CITY OF BASEHOR, KANSAS

FINANCIAL STATEMENTS

Year Ended December 31, 2012

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CITY OF BASEHOR, KANSAS

Financial Statements
Year ending December 31, 2012

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CITY OF BASEHOR, KANSAS

Financial Statements
Year ending December 31, 2012

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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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 Accounting and Audit Guide." These 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Basehor, Kansas, as of December 31, 2012, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of funding progress on page 43 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.

Other Information

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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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.

Mize Houser & Company PA

May 13, 2013

CITY OF BASEHOR, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
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, 2012.

Financial Highlights

- The Government-wide net position totaled $16.1 million at the end of the current fiscal year.
- The Government-wide unrestricted current assets exceed the current liabilities by $6.3 million, representing the City's ability to meet its current obligations when due.
- Total capital assets, net of accumulated depreciation at December 31, 2012 totaled $28.5 million.
- During the year ended December 31, 2012, the City's total revenues (which include charges for services, local taxes, and state and federal aid) exceeded total expenses by $20,333.
- 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 Position 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 Position 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 position and current year change in those net position. The change in net position 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 position 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 Position 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 Position 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, 2012
Unaudited

The City as a Whole

Government-Wide Position

The Statement of Net Position provides the financial position of the City as a whole. The following is a summary of the City's Statement of Net Position as of December 31, 2012:

City of Basehor
Condensed Statement of Net Position
December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	$ 6,761,551	$ 6,308,209	$ 999,104	$ 904,810	$ 7,760,655	$ 7,213,019
Net capital assets	10,473,260	11,106,103	18,070,308	18,838,629	28,543,568	29,944,732
Total assets	$ 17,234,811	$ 17,414,312	$ 19,069,412	$ 19,743,439	$ 36,304,223	$ 37,157,751
Current liabilities	$ 2,064,516	$ 1,964,073	$ 875,639	$ 958,955	$ 2,940,155	$ 2,923,028
Noncurrent liabilities	7,629,461	7,997,118	9,658,113	10,181,444	17,287,574	18,178,562
Total liabilities	$ 9,693,977	$ 9,961,191	$ 10,533,752	$ 11,140,399	$ 20,227,729	$ 21,101,590
Net Position:						
Invested in capital assets, net of debt	$ 2,474,893	$ 2,842,681	$ 7,689,150	$ 7,816,878	$ 10,164,043	$ 10,659,559
Restricted for:						
Debt Service	659,198	404,894	-	-	659,198	404,894
Unrestricted	4,406,743	4,205,546	846,510	786,162	5,253,253	4,991,708
Total net position	$ 7,540,834	$ 7,453,121	$ 8,535,660	$ 8,603,040	$ 16,076,494	$ 16,056,161

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 $6.3 million, representing the City's ability to meet current obligations when due.

The City has $18.4 million in long-term debt, consisting of general obligation bonds, 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, 2012, totaling $36.3 million. The total assets of the City exceeded the total liabilities by $16.1 million. Net position invested in capital assets, net of related debt, totaled $10.2 million, restricted net position totaled $.7 million and unrestricted net position totaled $5.2 million.

CITY OF BASEHOR, KANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2012
Unaudited

Government-Wide Activities

The following is a condensed statement of the City's change in net position for the year ended December 31, 2012. Major items of program revenues, grants and general revenues are detailed below. Government-wide activities increased the net position of the City by $20,333 for the year ended December 31, 2012. 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 $5.1 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. Also, issuance of bonds are recorded as revenue in the fund statements in the amount of $4.7, however this amount is recorded as an addition to long term debt payable in the Government wide financial statements. In addition, the capital outlays of $.2 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 Position
For the Years Ending December 31, 2012 and 2011

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 302,275	$ 252,238	$ 1,503,236	$ 1,791,107	$ 1,805,511	$ 2,043,345
Operating grants	14,278	15,722	90,268	84,630	104,546	100,352
General revenues:						
Taxes	3,477,067	3,524,640	-	-	3,477,067	3,524,640
Transfers [net]	107,256	[18,959]	[107,256]	18,959	-	-
Other	58,079	61,389	121,387	812	179,466	62,201
Total revenues	3,958,955	3,835,030	1,607,635	1,895,508	5,566,590	5,730,538
Program expenses:						
General government	1,153,936	1,210,855	-	-	1,153,936	1,210,855
Public safety	770,870	738,989	-	-	770,870	738,989
Public works	696,331	534,874	-	-	696,331	534,874
Culture and recreation	46,499	70,120	-	-	46,499	70,120
Infrastructure depreciation	762,390	741,840	-	-	762,390	741,840
Sewer utility	-	-	1,439,115	1,408,844	1,439,115	1,408,844
Solid waste utility	-	-	235,900	254,628	235,900	254,628
Interest on long term debt	441,216	242,488	-	-	441,216	242,488
Total expenses	3,871,242	3,539,166	1,675,015	1,663,472	5,546,257	5,202,638
Increase [decrease] in net position	$ 87,713	$ 295,864	$ [67,380]	$ 232,036	$ 20,333	$ 527,900

Governmental Activities increase the net position by $87,713. Business-type activities decreased the net position by $67,380. The primary increases in Governmental Activities can be attributed to many factors in addition to conservative spending. In 2012, the City issued increased building permits and experienced a positive surge in franchise, delinquent, and sales tax collections. Key elements in the Business-type activities increase is due to additional sewer connection fees, utility customers (both sewer and solid waste) and deferred maintenance.

