CITY OF BASEHOR, KANSAS

FINANCIAL STATEMENTS

Year Ended December 31, 2011

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CITY OF BASEHOR, KANSAS

Financial Statements
Year ending December 31, 2011

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CITY OF BASEHOR, KANSAS

Financial Statements
Year ending December 31, 2011

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MIZE HOUSER & COMPANY P.A.

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Basehor, Kansas, at December 31, 2011, 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, Capital Improvements Reserve Fund and the Employee Benefit Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and schedule of funding progress on page 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Maze, Hauer & Company

May 11, 2012

CITY OF BASEHOR, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
Unaudited

Our discussion and analysis of the City of Basehor, Kansas financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2011.

Financial Highlights

- The Government-wide net assets totaled $16.1 million at the end of the current fiscal year.
- The Government-wide unrestricted current assets exceed the current liabilities by $4.3 million, representing the City's ability to meet its current obligations when due.
- Total capital assets, net of accumulated depreciation at December 31, 2011 totaled $29.9 million.
- During the year ended December 31, 2011, the City's total revenues (which include charges for services, local taxes, and state and federal aid) exceeded total expenses by $.5 million.
- The City's total indebtedness decreased by $1 million.
- The City's net capital assets decreased $1.4 million in the current fiscal year.

Using This Financial Report

This annual report consists of two distinct series of financial statements: government-wide and funds. In addition, the annual report includes budgetary-basis financial statement comparisons, in accordance with the State of Kansas cash basis and budget laws.

The government-wide statements are designed to provide information about the City's activities as a whole and provide a longer-term view of the City's finances. The fund financial statements tell how the City's services for both governmental and business-type activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in greater detail than the government-wide statements by providing information about the City's most significant funds. In addition, combining statements included in the supplemental information show detail of all other governmental funds.

Reporting on the City as a Whole (Government Wide)

Statement of Net Assets and the Statement of Activities

The view of the City as a whole looks at all financial transactions and asks the question, "Are we in a better financial position as a result of the current year's financial activities?" The Statement of Net Assets and the Statement of Activities provide the basis for answering this question. The statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses, regardless of when cash is received or paid.

These two statements report the City's net assets and current year change in those net assets. The change in net assets is important because it tells the reader whether the City, as a whole, has improved or diminished its financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Causes of these changes may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, state mandates, and the financial condition of the State of Kansas general fund.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two distinct kinds of activities:

Governmental Activities - Most of the City's programs and services are reported here including general government, public safety, public works, and culture and recreation.

Business-Type Activities - These services are provided on a charge for goods and services basis to recover all of the expenses of the goods or services provided. The City's sewer utility and the solid waste utility are reported as business-type activities.

Reporting the City's Most Significant Funds (Fund Financial Statements)

Fund financial statements provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. The main fund financial statements focus on the City's most significant funds. Combining fund balance sheets and statements of revenues, expenditures and changes in fund balances provide detailed information about all of the City's non-major governmental funds.

Governmental Funds - Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of the funds and balances left over at fiscal yearend available to be spent in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps the reader to decide where there are more or fewer financial resources that can be spent in the near term to finance the City's programs. Major differences between the City's governmental activities as reported in the Statement of Net Assets and the Statement of Activities and its governmental funds are reconciled in the Governmental Funds financial statements.

Proprietary Funds - Proprietary funds (Solid Waste Utility and the Sewer Utility) are enterprise funds that use the same basis of accounting as business-type activities, therefore, these statements replicate the information provided in the government-wide financial statements.

CITY OF BASEHOR, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
Unaudited

The City as a Whole

Government-Wide Assets

The Statement of Net Assets provides the financial position of the City as a whole. The following is a summary of the City's Statement of Net Assets as of December 31, 2011:

City of Basehor
Condensed Statement of Net Assets
December 31, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current assets	$ 6,308,209	$ 5,675,766	$ 904,810	$ 783,146	$ 7,213,019	$ 6,458,912
Net capital assets	11,106,103	11,794,564	18,838,629	19,521,750	29,944,732	31,316,314
Total assets	$ 17,414,312	$ 17,470,330	$ 19,743,439	$ 20,304,896	$ 37,157,751	$ 37,775,226
Current liabilities	$ 1,964,073	$ 2,184,331	$ 958,955	$ 955,068	$ 2,923,028	$ 3,139,399
Noncurrent liabilities	7,997,118	8,336,234	10,181,444	10,771,332	18,178,562	19,107,566
Total liabilities	$ 9,961,191	$ 10,520,565	$ 11,140,399	$ 11,726,400	$ 21,101,590	$ 22,246,965
Net Assets:						
Invested in capital assets, net of debt	$ 2,842,681	$ 3,205,244	$ 7,816,878	$ 8,141,245	$ 10,659,559	$ 11,346,489
Restricted for:						
Debt Service	404,894	37,043	-	-	404,894	37,043
Unrestricted	4,205,546	3,707,478	786,162	437,251	4,991,708	4,144,729
Total net assets	$ 7,453,121	$ 6,949,765	$ 8,603,040	$ 8,578,496	$ 16,056,161	$ 15,528,261

The assets of the City are classified as current assets and capital assets. Cash and investments and accounts receivable are the largest current assets. These are assets that are available to provide resources for the near-term operations of the City. Capital assets are used in the operations of the City. These assets include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure.

Current and non-current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued liabilities, and current portion of long-term obligations. Current assets exceed current liabilities by $4.3 million, representing the City's ability to meet current obligations when due.

The City has $19.3 million in long-term debt, consisting of general obligation bonds, temporary notes, loans, and capital leases payable, of which $1.2 million is due within the next fiscal year.

The City had total assets at December 31, 2011, totaling $37.2 million. The total assets of the City exceeded the total liabilities by $16.1 million. Net assets invested in capital assets, net of related debt, totaled $10.7 million, restricted net assets totaled $.4 million and unrestricted net assets totaled $5.0 million.

CITY OF BASEHOR, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2011
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net assets for the year ended December 31, 2011. Major items of program revenues, grants and general revenues are detailed below. Government-wide activities increased the net assets of the City by $.5 million for the year ended December 31, 2011. A reconciliation of the total change in fund balances for the governmental funds to the Statement of Activities is located on page 14 of the basic financial statements. Major differences in the Statement of Activities and changes in the fund balances of governmental funds as expenditures in the funds statements include the repayment of bonds, temporary notes, and leases in the current fiscal year of $.3 million which are treated as an expenditure in the fund statements and a reduction of long term debt payable in the Government wide financial statements. In addition, the capital outlays of $.1 million are treated as expenditures in the fund statements, but are treated as capital assets in the Government wide financial statements.

