |
| Total expenditures | <u>-</u> | <u>1,010,456</u> | <u>1,010,456</u> |
| Excess [deficiency] of revenues over [under] expenditures | <u>2,405</u> | <u>[985,593]</u> | <u>[983,188]</u> |
| Other financing sources [uses] | | | |
| Operating transfers [out] | - | [4,088] | [4,088] |
| Debt proceeds | - | 3,335,608 | 3,335,608 |
| Total other financing sources [uses] | <u>-</u> | <u>3,331,520</u> | <u>3,331,520</u> |
| Excess of revenues and other sources over [under] expenditures and other uses | 2,405 | 2,345,927 | 2,348,332 |
| Fund Balances, January 1 | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances, December 31 | <u>\$ 2,405</u> | <u>\$ 2,345,927</u> | <u>\$ 2,348,332</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
 ENTERPRISE FUNDS
 COMBINING BALANCE SHEET
 December 31, 2001 and 2000

| ASSETS | | | Totals December 31, | |
|---|-------------------------|----------------------|-------------------------|-------------------------|
| | Sewer | Solid Waste | 2001 | 2000 |
| Cash and cash equivalents | \$ 143,384 | \$ 17,073 | \$ 160,457 | \$ 53,703 |
| Investments | 200,000 | - | 200,000 | 495,833 |
| Receivables | 7,610 | 1,853 | 9,463 | 14,734 |
| Construction in process | - | - | - | 287,000 |
| Fixed assets, net of accumulated depreciation | <u>6,681,383</u> | <u>-</u> | <u>6,681,383</u> | <u>3,655,243</u> |
| Total assets | <u>\$ 7,032,377</u> | <u>\$ 18,926</u> | <u>\$ 7,051,303</u> | <u>\$ 4,506,513</u> |
| LIABILITIES AND FUND EQUITY | | | | |
| Liabilities | | | | |
| Accrued liabilities | \$ 59,784 | \$ - | \$ 59,784 | \$ 21,546 |
| Construction payable | - | - | - | 205,063 |
| Notes payable | <u>5,726,616</u> | <u>-</u> | <u>5,726,616</u> | <u>2,890,072</u> |
| Total liabilities | <u>5,786,400</u> | <u>-</u> | <u>5,786,400</u> | <u>3,116,681</u> |
| Fund equity | | | | |
| Contributed capital | 312,856 | - | 312,856 | 312,856 |
| Retained earnings | | | | |
| Unreserved, undesignated | <u>933,121</u> | <u>18,926</u> | <u>952,047</u> | <u>1,076,976</u> |
| Total fund equity | <u>1,245,977</u> | <u>18,926</u> | <u>1,264,903</u> | <u>1,389,832</u> |
| Total liabilities and fund equity | <u>\$ 7,032,377</u> | <u>\$ 18,926</u> | <u>\$ 7,051,303</u> | <u>\$ 4,506,513</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
 ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN RETAINED EARNINGS
 Year Ended December 31, 2001 and 2000

| | Sewer | Solid Waste | Totals | |
|---|-------------------|------------------|---------------------------------|---------------------|
| | | | Year Ended December 31, 2001 | 2000 |
| Operating revenues | | | | |
| Charges for services | \$ 304,070 | \$ 86,419 | \$ 390,489 | \$ 289,809 |
| Total operating revenues | <u>304,070</u> | <u>86,419</u> | <u>390,489</u> | <u>289,809</u> |
| Operating expenses | | | | |
| Personal services | 62,382 | 9,827 | 72,209 | 40,944 |
| Contractual services | 39,845 | 68,251 | 108,096 | 98,991 |
| Commodities | 20,033 | 1,772 | 21,805 | 16,018 |
| Depreciation | 169,712 | - | 169,712 | 74,046 |
| Total operating expenses | <u>291,972</u> | <u>79,850</u> | <u>371,822</u> | <u>229,999</u> |
| Operating income | <u>12,098</u> | <u>6,569</u> | <u>18,667</u> | <u>59,810</u> |
| Nonoperating revenues [expenses] | | | | |
| Taxes | - | - | - | 8,901 |
| Interest income | 22,652 | - | 22,652 | 31,225 |
| Interest expense | [154,248] | - | [154,248] | [31,037] |
| Total nonoperating revenues [expenses] | <u>[131,596]</u> | <u>-</u> | <u>[131,596]</u> | <u>9,089</u> |
| Income before operating transfers | [119,498] | 6,569 | [112,929] | 68,899 |
| Operating transfers | | | | |
| Operating transfers out | <u>-</u> | <u>[12,000]</u> | <u>[12,000]</u> | <u>-</u> |
| Net income [loss] | [119,498] | [5,431] | [124,929] | 68,899 |
| Unreserved retained earnings, January 1 | <u>1,052,619</u> | <u>24,357</u> | <u>1,076,976</u> | <u>1,008,077</u> |
| Unreserved retained earnings, December 31 | <u>\$ 933,121</u> | <u>\$ 18,926</u> | <u>\$ 952,047</u> | <u>\$ 1,076,976</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2001 and 2000