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, 2012 for the governmental funds totaled $5.3 million. Total unassigned fund balances at December 31, 2012 totaled nearly $.6 million, of which $.6 million was attributable to the General Fund. The remainder of fund balance includes; $.7 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 $.6 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 decrease in the fund's fund balance was $54,709.

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 $1.4 million, which represents all of the total fund balance. The increase in the fund's fund balance was $80,271.

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 $135,031, which represents all of the total fund balance. The increase in the Fund's fund balance was $86,749.

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 position of the Solid Waste Utility Fund at the end of the year amounted to $104,018 and the unrestricted net position of the Sewer Fund at the end of the year amounted to $.7 million. The total change in the two funds was $7,984 and [$75,364] 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 $1,867,562, the same as the original published budget. The revenues were more than budgetary estimates by $227,705 and the expenditures were less than budgetary estimates by $176,661.

Fixed Assets and Debt Administration

The City's investment in fixed assets for its governmental and business-type activities totaled $28.5 million (net of accumulated depreciation) as of December 31, 2012.

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

The City purchased a patrol car, smooth drum roller and box spreader at a cost of $36,832.

At December 31, 2012, the City had total debt outstanding of $18.4 million, backed by the full faith and credit of the City. Total long-term debt decreased for the fiscal year ended December 31, 2012, in the amount of $1 million. This was a result of the gradual pay down of current outstanding debt and the refinancing.

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 POSITION
December 31, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Primary Government Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 5,271,864	$ 868,329	$ 6,140,193
Receivables:			
Taxes	1,437,454	-	1,437,454
Municipal court	48,027	-	48,027
Other	4,206	130,775	134,981
Total current assets	6,761,551	999,104	7,760,655
Noncurrent assets:			
Bond discount, net	-	21,147	21,147
Nondepreciable capital assets:			
Land	135,838	-	135,838
Construction in process	165,301	-	165,301
Depreciable capital assets:	18,936,346	28,616,789	47,553,135
Less: accumulated depreciation	[8,764,225]	[10,567,628]	[19,331,853]
Total capital assets	10,473,260	18,049,161	28,522,421
Total noncurrent assets	10,473,260	18,070,308	28,543,568
Total assets	$ 17,234,811	$ 19,069,412	$ 36,304,223
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities:			
Current liabilities:			
Accounts payable	$ 30,026	$ 37,707	$ 67,733
Accrued liabilities	40,966	5,311	46,277
Accrued interest payable	83,755	97,045	180,800
Deferred revenue			
Compensated absences payable	41,242	12,531	53,773
Current portion of general obligation bonds payable	431,073	493,927	925,000
Current portion of loans payable	-	229,118	229,118
Total current liabilities (payable from current assets)	627,062	875,639	1,502,701
Noncurrent liabilities:			
Net other post employment benefit obligation	12,167	-	12,167
Capital lease payable	50,000	-	50,000
General obligation bonds payable	7,567,294	4,823,590	12,390,884
Loans payable	-	4,834,523	4,834,523
Total noncurrent liabilities	7,629,461	9,658,113	17,287,574
Total liabilities	8,256,523	10,533,752	18,790,275
Deferred inflows of resources			
Unavailable revenue - property taxes	1,437,454	-	1,437,454
Total deferred inflows of resources	1,437,454	-	1,437,454
Total liabilities and deferred inflows of resources	$ 9,693,977	$ 10,533,752	$ 20,227,729
Net Position			
Invested in fixed assets, net of related debt	$ 2,474,893	$ 7,689,150	$ 10,164,043
Restricted for:			
Debt service	659,198	-	659,198
Unrestricted	4,406,743	846,510	5,253,253
Total net position	$ 7,540,834	$ 8,535,660	$ 16,076,494

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, 2012

		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	$ 1,153,936	$ -	$ -	$ [1,153,936]	$ -	$ [1,153,936]
Public safety	770,870	147,659	-	[623,211]	-	[623,211]
Public works	696,331	154,616	14,278	[527,437]	-	[527,437]
Culture and recreation	46,499	-	-	[46,499]	-	[46,499]
Infrastructure depreciation	762,390	-	-	[762,390]	-	[762,390]
Interest on long-term debt	441,216	-	-	[441,216]	-	[441,216]
Total governmental activities	3,871,242	302,275	14,278	[3,554,689]	-	[3,554,689]
Business-type activities:						
Sewer Utility	1,439,115	1,216,584	90,268	-	[132,263]	[132,263]
Solid Waste Utility	235,900	286,652	-	-	50,752	50,752
Total business-type activities	1,675,015	1,503,236	90,268	-	[81,511]	[81,511]
Total primary government	$ 5,546,257	$ 1,805,511	$ 104,546	[3,554,689]	[81,511]	[3,636,200]
	General Revenues:					
	Property taxes levied for					
	General purposes			1,417,771	-	1,417,771
	Debt service			828,599	-	828,599
	Franchise tax			204,997	-	204,997
	Liquor tax			16,964	-	16,964
	Sales tax			655,056	-	655,056
	Motor vehicle tax			176,856	-	176,856
	Excise tax			56,280	-	56,280
	Miscellaneous tax			120,544	-	120,544
	Investments earnings			20,947	3,206	24,153
	Miscellaneous			37,132	118,181	155,313
	Transfers, net			107,256	[107,256]	-
	Total general revenues			3,642,402	14,131	3,656,533
	Change in net position			87,713	[67,380]	20,333
	Net position - beginning			7,453,121	8,603,040	16,056,161
	Net position - ending			$ 7,540,834	$ 8,535,660	$ 16,076,494