City of Basehor
Condensed Statement of Changes in Net Assets
For the Years Ending December 31, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	$ 252,238	$ 174,005	$ 1,791,107	$ 938,041	$ 2,043,345	$ 1,112,046
Operating grants	15,722	76,075	84,630	-	100,352	76,075
General revenues:						
Taxes	3,524,640	2,840,382	-	-	3,524,640	2,840,382
Transfers [net]	[18,959]	[986,801]	18,959	986,801	-	-
Other	61,389	25,286	812	1,039	62,201	26,325
Total revenues	3,835,030	2,128,947	1,895,508	1,925,881	5,730,538	4,054,828
Program expenses:						
General government	1,210,855	1,410,480	-	-	1,210,855	1,410,480
Public safety	738,989	785,305	-	-	738,989	785,305
Public works	534,874	277,752	-	-	534,874	277,752
Culture and recreation	70,120	27,143	-	-	70,120	27,143
Infrastructure depreciation	741,840	676,512	-	-	741,840	676,512
Sewer utility	-	-	1,408,844	1,563,008	1,408,844	1,563,008
Solid waste utility	-	-	254,628	157,536	254,628	157,536
Interest on long term debt	242,488	236,753	-	-	242,488	236,753
Total expenses	3,539,166	3,413,945	1,663,472	1,720,544	5,202,638	5,134,489
Increase [decrease] in net assets	$ 295,864	$ [1,284,998]	$ 232,036	$ 205,337	$ 527,900	$ [1,079,661]

Governmental Activities increase the net assets by $.3 million. Business-type activities increased the net assets by $.2 million. The key elements in the Governmental Activities increases are limited spending and a more robust economy. The key element in the Business-type activities increases is an increase in customers of both utilities.

Financial Analysis of the City's Funds

The City uses fund accounting to ensure and demonstrate compliance with state and federal finance related legal requirements. These funds are accounted for on the modified accrual basis of accounting.

The governmental funds of the City provide information on near-term inflows, outflows and balances of spendable resources.

Total fund balances at December 31, 2011 for the governmental funds totaled $4.8 million. Total unassigned fund balances at December 31, 2011 totaled nearly $.4 million, of which $.4 million was attributable to the General Fund. The remainder of fund balance includes; $.4 million of restricted fund balance to indicate that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations; $4.0 million of assigned fund balance to indicate amounts that are constrained by the City management to be used for specific purposes.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $.4 million, which represents all of the total fund balance. The increase in the General Fund's fund balance was $.2 million.

The Consolidated Highway Fund is used to account for road and highway projects. At the end of the current fiscal year, assigned fund balance of the consolidated highway fund was $2 million, which represents all of the total fund balance. The increase in the fund's fund balance was $.1 million.

The Capital Improvements Reserve Fund is used to account for capital improvement projects. At the end of the current fiscal year, assigned fund balance of the capital improvements reserve fund was $1.3 million, which represents all of the total fund balance. The increase in the fund's fund balance was $53,710.

The Employee Benefit Fund is used to account for employee benefits. At the end of the current fiscal year, assigned fund balance of the employee benefit fund was $48,282, which represents all of the total fund balance. The increase in the Fund's fund balance was $48,282.

The Debt Service Fund is used to accumulate tax revenues and other revenues for the payment of principal and interest on general long-term debt.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Solid Waste Utility Fund at the end of the year amounted to $96,034 and the unrestricted net assets of the Sewer Fund at the end of the year amounted to $.7 million. The total change in the two funds was [$6,336] and $238,372 respectively.

General Fund Budgeting Highlights

The City's budgets are prepared in accordance with Kansas law and are based primarily on the basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

The City's final General Fund budget was $2,048,180, the same as the original published budget. The revenues were more than budgetary estimates by $82,362 and the expenditures were less than budgetary estimates by $338,102.

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled $29.9 million (net of accumulated depreciation) as of December 31, 2011.

Major fixed asset events during the current fiscal year included the following:

The City purchased a patrol cruiser, tack cart and a half-ton truck at a cost of $89,118.

At December 31, 2011, the City had total debt outstanding of $19.3 million, backed by the full faith and credit of the City. Total long-term debt decreased for the fiscal year ended December 31, 2011, in the amount of $1 million. This was a result of the gradual pay down of current outstanding debt.

Additional information on the City's general long term debt can be found in Note III to the financial statements.

Contacting the City

This financial report is designed to provide a general overview of the City's finances. If you have questions about this report or need additional financial information, contact the City Clerk/Finance Department at 2620 North 155th Street, Basehor, Kansas 66007 or (913) 724-1370.

CITY OF BASEHOR, KANSAS

STATEMENT OF NET ASSETS
December 31, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 4,761,408	$ 795,114	$ 5,556,522
Receivables:			
Taxes	1,474,631	-	1,474,631
Municipal court	53,926	-	53,926
Other	18,244	109,696	127,940
Total current assets	6,308,209	904,810	7,213,019
Noncurrent assets:			
Nondepreciable capital assets:			
Land	135,837	-	135,837
Depreciable capital assets:	18,992,224	28,628,354	47,620,578
Less: accumulated depreciation	[8,021,958]	[9,789,725]	[17,811,683]
Total noncurrent assets	11,106,103	18,838,629	29,944,732
Total assets	$ 17,414,312	$ 19,743,439	$ 37,157,751
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable	$ 29,048	$ 753	$ 29,801
Accrued liabilities	30,198	3,940	34,138
Accrued interest payable	46,422	102,876	149,298
Deferred revenue	1,474,631	-	1,474,631
Compensated absences payable	52,239	11,079	63,318
Current portion of general obligation bonds payable	275,900	84,100	360,000
Current portion of loans payable	55,635	756,207	811,842
Total current liabilities (payable from current assets)	1,964,073	958,955	2,923,028
Noncurrent liabilities:			
Net other post employment benefit obligation	8,931	-	8,931
Capital lease payable	56,300	-	56,300
General obligation bonds payable	3,201,300	768,700	3,970,000
Temporary notes payable	3,460,000	-	3,460,000
Loans payable	1,270,587	9,412,744	10,683,331
Total noncurrent liabilities	7,997,118	10,181,444	18,178,562
Total liabilities	$ 9,961,191	$ 11,140,399	$ 21,101,590
Net Assets			
Invested in fixed assets, net of related debt	$ 2,842,681	$ 7,816,878	$ 10,659,559
Restricted for:			
Debt service	404,894	-	404,894
Unrestricted	4,205,546	786,162	4,991,708
Total net assets	$ 7,453,121	$ 8,603,040	$ 16,056,161