| | <u>Sewer</u> | <u>Solid Waste</u> | Totals | |
|---|-------------------|--------------------|-------------------------|------------------|
| | | | Year Ended December 31, | |
| | | | <u>2001</u> | <u>2000</u> |
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 308,325 | \$ 87,435 | \$ 395,760 | \$ 294,166 |
| Cash paid to suppliers | [64,311] | [79,850] | [144,161] | [115,009] |
| Cash paid to employees | [57,949] | - | [57,949] | [40,944] |
| | <u>186,065</u> | <u>7,585</u> | <u>193,650</u> | <u>138,213</u> |
| Cash flows from noncapital financing activities: | | | | |
| Operating transfers out | - | [12,000] | [12,000] | - |
| Cash received from other governments | - | - | - | 8,901 |
| | <u>-</u> | <u>[12,000]</u> | <u>[12,000]</u> | <u>8,901</u> |
| Cash flows from capital and related financing activities: | | | | |
| Purchase of fixed assets | [2,908,852] | - | [2,908,852] | [2,442,560] |
| Proceeds from notes payable | 3,080,534 | - | 3,080,534 | 2,362,273 |
| Payments of notes payable-principal | [243,990] | - | [243,990] | [163,774] |
| Payments of notes payable-interest | [116,010] | - | [116,010] | [16,226] |
| Payment of construction payable | [205,063] | - | [205,063] | - |
| | <u>[393,381]</u> | <u>-</u> | <u>[393,381]</u> | <u>[260,287]</u> |
| Cash flows from investing activities | | | | |
| Interest received | 22,652 | - | 22,652 | 31,225 |
| Proceeds from sale of investments | 495,833 | - | 495,833 | 198,270 |
| Purchase of investments | [200,000] | - | [200,000] | [495,833] |
| | <u>318,485</u> | <u>-</u> | <u>318,485</u> | <u>[266,338]</u> |
| Net increase [decrease] in cash and cash equivalents | | | | |
| | 111,169 | [4,415] | 106,754 | [379,511] |
| Cash and cash equivalents, January 1 | <u>32,215</u> | <u>21,488</u> | <u>53,703</u> | <u>433,214</u> |
| Cash and cash equivalents, December 31 | <u>\$ 143,384</u> | <u>\$ 17,073</u> | <u>\$ 160,457</u> | <u>\$ 53,703</u> |

See independent auditor's report on the general purpose financial statements.

City of Basehor, Kansas
ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended December 31, 2001 and 2000

| | <u>Sewer</u> | <u>Solid Waste</u> | Totals Year Ended December 31, | |
|--|-------------------|--------------------|-----------------------------------|-------------------|
| | | | <u>2001</u> | <u>2000</u> |
| Reconciliation of operating income to net cash provided by operating activities | | | | |
| Operating income | \$ 12,098 | \$ 6,569 | \$ 18,667 | \$ 59,810 |
| Adjustments to reconcile operating income to net cash provided by operating activities | | | | |
| Depreciation and amortization expense | 169,712 | - | 169,712 | 74,046 |
| Changes in assets and liabilities | | | | |
| Accounts receivable decrease | <u>4,255</u> | <u>1,016</u> | <u>5,271</u> | <u>4,357</u> |
| Net cash provided by operating activities | <u>\$ 186,065</u> | <u>\$ 7,585</u> | <u>\$ 193,650</u> | <u>\$ 138,213</u> |

See independent auditor's report on the general purpose financial statements.

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

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and City Council
City of Basehor, Kansas

We have audited the financial statements of the City of Basehor, Kansas, as of and for the year ended December 31, 2001, and have issued our report thereon dated February 1, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the mayor and city council, management, awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

Lowenthal, Singleton, Webb & Wilson

Professional Association

February 1, 2002