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

CITY OF BASEHOR, KANSAS

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Consolidated Highway	Capital Improvements Reserve
ASSETS			
Cash and cash equivalents	$ 606,865	$ 1,967,132	$ 1,424,267
Receivables			
Taxes	993,230	-	-
Municipal court	48,027	-	-
Other	4,206	-	-
Total assets	$ 1,652,328	$ 1,967,132	$ 1,424,267
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 27,912	$ 1,556	$ -
Accrued liabilities	37,578	-	-
Total liabilities	65,490	1,556	-
Deferred inflows of resources:			
Unavailable revenue - property taxes	993,230	-	-
Total deferred inflows of resources	993,230	-	-
Total liabilities and deferred inflows of resources	1,058,720	1,556	-
Fund balance:			
Restricted	-	-	-
Assigned	-	1,965,576	1,424,267
Unassigned	593,608	-	-
Total fund balance [deficit]	593,608	1,965,576	1,424,267
Total liabilities and fund balances	$ 1,652,328	$ 1,967,132	$ 1,424,267

Employee Benefit	Bond and Interest	Other Governmental Funds	Total Governmental Funds
$ 138,419	$ 659,198	$ 475,983	$ 5,271,864
372,926	71,298	-	1,437,454
-	-	-	48,027
-	-	-	4,206
$ 511,345	$ 730,496	$ 475,983	$ 6,761,551
$ -	$ -	$ 558	$ 30,026
3,388	-	-	40,966
3,388	-	558	70,992
372,926	71,298	-	1,437,454
372,926	71,298	-	1,437,454
376,314	71,298	558	1,508,446
-	659,198	-	659,198
135,031	-	475,425	4,000,299
-	-	-	593,608
135,031	659,198	475,425	5,253,105
$ 511,345	$ 730,496	$ 475,983	$ 6,761,551

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 POSITION OF GOVERNMENTAL ACTIVITIES
December 31, 2012

Total Governmental Fund Balances		$ 5,253,105
Amounts reported for governmental activities in the statement of net position 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	19,237,485	
Accumulated depreciation is	[8,764,225]	10,473,260
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	7,998,367	
Lease payable	50,000	
Net other post employment benefit obligation	12,167	
Interest payable	83,755	
Compensated absences payable	41,242	[8,185,531]
Net Position of Governmental Activities		$ 7,540,834

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, 2012

	General	Consolidated Highway	Capital Improvements Reserve
REVENUES:			
Taxes	$ 1,579,819	$ 511,192	$ 75,700
Intergovernmental	-	-	-
Special assessments	-	-	-
Licenses, permits and fees	79,368	-	-
Fines, forfeitures and penalties	147,659	-	-
Use of money and property	2,749	7,065	4,571
Miscellaneous	37,132	-	-
Total revenues	1,846,727	518,257	80,271
EXPENDITURES:			
Current			
General government	674,786	48,247	-
Public works	177,306	-	-
Culture and recreation	35,152	-	-
Public safety	734,139	-	-
Capital outlay	-	524,719	-
Debt service			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	1,621,383	572,966	-
Excess [deficiency] of revenues over [under] expenditures	225,344	[54,709]	80,271
OTHER FINANCING SOURCES [USES]			
Sales of bonds	-	-	-
Bond premium	-	-	-
Transfers in	59,753	-	-
Transfers [out]	[69,518]	-	-
Total other financing sources [uses]	[9,765]	-	-
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	215,579	[54,709]	80,271
Fund balance - Beginning of year	378,029	2,020,285	1,343,996
Fund balance - End of year	$ 593,608	$ 1,965,576	$ 1,424,267

Employee Benefit	Bond and Interest	Other Governmental Funds	Total Governmental Funds
$ 471,731	$ 123,686	$ 10,026	$ 2,772,154
-	14,278	-	14,278
-	704,913	-	704,913
-	-	75,248	154,616
-	-	-	147,659
582	2,604	3,376	20,947
-	-	-	37,132
472,313	845,481	88,650	3,851,699
433,066	-	-	1,156,099
-	-	-	177,306
-	-	-	35,152
-	-	-	734,139
-	-	183,829	708,548
-	1,602,122	3,460,000	5,062,122
-	333,145	70,738	403,883
433,066	1,935,267	3,714,567	8,277,249
39,247	[1,089,786]	[3,625,917]	[4,425,550]
-	1,250,000	3,410,000	4,660,000
-	44,107	92,960	137,067
47,502	49,983	19,536	176,774
-	-	-	[69,518]
47,502	1,344,090	3,522,496	4,904,323
86,749	254,304	[103,421]	478,773
48,282	404,894	578,846	4,774,332
$ 135,031	$ 659,198	$ 475,425	$ 5,253,105

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, 2012

Total Net Change In Fund Balances - Governmental Funds		$ 478,773
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 position 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	206,860	
Loss on sale of asset	[13,770]	
Depreciation expense	[825,934]	[632,844]
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which interest increased.		[37,333]
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		10,998
Net other post employment benefits		[3,236]
Bond issuance costs are recorded as expenditures in the fund financial statements. However, for the statement of net position, these costs are shown as assets and amortized over the life of the bonds.		[137,067]
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.		408,422
Changes In Net position of Governmental Activities		$ 87,713