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, 2011

		Program Revenues		Net [Expenses] Revenue and Changes in Net Assets		
				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental activities:						
General government	$ 1,210,855	$ -	$ -	$ [1,210,855]	$ -	$ [1,210,855]
Public safety	738,989	175,205	-	[563,784]	-	[563,784]
Public works	534,874	77,033	15,722	[442,119]	-	[442,119]
Culture and recreation	70,120	-	-	[70,120]	-	[70,120]
Infrastructure depreciation	741,840	-	-	[741,840]	-	[741,840]
Interest on long-term debt	242,488	-	-	[242,488]	-	[242,488]
Total governmental activities	3,539,166	252,238	15,722	[3,271,206]	-	[3,271,206]
Business-type activities:						
Sewer Utility	1,408,844	1,531,875	84,630	-	207,661	207,661
Solid Waste Utility	254,628	259,232	-	-	4,604	4,604
Total business-type activities	1,663,472	1,791,107	84,630	-	212,265	212,265
Total primary government	$ 5,202,638	$ 2,043,345	$ 100,352	[3,271,206]	212,265	[3,058,941]
	General Revenues:					
	Property taxes levied for					
	General purposes			1,408,317	-	1,408,317
	Debt service			1,005,669	-	1,005,669
	Franchise tax			212,838	-	212,838
	Liquor tax			19,822	-	19,822
	Sales tax			576,272	-	576,272
	Motor vehicle tax			157,942	-	157,942
	Excise tax			26,277	-	26,277
	Miscellaneous tax			117,503	-	117,503
	Investments earnings			5,811	812	6,623
	Miscellaneous			55,578	-	55,578
	Transfers, net			[18,959]	18,959	-
	Total general revenues			3,567,070	19,771	3,586,841
	Change in net assets			295,864	232,036	527,900
	Net assets - beginning			6,949,765	8,578,496	15,528,261
	Prior period adjustment			207,492	[207,492]	-
	Net assets - beginning, restated			7,157,257	8,371,004	15,528,261
	Net assets - ending			$ 7,453,121	$ 8,603,040	$ 16,056,161

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

CITY OF BASEHOR, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2011

	General	Consolidated Highway	Capital Improvements Reserve
ASSETS			
Cash and cash equivalents	$ 346,142	$ 2,039,248	$ 1,343,996
Receivables			
Taxes	945,344	-	-
Municipal court	53,926	-	-
Other	18,244	-	-
Total assets	$ 1,363,656	$ 2,039,248	$ 1,343,996
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 10,085	$ 18,963	$ -
Accrued liabilities	30,198	-	-
Deferred revenue	945,344	-	-
Total liabilities	985,627	18,963	-
Fund balance:			
Restricted	-	-	-
Assigned	-	2,020,285	1,343,996
Unassigned	378,029	-	-
Total fund balance [deficit]	378,029	2,020,285	1,343,996
Total liabilities and fund balances	$ 1,363,656	$ 2,039,248	$ 1,343,996

Employee Benefit	Bond and Interest	Other Governmental Funds	Total Governmental Funds
$ 48,282	$ 404,894	$ 578,846	$ 4,761,408
427,999	101,288	-	1,474,631
-	-	-	53,926
-	-	-	18,244
$ 476,281	$ 506,182	$ 578,846	$ 6,308,209
$ -	$ -	$ -	$ 29,048
-	-	-	30,198
427,999	101,288	-	1,474,631
427,999	101,288	-	1,533,877
-	404,894	-	404,894
48,282	-	578,846	3,991,409
-	-	-	378,029
48,282	404,894	578,846	4,774,332
$ 476,281	$ 506,182	$ 578,846	$ 6,308,209

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, 2011

Total Governmental Fund Balances		$ 4,774,332
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	19,128,061	
Accumulated depreciation is	[8,021,958]	11,106,103
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long term liabilities at year end consist of:		
General obligation bonds payable	3,477,200	
Temporary notes payable	3,460,000	
Loans payable	1,326,222	
Lease payable	56,300	
Net other post employment benefit obligation	8,931	
Interest payable	46,422	
Compensated absences payable	52,239	[8,427,314]
Net Assets of Governmental Activities		$ 7,453,121

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, 2011

	General	Consolidated Highway	Capital Improvements Reserve
REVENUES:			
Taxes	$ 1,609,943	$ 392,666	$ 52,229
Intergovernmental	-	-	-
Special assessments	-	-	-
Licenses, permits and fees	44,632	-	-
Fines, forfeitures and penalties	175,205	-	-
Use of money and property	599	2,256	1,481
Miscellaneous	50,516	-	-
Total revenues	1,880,895	394,922	53,710
EXPENDITURES:			
Current			
General government	677,176	49,681	-
Public works	208,586	-	-
Culture and recreation	59,471	-	-
Public safety	695,327	-	-
Capital outlay	-	245,297	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	1,640,560	294,978	-
Excess [deficiency] of revenues over [under] expenditures	240,335	99,944	53,710
OTHER FINANCING SOURCES [USES]			
Transfers in	-	-	-
Transfers [out]	[69,518]	-	-
Total other financing sources [uses]	[69,518]	-	-
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	170,817	99,944	53,710
Fund balance - Beginning of year	207,212	1,920,341	1,290,286
Prior period adjustment	-	-	-
Fund balance - Beginning of year, restated	207,212	1,920,341	1,290,286
Fund balance - End of year	$ 378,029	$ 2,020,285	$ 1,343,996

Employee Benefit	Bond and Interest	Other Governmental Funds	Total Governmental Funds
$ 452,084	$ 162,249	$ 12,049	$ 2,681,220
-	15,722	-	15,722
-	843,420	-	843,420
-	-	32,401	77,033
-	-	-	175,205
40	485	950	5,811
-	-	5,062	55,578
452,124	1,021,876	50,462	3,853,989
466,983	-	-	1,193,840
-	-	-	208,586
-	-	-	59,471
-	-	-	695,327
-	-	210,480	455,777
-	325,898	-	325,898
-	246,027	-	246,027
466,983	571,925	210,480	3,184,926
[14,859]	449,951	[160,018]	669,063
63,141	-	69,518	132,659
-	[82,100]	-	[151,618]
63,141	[82,100]	69,518	[18,959]
48,282	367,851	[90,500]	650,104
-	37,043	461,854	3,916,736
-	-	207,492	207,492
-	37,043	669,346	4,124,228
$ 48,282	$ 404,894	$ 578,846	$ 4,774,332

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, 2011

Total Net Change In Fund Balances - Governmental Funds		$ 650,104
Amounts reported for governmental activities in the statement of activities are different because		
Capital outlays to purchase or build assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceeds depreciation in the period.		
Capital outlays	129,492	
Depreciation expense	[811,852]	[682,360]
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest decreased.		3,539
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.		[1,317]
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.		325,898
Changes In Net Assets of Governmental Activities		$ 295,864