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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 1,579,819	$ -	$ 1,579,819	$ 1,394,477	$ 1,394,477	$ 185,342
Licenses and permits	79,368	14,038	93,406	66,950	66,950	26,456
Fines, forfeitures and penalties	147,659	5,899	153,558	136,782	136,782	16,776
Use of money and property	2,749	-	2,749	1,000	1,000	1,749
Miscellaneous	37,132	-	37,132	35,000	35,000	2,132
Total Revenues	1,846,727	19,937	1,866,664	1,634,209	1,634,209	232,455
Expenditures:						
General Administration:						
Personal services	314,576	-	314,576	413,626	413,626	99,050
Contractual services	279,372	-	279,372	341,299	341,299	61,927
Commodities	21,950	-	21,950	23,600	23,600	1,650
Capital outlay	58,888	-	58,888	31,814	31,814	[27,074]
	674,786	-	674,786	810,339	810,339	135,553
Public Safety						
Personal services	618,755	-	618,755	621,700	621,700	2,945
Contractual services	68,774	-	68,774	92,250	92,250	23,476
Commodities	43,413	-	43,413	47,700	47,700	4,287
Capital outlay	3,197	-	3,197	10,000	10,000	6,803
	734,139	-	734,139	771,650	771,650	37,511
Highways and Streets						
Personal services	160,902	-	160,902	162,000	162,000	1,098
Contractual services	3,076	-	3,076	8,900	8,900	5,824
Commodities	13,328	-	13,328	12,200	12,200	[1,128]
	177,306	-	177,306	183,100	183,100	5,794
Culture and recreation						
Personal services	9,433	-	9,433	8,484	8,484	[949]
Contractual services	4,331	-	4,331	8,171	8,171	3,840
Commodities	1,273	-	1,273	1,300	1,300	27
Capital outlay	20,115	-	20,115	15,000	15,000	[5,115]
	35,152	-	35,152	32,955	32,955	[2,197]

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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Expenditures (Continued):						
Total Expenditures	$ 1,621,383	$ -	$ 1,621,383	$ 1,798,044	$ 1,798,044	$ 176,661
Excess [Deficiency] of Revenues Over [Under] Expenditures	225,344	19,937	245,281	[163,835]	[163,835]	409,116
Other Financing Sources [Uses]:						
Transfers in	59,753	-	59,753	64,503	64,503	[4,750]
Transfers [out]	[69,518]	-	[69,518]	[69,518]	[69,518]	-
Total Other Financing Sources [Uses]	[9,765]	-	[9,765]	[5,015]	[5,015]	[4,750]
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	215,579	19,937	235,516	$ [168,850]	$ [168,850]	$ 404,366
Fund Balance, January 1	378,029	[72,170]	305,859			
Fund Balance, December 31	$ 593,608	$ [52,233]	$ 541,375			

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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 511,192	$ -	$ 511,192	$ 448,210	$ 448,210	$ 62,982
Use of money and property	7,065	-	7,065	3,200	3,200	3,865
Total Revenues	518,257	-	518,257	451,410	451,410	66,847
Expenditures:						
Commodities	48,114	-	48,114	-	-	[48,114]
Capital outlay	524,719	-	524,719	715,000	715,000	190,281
Contractual	133	-	133	-	-	[133]
Total Expenditures	572,966	-	572,966	715,000	715,000	142,034
Excess [Deficiency] of Revenues Over [Under] Expenditures	[54,709]	-	[54,709]	$ [263,590]	$[263,590]	$ 208,881
Fund Balance, January 1	2,020,285	-	2,020,285			
Fund Balance, December 31	$ 1,965,576	$ -	$ 1,965,576			

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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 75,700	$ -	$ 75,700	$ 65,000	$ 65,000	$ 10,700
Use of money and property	4,571	-	4,571	1,100	1,100	3,471
Total Revenues	80,271	-	80,271	66,100	66,100	14,171
Expenditures:						
Capital outlay	-	-	-	-	-	-
Total Expenditures	-	-	-	-	-	-
Excess [Deficiency] of Revenues Over [Under] Expenditures	80,271	-	80,271	$ 66,100	$ 66,100	$ 14,171
Fund Balance, January 1	1,343,996	-	1,343,996			
Fund Balance, December 31	$ 1,424,267	$ -	$ 1,424,267			

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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 471,731	$ -	$ 471,731	$ 477,787	$ 477,787	$ [6,056]
Use of money and property	582	-	582	150	150	432
Total Revenues	472,313	-	472,313	477,937	477,937	[5,624]
Expenditures:						
Personal services	433,066	-	433,066	489,630	489,630	56,564
Total Expenditures	433,066	-	433,066	489,630	489,630	56,564
Excess [Deficiency] of Revenues Over [Under] Expenditures	39,247	-	39,247	[11,693]	[11,693]	50,940
Other Financing Sources [Uses]:						
Transfers in	47,502	-	47,502	52,253	52,253	[4,751]
Total Other Financing Sources [Uses]	47,502	-	47,502	52,253	52,253	[4,751]
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	86,749	-	86,749	$ 40,560	$ 40,560	$ 46,189
Fund Balance, January 1	48,282	-	48,282			
Fund Balance, December 31	$ 135,031	$ -	$ 135,031			