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, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 1,609,943	$ -	$ 1,609,943	$ 1,448,182	$ 1,448,182	$ 161,761
Licenses and permits	44,632	4,307	48,939	38,400	38,400	10,539
Fines, forfeitures and penalties	175,205	[19,258]	155,947	195,000	195,000	[39,053]
Use of money and property	599	-	599	-	-	599
Federal grant	-	-	-	42,000	42,000	[42,000]
Miscellaneous	50,516	-	50,516	60,000	60,000	[9,484]
Total Revenues	1,880,895	[14,951]	1,865,944	1,783,582	1,783,582	82,362
Expenditures:						
General Administration:						
Personal services	359,177	-	359,177	402,900	402,900	43,723
Contractual services	274,292	-	274,292	372,670	372,670	98,378
Commodities	25,400	-	25,400	102,950	102,950	77,550
Capital outlay	18,307	-	18,307	17,500	17,500	[807]
	677,176	-	677,176	896,020	896,020	218,844
Public Safety						
Personal services	583,847	-	583,847	653,000	653,000	69,153
Contractual services	62,880	-	62,880	76,150	76,150	13,270
Commodities	47,915	-	47,915	51,200	51,200	3,285
Capital outlay	685	-	685	19,000	19,000	18,315
	695,327	-	695,327	799,350	799,350	104,023
Highways and Streets						
Personal services	125,704	-	125,704	123,500	123,500	[2,204]
Contractual services	69,051	-	69,051	69,450	69,450	399
Commodities	12,319	-	12,319	11,700	11,700	[619]
Capital outlay	1,512	-	1,512	9,800	9,800	8,288
	208,586	-	208,586	214,450	214,450	5,864
Culture and recreation						
Personal services	6,269	-	6,269	5,400	5,400	[869]
Contractual services	8,376	-	8,376	1,300	1,300	[7,076]
Commodities	1,272	-	1,272	12,750	12,750	11,478
Capital outlay	43,554	-	43,554	40,000	40,000	[3,554]
	59,471	-	59,471	59,450	59,450	[21]

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

CITY OF BASEHOR, KANSAS

GENERAL FUND - (Continued)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Expenditures (Continued):						
Total Expenditures	$ 1,640,560	$ -	$ 1,640,560	$ 1,969,270	$ 1,969,270	$ 328,710
Excess [Deficiency] of Revenues Over [Under] Expenditures	240,335	[14,951]	225,384	[185,688]	[185,688]	411,072
Other Financing Sources [Uses]:						
Transfers [out]	[69,518]	-	[69,518]	[78,910]	[78,910]	9,392
Total Other Financing Sources [Uses]	[69,518]	-	[69,518]	[78,910]	[78,910]	9,392
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	170,817	[14,951]	155,866	$ [264,598]	$ [264,598]	$ 420,464
Fund Balance, January 1	207,212	[57,219]	149,993			
Fund Balance, December 31	$ 378,029	$ [72,170]	$ 305,859			

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, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 392,666	$ -	$ 392,666	$ 437,320	$ 437,320	$ [44,654]
Use of money and property	2,256	-	2,256	3,000	3,000	[744]
Total Revenues	394,922	-	394,922	440,320	440,320	[45,398]
Expenditures:						
Commodities	24,313	-	24,313	50,000	50,000	25,687
Capital outlay	245,297	-	245,297	1,205,000	1,205,000	959,703
Contractual	25,368	-	25,368	26,000	26,000	632
Total Expenditures	294,978	-	294,978	1,281,000	1,281,000	986,022
Excess [Deficiency] of Revenues Over [Under] Expenditures	99,944	-	99,944	$ [840,680]	$[840,680]	$ 940,624
Fund Balance, January 1	1,920,341	-	1,920,341			
Fund Balance, December 31	$ 2,020,285	$ -	$ 2,020,285			

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, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 52,229	$ -	$ 52,229	$ 70,000	$ 70,000	$ [17,771]
Use of money and property	1,481	-	1,481	5,000	5,000	[3,519]
Total Revenues	53,710	-	53,710	75,000	75,000	[21,290]
Expenditures:						
Capital outlay	-	-	-	500,000	500,000	500,000
Total Expenditures	-	-	-	500,000	500,000	500,000
Excess [Deficiency] of Revenues Over [Under] Expenditures	53,710	-	53,710	$ [425,000]	$ [425,000]	$ 478,710
Fund Balance, January 1	1,290,286	-	1,290,286			
Fund Balance, December 31	$ 1,343,996	$ -	$ 1,343,996			

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

CITY OF BASEHOR, KANSAS

EMPLOYEE BENEFIT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 452,084	$ -	$ 452,084	$ 436,014	$ 436,014	$ 16,070
Use of money and property	40	-	40	-	-	40
Total Revenues	452,124	-	452,124	436,014	436,014	16,110
Expenditures:						
Personal services	466,983	-	466,983	499,155	499,155	32,172
Total Expenditures	466,983	-	466,983	499,155	499,155	32,172
Excess [Deficiency] of Revenues Over [Under] Expenditures	[14,859]	-	[14,859]	[63,141]	[63,141]	48,282
Other Financing Sources [Uses]:						
Transfers in	63,141	-	63,141	63,141	63,141	-
Total Other Financing Sources [Uses]	63,141	-	63,141	63,141	63,141	-
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	48,282	-	48,282	$ -	$ -	$ 48,282
Fund Balance, January 1	-	-	-			
Fund Balance, December 31	$ 48,282	$ -	$ 48,282			

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, 2011

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 722,121	$ 72,993	$ 795,114
Receivables:			
Accounts	86,655	23,041	109,696
Total current assets	808,776	96,034	904,810
Noncurrent assets:			
Capital assets, depreciable	28,628,354	-	28,628,354
Less: accumulated depreciation	[9,789,725]	-	[9,789,725]
Total noncurrent assets	18,838,629	-	18,838,629
Total Assets	$ 19,647,405	$ 96,034	$ 19,743,439
LIABILITIES AND NET ASSETS			
Current liabilities (payable from current assets):			
Accounts payable	$ 753	$ -	$ 753
Accrued interest	102,876	-	102,876
Accrued compensation	11,079	-	11,079
Accrued payroll	3,940	-	3,940
Current portion of general obligation payable	84,100	-	84,100
Current portion of KDHE loan payable	756,207	-	756,207
Total current liabilities (payable from current assets):	958,955	-	958,955
Noncurrent liabilities:			
General obligation bond payable	768,700	-	768,700
KDHE loan payable	9,412,744	-	9,412,744
Total noncurrent liabilities:	10,181,444	-	10,181,444
Total Liabilities	$ 11,140,399	$ -	$ 11,140,399
Net Assets:			
Invested in capital assets, net of related debt	$ 7,816,878	$ -	$ 7,816,878
Unrestricted	690,128	96,034	786,162
Total Net Assets	$ 8,507,006	$ 96,034	$ 8,603,040

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, 2011

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Operating revenues:			
Charges for services	$ 1,531,875	$ 259,232	$ 1,791,107
Special assessments	84,630	-	84,630
Total operating revenues	1,616,505	259,232	1,875,737
Operating expenses:			
Personnel	124,530	19,671	144,201
Contractual	162,347	231,601	393,948
Commodities	18,260	2,998	21,258
Capital outlay	6,353	358	6,711
Depreciation	801,162	-	801,162
Total operating expenses	1,112,652	254,628	1,367,280
Operating income [loss]	503,853	4,604	508,457
Nonoperating revenues [expenses]:			
Interest on long term debt	[296,192]	-	[296,192]
Interest earned	667	145	812
Total nonoperating revenues [expenses]	[295,525]	145	[295,380]
Income [loss] before transfers	208,328	4,749	213,077
Transfers from [to] other funds			
Transfers in	82,100	-	82,100
Transfers out	[52,056]	[11,085]	[63,141]
Total transfers	30,044	[11,085]	18,959
Change in net assets	238,372	[6,336]	232,036
Net assets, January 1	8,476,126	102,370	8,578,496
Prior period adjustment	[207,492]	-	[207,492]
Net assets, January 1, restated	8,268,634	102,370	8,371,004
Net assets, December 31	$ 8,507,006	$ 96,034	$ 8,603,040