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

CITY OF BASEHOR, KANSAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 771,991	$ 96,338	$ 868,329
Receivables:			
Accounts	103,312	27,463	130,775
Total current assets	875,303	123,801	999,104
Noncurrent assets:			
Bond discount, net	21,147	-	21,147
Capital assets:			
Capital assets, depreciable	28,616,789	-	28,616,789
Less: accumulated depreciation	[10,567,628]	-	[10,567,628]
Total capital assets	18,049,161	-	18,049,161
Total noncurrent assets	18,070,308	-	18,070,308
Total Assets	$ 18,945,611	$ 123,801	$ 19,069,412
LIABILITIES AND NET POSITION			
Current liabilities (payable from current assets):			
Accounts payable	$ 17,924	$ 19,783	$ 37,707
Accrued interest	97,045	-	97,045
Accrued compensation	12,531	-	12,531
Accrued payroll	5,311	-	5,311
Current portion of general obligation payable	493,927	-	493,927
Current portion of KDHE loan payable	229,118	-	229,118
Total current liabilities (payable from current assets):	855,856	19,783	875,639
Noncurrent liabilities:			
General obligation bond payable	4,823,590	-	4,823,590
KDHE loan payable	4,834,523	-	4,834,523
Total noncurrent liabilities:	9,658,113	-	9,658,113
Total Liabilities	$ 10,513,969	$ 19,783	$ 10,533,752
Net Position:			
Invested in capital assets, net of related debt	$ 7,689,150	$ -	$ 7,689,150
Unrestricted	742,492	104,018	846,510
Total Net Position	$ 8,431,642	$ 104,018	$ 8,535,660

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 POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2012

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Operating revenues:			
Charges for services	$ 1,216,584	$ 286,652	$ 1,503,236
Special assessments	90,268	-	90,268
Total operating revenues	1,306,852	286,652	1,593,504
Operating expenses:			
Personnel	78,290	-	78,290
Contractual	204,748	233,305	438,053
Commodities	28,866	2,595	31,461
Capital outlay	18,799	-	18,799
Depreciation	788,550	-	788,550
Total operating expenses	1,119,253	235,900	1,355,153
Operating income [loss]	187,599	50,752	238,351
Nonoperating revenues [expenses]:			
Interest on long term debt	[319,862]	-	[319,862]
Capital contribution	118,181	-	118,181
Interest earned	2,686	520	3,206
Total nonoperating revenues [expenses]	[198,995]	520	[198,475]
Income [loss] before transfers	[11,396]	51,272	39,876
Transfers from [to] other funds			
Transfers out	[63,968]	[43,288]	[107,256]
Total transfers	[63,968]	[43,288]	[107,256]
Change in net position	[75,364]	7,984	[67,380]
Net position, January 1	8,507,006	96,034	8,603,040
Net position, December 31	$ 8,431,642	$ 104,018	$ 8,535,660

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, 2012

	Business-Type Activities: Enterprise Funds		
	Sewer Utility	Solid Waste Utility	Total Enterprise Funds
Cash Flows from Operating Activities:			
Cash received from customers	$ 1,290,195	$ 282,230	$ 1,572,425
Cash paid to suppliers and employees	[310,709]	[216,117]	[526,826]
Net Cash Provided by [Used in] Operating Activities	979,486	66,113	1,045,599
Cash Flows from Non-Capital Financing Activities:			
Transfers [in] out	[63,968]	[43,288]	[107,256]
Net Cash Provided by [Used in] Non-Capital Financing Activities	[63,968]	[43,288]	[107,256]
Cash Flows from Capital and Related Financing Activities			
Capital contributions	118,181	-	118,181
Sale of assets	918	-	918
Bond issuance costs	[21,147]	-	[21,147]
Proceeds received from notes and loans	4,548,816	-	4,548,816
Principal paid on bonds, notes and loans	[5,189,409]	-	[5,189,409]
Interest expense and fiscal charges	[325,693]	-	[325,693]
Net Cash Provided by [Used in] Capital and Related Financing Activities	[868,334]	-	[868,334]
Cash Flows from Investing Activities:			
Interest income	2,686	520	3,206
Net Cash Provided by [Used in] Investing Activities	2,686	520	3,206
Net Increase [Decrease] in Cash and Cash Equivalents	49,870	23,345	73,215
Cash and Equivalents, January 1	722,121	72,993	795,114
Cash and Equivalents, December 31	$ 771,991	$ 96,338	$ 868,329

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, 2012

	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]	$ 187,599	$ 50,752	$ 238,351
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	788,550	-	788,550
Change in assets and liabilities:			
[Increase] decrease in accounts receivable	[16,657]	[4,422]	[21,079]
Increase [decrease] in accounts payable	17,171	19,783	36,954
Increase [decrease] in compensated absences/accrued payroll	2,823	-	2,823
Total Adjustments	791,887	15,361	807,248
Net Cash Provided by [Used in] Operating Activities	$ 979,486	$ 66,113	$ 1,045,599

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 position 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)*

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 2013.

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.

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 position. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Long-term Obligations (Continued)

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 Position

Net position represents the difference between assets and liabilities. Net position 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 position 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.

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category. The government funds report unavailable revenues from one source: property taxes. The government-wide statements of net position report only the unavailable revenue for property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. 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	$ -	$ -	$ -	$ -	$ 659,198	$ -	$ 659,198
Assigned for:							
Street project construction	-	1,965,576	-	-	-	-	1,965,576
Capital improvements	-	-	1,424,267	-	-	23,397	1,447,664
Employee benefits	-	-	-	135,031	-	-	135,031
Culture and recreation	-	-	-	-	-	109,765	109,765
Equipment outlay	-	-	-	-	-	342,263	342,263
Unassigned:	593,608	-	-	-	-	-	593,608
Total Fund Balances	$ 593,608	$ 1,965,576	$ 1,424,267	$ 135,031	$ 659,198	$ 475,425	$ 5,253,105

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 2012 budget was amended for the Bond and Interest, Sewer Utility and Special Parks and Recreation Funds.

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)

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, 2012	$ 593,608	$ 1,965,576	$ 1,424,267	$ 135,031	$ 659,198	$ 475,425	$ 5,253,105
Unreserved fund balances not subject to the Kansas budget law:							
Special Police Fund	-	-	-	-	-	[542]	[542]
Municipal Equipment Reserve Fund	-	-	-	-	-	[341,721]	[341,721]
Glenwood Sewer Maintenance Fund	-	-	-	-	-	[19,684]	[19,684]
Adjustments:							
Municipal court receivable	[48,027]	-	-	-	-	-	[48,027]
Other receivable	[4,206]	-	-	-	-	-	[4,206]
Total deductions	[52,233]	-	-	-	-	[361,947]	[414,180]
BUDGETARY FUND BALANCE December 31, 2012	$ 541,375	$ 1,965,576	$ 1,424,267	$ 135,031	$ 659,198	$ 113,478	$ 4,838,925

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

	Major Business-Type Funds		
	Sewer Utility Fund	Solid Waste Utility Fund	Total Business-Type Funds
NET POSITION December 31, 2012	$ 8,431,642	$ 104,018	$ 8,535,660
Adjustments:			
Capital assets, net	[18,049,161]	-	[18,049,161]
Receivables	[103,312]	[27,463]	[130,775]
Accrued interest	97,045	-	97,045
Accrued compensation	12,531	-	12,531
General obligation payable	5,317,517	-	5,317,517
KDHE loan payable	5,063,641	-	5,063,641
Total deductions	[7,661,739]	[27,463]	[7,689,202]
BUDGETARY NET POSITION December 31, 2012	$ 769,903	$ 76,555	$ 846,458

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	$ -	$ -	$ -	$ 103,312	$ 27,463	$ 130,775
Taxes	993,230	372,926	71,298	-	-	1,437,454
Municipal court	48,027	-	-	-	-	48,027
Other	4,206	-	-	-	-	4,206
Total	$ 1,045,463	$ 372,926	$ 71,298	$ 103,312	$ 27,463	$ 1,620,462

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. *Capital Assets*

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 12/31/11	Additions	Retirements	Balance 12/31/12
City governmental activities:				
Capital assets, not being depreciated				
Land	$ 135,838	$ -	$ -	$ 135,838
Construction in progress	-	165,301	-	165,301
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	18,992,224	41,559	97,437	18,936,346
Total capital assets	19,128,062	206,860	97,437	19,237,485
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	8,021,958	825,934	83,667	8,764,225
Total accumulated depreciation	8,021,958	825,934	83,667	8,764,225
Governmental activities capital assets, net	$ 11,106,104	$ [619,074]	$ 13,770	$ 10,473,260
Business-type activities:				
Capital assets, being depreciated				
Buildings, improvements, vehicles, and equipment	$ 28,628,354	$ -	$ 11,565	$ 28,616,789
Total capital assets	28,628,354	-	11,565	28,616,789
Less accumulated depreciation for:				
Buildings, improvements, vehicles, and equipment	9,789,725	788,550	10,647	10,567,628
Total accumulated depreciation	9,789,725	788,550	10,647	10,567,628
Business-type activities capital assets, net	$ 18,838,629	$ [788,550]	$ 918	$ 18,049,161

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. *Capital Assets (Continued)*

The City's depreciation expense was charged as follows:

Governmental Activities:	
General government	$ 11,899
Public safety	36,731
Public works	3,567
Culture and recreation	11,347
Infrastructure	762,390
Total depreciation expense	$ 825,934
Business-type Activities:	
Sewer utility	$ 788,550
Total depreciation expense	$ 788,550

D. *Long-term Debt*

During the year ended December 31, 2012, the following changes occurred in long term liabilities:

Government Fund Activities	Balance January 1, 2012	Additions	Restatement/ Reductions	Balance December 31, 2012
General obligation bonds	$ 3,477,200	$ 4,660,000	$ 275,900	$ 7,861,300
General obligation bonds premium	-	137,067	-	137,067
Total general obligation bonds	3,477,200	4,797,067	275,900	7,998,367
Temporary notes	3,460,000	-	3,460,000	-
KDOT loan	1,326,222	-	1,326,222	-
Capital lease	56,300	-	6,300	50,000
	$ 8,319,722	$ 4,797,067	$ 5,068,422	$ 8,048,367
Enterprise Fund Activities				
General obligation bonds	$ 852,800	$ 4,175,000	$ 84,100	$ 4,943,700
General obligation bonds premium	-	373,817	-	373,817
Total general obligation bonds	852,800	4,548,817	84,100	5,317,517
KDHE revolving loan	10,168,951	-	5,105,309	5,063,641
	$ 11,021,751	$ 4,548,817	$ 5,189,409	$ 10,381,158

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	$ 1,870,000
Improvements, Series 2005	08/15/05	09/01/25	3.65-5.25%	2,840,000	2,100,000
Refunding and improvements, Series	08/08/12	09/01/32	2.00-3.00%	9,345,884	9,345,884
				$ 15,600,884	$ 13,315,884

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

Year Ending December 31,	Principal	Interest	Total
2013	$ 950,544	$ 393,808	$ 1,344,352
2014	995,544	362,675	1,358,219
2015	1,125,544	336,605	1,462,149
2016	1,265,544	300,128	1,565,672
2017	1,315,544	258,978	1,574,522
2018-2022	4,367,721	705,293	5,073,014
2023-2027	2,017,721	267,515	2,285,236
2028-2032	1,277,721	79,583	1,357,304
Total	$ 13,315,884	$ 2,704,583	$ 16,020,467

During 2012, the City issued $9,345,884 in general obligation refunding bonds with an interest rate of 1.7% to refund $1,278,456 of a Kansas Department of Health and Environment revolving loan with an interest rate of 3.07%. As a result, the revolving loan is considered to be defeased and the liability for the defeased bonds has been removed from the City's financial statements. The transaction resulted in an economic gain of $556,740 and a decrease of $614,727 in future debt payments.