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, 2011

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	$ 1,587,368	$ 251,091	$ 1,838,459
Cash paid to suppliers and employees	[313,922]	[255,869]	[569,791]
Net Cash Provided by [Used in] Operating Activities	1,273,446	[4,778]	1,268,668
Cash Flows from Non-Capital Financing Activities:			
Transfers [in] out	30,044	[11,085]	18,959
Net Cash Provided by [Used in] Non-Capital Financing Activities	30,044	[11,085]	18,959
Cash Flows from Capital and Related Financing Activities			
Capital asset additions	[118,041]	-	[118,041]
Proceeds received from notes and loans	141,224	-	141,224
Principal paid on bonds, notes and loans	[707,470]	-	[707,470]
Interest expense and fiscal charges	[312,274]	-	[312,274]
Net Cash Provided by [Used in] Capital and Related Financing Activities	[996,561]	-	[996,561]
Cash Flows from Investing Activities:			
Interest income	667	145	812
Net Cash Provided by [Used in] Investing Activities	667	145	812
Net Increase [Decrease] in Cash and Cash Equivalents	307,596	[15,718]	291,878
Cash and Equivalents, January 1	414,525	88,711	503,236
Cash and Equivalents, December 31	$ 722,121	$ 72,993	$ 795,114

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, 2011

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Reconciliation of Operating Net Income to Net Cash Provided by Operating Activities:			
Operating income [loss]	$ 503,853	$ 4,604	$ 508,457
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	801,162	-	801,162
Change in assets and liabilities:			
[Increase] decrease in accounts receivable	[29,137]	[8,141]	[37,278]
Increase [decrease] in accounts payable	[6,744]	-	[6,744]
Increase [decrease] in compensated absences/accrued payroll	4,312	[1,241]	3,071
Total Adjustments	769,593	[9,382]	760,211
Net Cash Provided by [Used in] Operating Activities	$ 1,273,446	$ [4,778]	$ 1,268,668

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

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.

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

The employee benefit fund is used to account for employee benefits.

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 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.

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 2012.

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:

Assets	Years
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 paid time off. Paid time off earned but unused at termination (if a two-week notice is given) is paid to the employees at their current rate of pay.

Vested or accumulated paid time off 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 paid time off 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.

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. 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

7. 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.

8. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

9. Fund Balance Reserves

In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned and unassigned. Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Restricted fund balance indicates that constraints have been placed on the use of resources either by being externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the city council. Assigned fund balances include amounts that are constrained by the City management's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available restricted amounts is considered to be spent first. When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balance is available, the following is the order in which resources will be expended: committed, assigned and unassigned.

The following is the detail for fund balance classifications in the financial statements:

	Major Governmental Funds						
	General	Consolidated Highway	Capital Improvements Reserve	Employee Benefit	Bond and Interest	Other Governmental Funds	Total Governmental Funds
Fund Balances:							
Restricted for:							
Debt retirement	$ -	$ -	$ -	$ -	$ 404,894	$ -	$ 404,894
Assigned for:							
Street project construction	-	2,020,285	-	-	-	-	2,020,285
Capital improvements	-	-	1,343,996	-	-	135,725	1,479,721
Employee benefits	-	-	-	48,282	-	-	48,282
Culture and recreation	-	-	-	-	-	121,308	121,308
Equipment outlay	-	-	-	-	-	321,813	321,813
Unassigned:	378,029	-	-	-	-	-	378,029
Total Fund Balances	$ 378,029	$ 2,020,285	$ 1,343,996	$ 48,282	$ 404,894	$ 578,846	$ 4,774,332

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 funds were amended in 2011: the Solid Waste Utility Fund.

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

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

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

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

	Major Governmental Funds						
	General Fund	Consolidated Highway Fund	Capital Improvements Reserve Fund	Employee Benefit Fund	Bond and Interest Fund	Other Governmental Funds	Total Governmental Funds
GAAP FUND BALANCE December 31, 2011	$ 378,029	$ 2,020,285	$ 1,343,996	$ 48,282	$ 404,894	$ 578,846	$ 4,774,332
Unreserved fund balances not subject to the Kansas budget law:							
Special Police Fund	-	-	-	-	-	[542]	[542]
Basehor Town Center Project Fund	-	-	-	-	-	[69,462]	[69,462]
Wolf Creek Project Fund	-	-	-	-	-	[46,540]	[46,540]
Glenwood Sewer Maintenance Fund	-	-	-	-	-	[9,403]	[9,403]
Adjustments:							
Municipal court receivable	[53,926]	-	-	-	-	-	[53,926]
Other receivable	[18,244]	-	-	-	-	-	[18,244]
Total deductions	[72,170]	-	-	-	-	[125,947]	[198,117]
BUDGETARY FUND BALANCE December 31, 2011	$ 305,859	$ 2,020,285	$ 1,343,996	$ 48,282	$ 404,894	$ 452,899	$ 4,576,215

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

	Major Business-Type Funds		
	Sewer Utility Fund	Solid Waste Utility Fund	Total Business-Type Funds
NET ASSETS December 31, 2011	$ 8,507,006	$ 96,034	$ 8,603,040
Adjustments:			
Capital assets, net	[18,838,629]	-	[18,838,629]
Receivables	[86,655]	[23,041]	[109,696]
Accrued interest	102,876	-	102,876
Accrued compensation	11,079	-	11,079
General obligation payable	852,800	-	852,800
KDHE loan payable	10,168,951	-	10,168,951
Total deductions	[7,789,578]	[23,041]	[7,812,619]
BUDGETARY NET ASSETS December 31, 2011	$ 717,428	$ 72,993	$ 790,421

B. Restatement of Equity

The implementation of GASB 54 required the reclassification of the governmental fund balances. The following is the reclassification of fund balance as of December 31, 2010.

	Fund Balance Classification As of December 31, 2010		Fund Balance Classification As of December 31, 2010, Reclassified			
	Unreserved	Total	Restricted	Assigned	Unassigned	Total
Governmental Fund:						
General Fund	$ 207,212	$ 207,212	$ -	$ -	$ 207,212	$ 207,212
Consolidated Highway Fund	1,920,341	1,920,341	-	1,920,341	-	1,920,341
Capital Improvements Reserve Fund	1,290,286	1,290,286	-	1,290,286	-	1,290,286
Bond and Interest Fund	37,043	37,043	37,043	-	-	37,043
Other Governmental Fund	461,854	461,854	-	461,854	-	461,854
Total Governmental Funds	$ 3,916,736	$ 3,916,736	$ 37,043	$ 3,672,481	$ 207,212	$ 3,916,736

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Restatement of Equity (Continued)

After the close of the prior year, it was realized that the due to and due from recorded between the Sewer Utility Fund and the Basehor Town Center Project Fund should have been eliminated. Sewer infrastructure assets had been paid for through proceeds recorded in the Basehor Town Center Project Fund, thereby eliminating the due to and due from between the two funds. The equity in the two funds was properly restated as follows:

	Other Governmental Funds	Sewer Utility Fund
Fund Balance - Beginning	$ 461,854	$ 8,476,126
Prior Period Adjustments:		
Due to/from	207,492	[207,492]
Fund Balance - Beginning, Restated	$ 669,346	$ 8,268,634

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 K.S.A. 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 K.S.A. 12-1675. The statutes require that the City invest it's 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 K.S.A. 10-131. This statute allows additional investment authority beyond that of K.S.A. 12-1675. Investments of bond proceeds may follow K.S.A. 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 K.S.A. 10-131.