III. DETAILED NOTES ON ALL FUNDS (Continued)

D. Long-term Debt (Continued)

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 $5,663,682 and calls for an interest rate of 2.82%. This loan had an outstanding balance of $5,063,641 at December 31, 2012. The City will retire this loan with semi-annual payments through September 2030. The following displays annual debt service requirements to maturity for this KDHE loan for the full proceeds amount:

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
2013	$ 371,395
2014	371,395
2015	371,395
2016	371,395
2017	371,395
2018-2022	1,856,974
2023-2025	1,856,974
2026-2030	889,978
Total principal and interest	6,460,899
Less: interest	1,397,258
Total principal	$ 5,063,641

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 $558,364. Total gross payroll was $1,154,179. The contribution for the year ending December 31, 2012 was $8,625 from employees and $61,420 from employer representing 11% 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 2012 is 17.26%. 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, 2012, 2011 and 2010 were $89,377, $73,019, and $66,374, respectively equal to the required contribution for each year.

D. Interfund Transfers

A reconciliation of all operating transfers by fund type for 2012 follows:

	In	Out
Major Funds:		
General	$ 59,753	$ 69,518
Employee Benefit	47,502	-
Other Governmental Funds	19,536	-
Sewer Utility	-	63,968
Solid Waste Utility	-	43,288
Bond and Interest	49,983	-
	$ 176,774	$ 176,774

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 $1,967,132 of cash in the Consolidated Highway Fund as of December 31, 2012, $68,989 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 $359 per month for retiree-only coverage and $727 to $1,139, 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	$ 3,521
Interest on Net OPEB Obligation	357
Adjustment to Annual Required Contribution	[642]
Annual OPEB cost (expense)	3,236
Benefit payments	-
Change in net OPEB obligation	3,236
Net OPEB obligation - beginning of year	8,931
Net OPEB obligation - end of year	$ 12,167

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, 2012 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	$ 2,973	$ -	$ 5,832
December 31, 2011	3,099	-	8,931
December 31, 2012	3,236	-	12,167

Funding Status and Funding Progress. As of January 1, 2010, 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 January 1, 2010, 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, 2012

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, 2012

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and cash equivalents	$ 452,028	$ 23,955	$ 475,983
Total assets	$ 452,028	$ 23,955	$ 475,983
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ -	$ 558	$ 558
Total liabilities	-	558	558
Fund balance:			
Assigned	452,028	23,397	475,425
Total fund balance [deficit]	452,028	23,397	475,425
Total liabilities and fund balances	$ 452,028	$ 23,955	$ 475,983

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, 2012

	Special Revenue	Capital Projects	Total
REVENUES:			
Taxes	$ 8,482	$ 1,544	$ 10,026
Licenses, permits and fees	7,200	68,048	75,248
Use of money and property	1,410	1,966	3,376
Total revenues	17,092	71,558	88,650
EXPENDITURES:			
Debt service			
Principal	-	3,460,000	3,460,000
Interest and other charges	-	70,738	70,738
Capital outlay	77,703	106,126	183,829
Total expenditures	77,703	3,636,864	3,714,567
Excess [deficiency] of revenues over [under] expenditures	[60,611]	[3,565,306]	[3,625,917]
OTHER FINANCING SOURCES [USES]:			
Sale of bonds	-	3,410,000	3,410,000
Bond premium	-	92,960	92,960
Transfers in	69,518	[49,982]	19,536
Total other financing sources [uses]	69,518	3,452,978	3,522,496
Excess [Deficiency] of Revenues and Other Financing Sources Over [Under] Expenditures and Other [Uses]	8,907	[112,328]	[103,421]
Fund balance - Beginning of year	443,121	135,725	578,846
Fund balance - End of year	$ 452,028	$ 23,397	$ 475,425

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2012

	Special Parks and Recreation	Municipal Equipment Reserve	Special Police	Totals
ASSETS				
Cash and cash equivalents	$ 109,765	$ 341,721	$ 542	$ 452,028
Total assets	$ 109,765	$ 341,721	$ 542	$ 452,028
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-
Fund balance:				
Assigned	109,765	341,721	542	452,028
Total fund balance [deficit]	109,765	341,721	542	452,028
Total liabilities and fund balances	$ 109,765	$ 341,721	$ 542	$ 452,028

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, 2012

	Special Parks and Recreation	Municipal Equipment Reserve	Special Police	Totals
REVENUES:				
Taxes	$ 8,482	$ -	$ -	$ 8,482
Licenses, permits and fees	7,200	-	-	7,200
Use of money and property	391	1,019	-	1,410
Total revenues	16,073	1,019	-	17,092
EXPENDITURES:				
Capital outlay	27,616	50,087	-	77,703
Total expenditures	27,616	50,087	-	77,703
Excess [deficiency] of revenues over [under] expenditures	[11,543]	[49,068]	-	[60,611]
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]	[11,543]	20,450	-	8,907
Fund balance - Beginning of year	121,308	321,271	542	443,121
Fund balance - End of year	$ 109,765	$ 341,721	$ 542	$ 452,028

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
December 31, 2012

	Cedar Lakes Maintenance	Basehor Town Center Project	Wolf Creek Project	Glenwood Sewer Maintenance	Totals
ASSETS					
Cash and cash equivalents	$ 4,271	$ -	$ -	$ 19,684	$ 23,955
Total assets	$ 4,271	$ -	$ -	$ 19,684	$ 23,955
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 558	$ -	$ -	$ -	$ 558
Total liabilities	558	-	-	-	558
Fund balance:					
Assigned	3,713	-	-	19,684	23,397
Total fund balance [deficit]	3,713	-	-	19,684	23,397
Total liabilities and fund balances	$ 4,271	$ -	$ -	$ 19,684	$ 23,955