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. *Deposits and Investments (Continued)*

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 K.S.A. 9-1402.

B. *Receivables*

Receivables at year end are as follows:

	General	Employee Benefit	Bond and Interest	Sewer Utility	Solid Waste Utility	Total
Receivables:						
Accounts	$ -	$ -	$ -	$ 86,655	$ 23,041	$ 109,696
Taxes	945,344	427,999	101,288	-	-	1,474,631
Municipal court	53,926	-	-	-	-	53,926
Other	18,244	-	-	-	-	18,244
Total	$ 1,017,514	$ 427,999	$ 101,288	$ 86,655	$ 23,041	$ 1,656,497

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. *Capital Assets*

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/10	Additions	Retirements	Balance 12/31/11
City governmental activities:				
Capital assets, not being depreciated				
Land	$ 135,837	$ -	$ -	$ 135,837
Construction in progress	2,021,451	15,230	2,036,681	-
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	16,847,381	2,144,843	-	18,992,224
Total capital assets	19,004,669	2,160,073	2,036,681	19,128,061
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	7,210,105	811,852	[1]	8,021,958
Total accumulated depreciation	7,210,105	811,852	[1]	8,021,958
Governmental activities capital assets, net	$ 11,794,564	$ 1,348,221	$ 2,036,682	$ 11,106,103
Business-type activities:				
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	$ 28,510,313	$ 118,041	$ -	$ 28,628,354
Total capital assets	28,510,313	118,041	-	28,628,354
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	8,988,563	801,162	-	9,789,725
Total accumulated depreciation	8,988,563	801,162	-	9,789,725
Business-type activities capital assets, net	$ 19,521,750	$ [683,121]	$ -	$ 18,838,629

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. *Capital Assets (Continued)*

The City's depreciation expense was charged as follows:

Governmental Activities:	
General government	$ 15,046
Public safety	42,346
Public works	1,971
Culture and recreation	10,649
Infrastructure	741,840
Total depreciation expense	$ 811,852
Business-type Activities:	
Sewer utility	$ 801,162
Total depreciation expense	$ 801,162

D. *Long-term Debt*

During the year ended December 31, 2011, the following changes occurred in long term liabilities:

Government Fund Activities	Balance January 1, 2011	Additions	Restatement/ Reductions	Balance December 31, 2011
General obligation bonds	$ 3,745,100	$ -	$ 267,900	$ 3,477,200
Temporary notes	3,460,000	-	-	3,460,000
KDOT loan	1,384,220	-	57,998	1,326,222
Capital lease	62,400	-	6,100	56,300
	$ 8,651,720	$ -	$ 331,998	$ 8,319,722
Enterprise Fund Activities				
General obligation bonds	$ 934,900	$ -	$ 82,100	$ 852,800
KDHE revolving loan	10,653,097	141,224	625,370	10,168,951
	$ 11,587,997	$ 141,224	$ 707,470	$ 11,021,751

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.

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

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

	Date of Issuance	Date of Final Maturity	Interest Rate	Original Amount	Outstanding Amount
Governmental Activities					
Improvements, Series 2004	01/15/04	09/01/19	3.25-4.35%	$ 3,415,000	$ 2,105,000
Improvements, Series 2005	08/15/05	09/01/25	3.65-5.25%	2,840,000	2,225,000
				$ 6,255,000	$ 4,330,000

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

Year Ending December 31,	Principal	Interest	Total
2012	$ 360,000	$ 173,346	$ 533,346
2013	370,000	159,540	529,540
2014	385,000	144,600	529,600
2015	395,000	130,230	525,230
2016	410,000	114,903	524,903
2017-2021	1,645,000	327,115	1,972,115
2022-2025	765,000	80,155	845,155
Total	$ 4,330,000	$ 1,129,889	$ 5,459,889

Temporary Notes. The City issued temporary notes in the amount of $3,460,000 to provide temporary funds for the acquisition and construction of major capital facilities. The interest rate on the notes is 1.00% with a final maturity of September 1, 2012. The City plans to issue general obligation bonds to refund the temporary notes.

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

State Agency Loans. The Kansas Department of Health and Environment has issued a loan to the City. The City intends to make principal and interest payments on the loans from revenue derived from wastewater and water charges to the consumer. The loan was for $8,110,368 and calls for an interest rate of 3.07%. This loan had an outstanding balance of $4,882,818 at December 31, 2011. The City will retire this loan with semi-annual payments through March 2020. Interest paid on this KDHE loan in 2011 was $158,704. Annual debt service requirements to maturity for the KDHE loan is as follows:

Year Ending December 31,	State Agency Loan
2012	$ 540,000
2013	540,000
2014	540,000
2015	645,114
2016	750,229
2017-2020	2,629,953
Total principal and interest	5,645,297
Less: interest	762,479
Total principal	$ 4,882,818

The Kansas Department of Health and Environment and the City has entered into an agreement for an additional loan. The City intends to make principal and interest payments on the loans from revenue derived from wastewater and water charges to the consumer. The loan will be for $5,700,000 and calls for an interest rate of 2.82%. This loan had an outstanding balance of $5,286,133 at December 31, 2011. The City will retire this loan with semi-annual payments through September 2030.

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

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

Year Ending December 31,	State Agency Loan
2012	$ 371,395
2013	371,395
2014	371,395
2015	371,395
2016	371,395
2017-2021	1,856,974
2022-2026	1,856,974
2027-2030	1,299,882
Total principal and interest	6,870,803
Less: interest	1,545,862
Total principal	$ 5,324,941

The Kansas Department of Transportation and the City has entered into an agreement for an additional loan. The City intends to make principal and interest payments on the loans from tax revenue. The loan will be for $1,500,000. This loan had an outstanding balance of $1,326,222 at December 31, 2011. The City will retire this loan with semi-annual payments through August 2029. The following displays annual debt service requirements to maturity for this KDOT loan for the full proceeds amount:

Year Ending December 31,	State Agency Loan
2012	$ 115,668
2013	115,668
2014	115,668
2015	115,668
2016	115,668
2017-2021	578,339
2022-2026	578,339
2027-2029	347,004
Total principal and interest	2,082,022
Less: interest	635,439
Total principal	$ 1,446,582

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

The Kansas Department of Transportation and the City have entered into a lease agreement for communication equipment. The total lease amount is for $75,600. This lease had an outstanding balance of $56,300 at December 31, 2011. The City will retire this lease with semi-annual payments through April 2020. The following displays annual lease payment requirements to maturity for this lease as follows:

Year Ending December 31,	Principal	Interest	Total
2012	$ 6,300	$ 2,536	$ 8,836
2013	6,600	2,229	8,829
2014	6,900	1,908	8,808
2015	7,200	1,572	8,772
2016	7,600	1,219	8,819
2017-2019	21,700	1,585	23,285
Total	$ 56,300	$ 11,049	$ 67,349

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

IV. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

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

IV. OTHER INFORMATION (Continued)

C. Retirement Plans

All employees employed by the City are entitled to enroll at the City Council's discretion, in a Deferred Compensation Plan, offered by Hartford or such other insurance company as may offer a plan approved by the Kansas Legislature pursuant to K.S.A. 75-5522 et seq. and K.S.A. 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 $713,070. Total gross payroll was $1,211,299. The contribution for the year ending December 31, 2011 was $12,008 from employees and $69,032 from employer representing 13.58% of covered payroll, respectively.

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

K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KP&F is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KP&F uniform participating employer rate established for fiscal years beginning in 2011 is 14.57%. 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, 2011, 2010 and 2009 were $73,019, $66,374, and $68,982, respectively equal to the required contribution for each year.

D. Interfund Transfers

A reconciliation of all operating transfers by fund type for 2011 follows:

	In	Out
Major Funds:		
General	$ -	$ 69,518
Employee Benefit	63,141	-
Other Governmental Funds	69,518	-
Sewer Utility	82,100	52,056
Solid Waste Utility	-	11,085
Bond and Interest	-	82,100
	$ 214,759	$ 214,759

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

IV. OTHER INFORMATION (Continued)

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 147th Street). Of the $2,039,248 of cash in the Consolidated Highway Fund as of December 31, 2011, $56,964 was subject to this restriction.

F. Postemployment Healthcare Plan

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

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

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

IV. OTHER INFORMATION (Continued)

F. Postemployment Healthcare Plan (Continued)

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

Annual required contribution	$ 3,285
Interest on Net OPEB Obligation	233
Adjustment to Annual Required Contribution	[419]
Annual OPEB cost (expense)	3,099
Benefit payments	-
Change in net OPEB obligation	3,099
Net OPEB obligation - beginning of year	5,832
Net OPEB obligation - end of year	$ 8,931

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended December 31, 2011 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2009	$ 2,859	$ -	$ 2,859
December 31, 2010	2,973	-	5,832
December 31, 2011	3,099	-	8,931

Funding Status and Funding Progress. As of the year ended December 31, 2011, the most recent actuarial valuation date, the Plan was not funded. The actuarial accrued liability for benefits was $11,407 and the actuarial value of asset was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $11,407. The covered payroll (annual payroll of active employees covered by the plan) was $1,020,641, and the ratio of the UAAL to the covered payroll was 1.1%.

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

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

As of the year ended December 31, 2011, the most recent actuarial valuation date, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return, which is the rate of the employer's own investments as there are no plan assets and an annual healthcare cost trend of 11% initially, reduced by decrements to an ultimate rate of 5% after six years. The UAAL is being amortized as a level dollar over an open thirty-year period.

CITY OF BASEHOR, KANSAS

OTHER POST-EMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
Year ended December 31, 2011

Schedule of Funding Progress

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

CITY OF BASEHOR, KANSAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2011

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and cash equivalents	$ 443,121	$ 135,725	$ 578,846
Total assets	$ 443,121	$ 135,725	$ 578,846
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ -	$ -
Total liabilities	-	-	-
Fund balance:			
Assigned	443,121	135,725	578,846
Total fund balance [deficit]	443,121	135,725	578,846
Total liabilities and fund balances	$ 443,121	$ 135,725	$ 578,846

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue	Capital Projects	Total
REVENUES:			
Taxes	$ 11,742	$ 307	$ 12,049
Licenses, permits and fees	3,000	29,401	32,401
Use of money and property	479	471	950
Miscellaneous	5,062	-	5,062
Total revenues	20,283	30,179	50,462
EXPENDITURES:			
Capital outlay	154,039	56,441	210,480
Total expenditures	154,039	56,441	210,480
Excess [deficiency] of revenues over [under] expenditures	[133,756]	[26,262]	[160,018]
OTHER FINANCING SOURCES [USES]:			
Transfers in	69,518	-	69,518
Total other financing sources [uses]	69,518	-	69,518
Excess [Deficiency] of Revenues and Other Financing Sources Over [Under] Expenditures and Other [Uses]	[64,238]	[26,262]	[90,500]
Fund balance - Beginning of year	507,359	[45,505]	461,854
Prior period adjustment	-	207,492	207,492
Fund balance - Beginning of year, restated	507,359	161,987	669,346
Fund balance - End of year	$ 443,121	$ 135,725	$ 578,846

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2011

	Special Parks and Recreation	Municipal Equipment Reserve	Special Police	Totals
ASSETS				
Cash and cash equivalents	$ 121,308	$ 321,271	$ 542	$ 443,121
Total assets	$ 121,308	$ 321,271	$ 542	$ 443,121
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-
Fund balance:				
Assigned	121,308	321,271	542	443,121
Total fund balance [deficit]	121,308	321,271	542	443,121
Total liabilities and fund balances	$ 121,308	$ 321,271	$ 542	$ 443,121

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2011

	Special Parks and Recreation	Municipal Equipment Reserve	Special Police	Totals
REVENUES:				
Taxes	$ 11,742	$ -	$ -	$ 11,742
Licenses, permits and fees	3,000	-	-	3,000
Use of money and property	162	317	-	479
Miscellaneous	-	-	5,062	5,062
Total revenues	14,904	317	5,062	20,283
EXPENDITURES:				
Capital outlay	60,400	89,119	4,520	154,039
Total expenditures	60,400	89,119	4,520	154,039
Excess [deficiency] of revenues over [under] expenditures	[45,496]	[88,802]	542	[133,756]
OTHER FINANCING SOURCES [USES]:				
Transfers in	-	69,518	-	69,518
Total other financing sources [uses]	-	69,518	-	69,518
Excess [Deficiency] of Revenues and Other Financing Sources Over [Under] Expenditures and Other [Uses]	[45,496]	[19,284]	542	[64,238]
Fund balance - Beginning of year	166,804	340,555	-	507,359
Fund balance - End of year	$ 121,308	$ 321,271	$ 542	$ 443,121

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2011

	Cedar Lakes Maintenance	Basehor Town Center Project	Wolf Creek Project	Glenwood Sewer Maintenance	Totals
ASSETS					
Cash and cash equivalents	$ 10,320	$ 69,462	$ 46,540	$ 9,403	$ 135,725
Total assets	$ 10,320	$ 69,462	$ 46,540	$ 9,403	$ 135,725
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-	-
Fund balance:					
Assigned	10,320	69,462	46,540	9,403	135,725
Total fund balance [deficit]	10,320	69,462	46,540	9,403	135,725
Total liabilities and fund balances	$ 10,320	$ 69,462	$ 46,540	$ 9,403	$ 135,725

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2011

	Cedar Lakes Maintenance	Basehor Town Center Project	Wolf Creek Project	Glenwood Sewer Maintenance	Totals
REVENUES:					
Taxes	$ -	$ -	$ 307	$ -	$ 307
Licenses, permits and fees	20,001	-	-	9,400	29,401
Use of money and property	15	453	-	3	471
Total revenues	20,016	453	307	9,403	30,179
EXPENDITURES:					
Capital outlay	36,384	1,590	18,467	-	56,441
Total expenditures	36,384	1,590	18,467	-	56,441
Excess [deficiency] of revenues over [under] expenditures	[16,368]	[1,137]	[18,160]	9,403	[26,262]
Fund balance - Beginning of year	26,688	[136,893]	64,700	-	[45,505]
Prior period adjustment	-	207,492	-	-	207,492
Fund balance - Beginning of year, restated	26,688	70,599	64,700	-	161,987
Fund balance - End of year	$ 10,320	$ 69,462	$ 46,540	$ 9,403	$ 135,725

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

SPECIAL PARKS AND RECREATION FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 11,742	$ -	$ 11,742	$ 8,000	$ 8,000	$ 3,742
Licenses, permits and fees	3,000	-	3,000	2,000	2,000	1,000
Use of money and property	162	-	162	250	250	[88]
Total Revenues	14,904	-	14,904	10,250	10,250	4,654
Expenditures:						
Capital outlay	60,400	-	60,400	67,500	67,500	7,100
Total Expenditures	60,400	-	60,400	67,500	67,500	7,100
Excess [Deficiency] of Revenues Over [Under] Expenditures	[45,496]	-	[45,496]	$ [57,250]	$ [57,250]	$ 11,754
Fund Balance, January 1	166,804	-	166,804			
Fund Balance, December 31	$ 121,308	$ -	$ 121,308			

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

CEDAR LAKES MAINTENANCE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - ACTUAL AND BUDGET
For the Year Ended December 31, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Licenses, permits and fees	$ 20,001	$ -	$ 20,001	$ 20,000	$ 20,000	$ 1
Use of money and property	15	-	15	-	-	15
Total Revenues	20,016	-	20,016	20,000	20,000	16
Expenditures:						
Capital outlay	36,384	-	36,384	44,141	44,141	7,757
Total Expenditures	36,384	-	36,384	44,141	44,141	7,757
Excess [Deficiency] of Revenues Over [Under] Expenditures	[16,368]	-	[16,368]	$ [24,141]	$ [24,141]	$ 7,773
Fund Balance, January 1	26,688	-	26,688			
Fund Balance, December 31	$ 10,320	$ -	$ 10,320			

See independent auditor's report on the financial statements

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, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 162,249	$ -	$ 162,249	$ 148,186	$ 148,186	$ 14,063
Intergovernmental	15,722	-	15,722	-	-	15,722
Special assessments	843,420	-	843,420	532,354	532,354	311,066
Use of money and property	485	-	485	-	-	485
Total Revenues	1,021,876	-	1,021,876	680,540	680,540	341,336
Expenditures:						
Debt service:						
Principal	325,898	-	325,898	403,418	403,418	77,520
Interest	246,027	-	246,027	324,071	324,071	78,044
Total Expenditures	571,925	-	571,925	727,489	727,489	155,564
Excess [Deficiency] of Revenues Over [Under] Expenditures	449,951	-	449,951	[46,949]	[46,949]	496,900
Other Financing Sources [Uses]:						
Transfers [out]	[82,100]	-	[82,100]	-	-	[82,100]
Total Other Financing Sources [Uses]	[82,100]	-	[82,100]	-	-	[82,100]
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	367,851	-	367,851	$ [46,949]	$ [46,949]	$ 414,800
Fund Balances, January 1	37,043	-	37,043			
Fund Balances, December 31	$ 404,894	$ -	$ 404,894			

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, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues						
Charges for services	$ 1,531,875	$ [29,137]	$ 1,502,738	$ 895,762	$ 895,762	$ 606,976
Special assessments	84,630	-	84,630	-	-	84,630
Use of money and property	667	-	667	1,000	1,000	[333]
Total revenues	1,617,172	[29,137]	1,588,035	896,762	896,762	691,273
Expenditures						
Personnel	124,530	[2,759]	121,771	126,700	126,700	4,929
Contractual	162,347	-	162,347	169,700	169,700	7,353
Commodities	18,260	-	18,260	24,500	24,500	6,240
Capital outlay	6,353	118,041	124,394	291,500	291,500	167,106
Depreciation	801,162	[801,162]	-	-	-	-
Total expenditures	1,112,652	[685,880]	426,772	612,400	612,400	185,628
Operating income [loss]	504,520	656,743	1,161,263	284,362	284,362	876,901
Other Financing Sources [Uses]:						
Debt principal	-	[707,470]	[707,470]	[707,470]	[707,470]	-
Debt interest and fees	[296,192]	[16,082]	[312,274]	[280,519]	[280,519]	[31,755]
Bond proceeds	-	141,224	141,224	-	-	141,224
Transfers in	82,100	-	82,100	-	-	82,100
Transfers out	[52,056]	-	[52,056]	[65,846]	[65,846]	13,790
Total Other Financing Sources [Uses]	[266,148]	[582,328]	[848,476]	[1,053,835]	[1,053,835]	205,359
Change in net assets	238,372	74,415	312,787	$ [769,473]	$ [769,473]	$ 1,082,260
Net assets, January 1	8,476,126	[8,071,485]	404,641			
Prior period adjustment	[207,492]	207,492	-			
Net assets, January 1, restated	8,268,634	[7,863,993]	404,641			
Net assets, December 31	$ 8,507,006	$ [7,789,578]	$ 717,428			

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, 2011

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues						
Charges for services	$ 259,232	$ [8,141]	$ 251,091	$ 196,000	$ 196,000	$ 55,091
Use of money and property	145	-	145	100	100	45
Total revenues	259,377	[8,141]	251,236	196,100	196,100	55,136
Expenditures						
Personnel	19,671	905	20,576	27,980	27,980	7,404
Contractual	231,601	-	231,601	164,100	235,235	3,634
Commodities	2,998	-	2,998	5,700	5,700	2,702
Capital outlay	358	-	358	-	-	[358]
Total expenditures	254,628	905	255,533	197,780	268,915	13,382
Operating income [loss]	4,749	[9,046]	[4,297]	[1,680]	[72,815]	68,518
Other Financing Sources [Uses]:						
Transfer [out]	[11,085]	-	[11,085]	[11,085]	[11,085]	-
Total Other Financing Sources [Uses]	[11,085]	-	[11,085]	[11,085]	[11,085]	-
Change in net assets	[6,336]	[9,046]	[15,382]	$ [12,765]	$ [83,900]	$ 68,518
Net assets, January 1	102,370	[13,995]	88,375			
Net assets, December 31	$ 96,034	$ [23,041]	$ 72,993			

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