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CITY OF BASEHOR, KANSAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
For the Year Ended December 31, 2012

	Cedar Lakes Maintenance	Basehor Town Center Project	Wolf Creek Project	Glenwood Sewer Maintenance	Totals
REVENUES:					
Taxes	$ -	$ 1,544	$ -	$ -	$ 1,544
Licenses, permits and fees	31,000	-	-	37,048	68,048
Use of money and property	55	1,842	-	69	1,966
Total revenues	31,055	3,386	-	37,117	71,558
EXPENDITURES:					
Debt service					
Principal	-	3,460,000	-	-	3,460,000
Interest and other charges	-	70,738	-	-	70,738
Capital outlay	37,662	41,628	-	26,836	106,126
Total expenditures	37,662	3,572,366	-	26,836	3,636,864
Excess [deficiency] of revenues over [under] expenditures	[6,607]	[3,568,980]	-	10,281	[3,565,306]
OTHER FINANCING SOURCES [USES]					
Sale of bonds	-	3,410,000	-	-	3,410,000
Bond premium	-	92,960	-	-	92,960
Transfer [out]	-	[3,442]	[46,540]	-	[49,982]
Total other financing sources [uses]	-	3,499,518	[46,540]	-	3,452,978
Excess [deficiency] of revenues and other sources over [under] expenditures and other [uses]	[6,607]	[69,462]	[46,540]	10,281	[112,328]
Fund balance - Beginning of year	10,320	69,462	46,540	9,403	135,725
Fund balance - End of year	$ 3,713	$ -	$ -	$ 19,684	$ 23,397

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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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 8,482	$ -	$ 8,482	$ 8,896	$ 8,896	$ [414]
Licenses, permits and fees	7,200	-	7,200	1,500	1,500	5,700
Use of money and property	391	-	391	250	250	141
Total Revenues	16,073	-	16,073	10,646	10,646	5,427
Expenditures:						
Capital outlay	27,616	-	27,616	25,000	40,000	12,384
Total Expenditures	27,616	-	27,616	25,000	40,000	12,384
Excess [Deficiency] of Revenues Over [Under] Expenditures	[11,543]	-	[11,543]	$ [14,354]	$ [29,354]	$ 17,811
Fund Balance, January 1	121,308	-	121,308			
Fund Balance, December 31	$ 109,765	$ -	$ 109,765			

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, 2012

	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	$ 31,000	$ -	$ 31,000	$ 31,000	$ 31,000	$ -
Use of money and property	55	-	55	20	20	35
Total Revenues	31,055	-	31,055	31,020	31,020	35
Expenditures:						
Capital outlay	37,662	-	37,662	40,000	40,000	2,338
Total Expenditures	37,662	-	37,662	40,000	40,000	2,338
Excess [Deficiency] of Revenues Over [Under] Expenditures	[6,607]	-	[6,607]	$ [8,980]	$ [8,980]	$ 2,373
Fund Balance, January 1	10,320	-	10,320			
Fund Balance, December 31	$ 3,713	$ -	$ 3,713			

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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, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues:						
Taxes	$ 123,686	$ -	$ 123,686	$ 119,916	$ 119,916	$ 3,770
Intergovernmental	14,278	-	14,278	-	-	14,278
Special assessments	704,913	-	704,913	527,000	527,000	177,913
Use of money and property	2,604	-	2,604	1,000	1,000	1,604
Total Revenues	845,481	-	845,481	647,916	647,916	197,565
Expenditures:						
Debt service:						
Principal	1,602,122	[1,278,456]	323,666	702,234	1,992,995	1,669,329
Interest	333,145	[15,651]	317,494	-	-	[317,494]
Total Expenditures	1,935,267	[1,294,107]	641,160	702,234	1,992,995	1,351,835
Excess [Deficiency] of Revenues Over [Under] Expenditures	[1,089,786]	1,294,107	204,321	[54,318]	[1,345,079]	1,549,400
Other Financing Sources [Uses]:						
Sale of bonds	1,250,000	[1,250,000]	-	-	1,250,000	[1,250,000]
Bond premium	44,107	[44,107]	-	-	40,761	[40,761]
Transfers in	49,983	-	49,983	-	-	49,983
Total Other Financing Sources [Uses]	1,344,090	[1,294,107]	49,983	-	1,290,761	[1,240,778]
Excess [Deficiency] of Revenues and Other Sources Over [Under] Expenditures and Other [Uses]	254,304	-	254,304	$ [54,318]	$ [54,318]	$ 308,622
Fund Balances, January 1	404,894	-	404,894			
Fund Balances, December 31	$ 659,198	$ -	$ 659,198			

See independent auditor's report on the financial statements

CITY OF BASEHOR, KANSAS

SEWER UTILITY FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN NET POSITION - ACTUAL AND BUDGET
For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues						
Charges for services	$ 1,216,584	$ [16,657]	$ 1,199,927	$ 1,170,000	$ 1,170,000	$ 29,927
Special assessments	90,268	-	90,268	72,162	72,162	18,106
Use of money and property	2,686	-	2,686	1,000	1,000	1,686
Total revenues	1,309,538	[16,657]	1,292,881	1,243,162	1,243,162	49,719
Expenditures						
Personnel	78,290	[1,452]	76,838	77,500	77,500	662
Contractual	204,748	-	204,748	172,512	172,512	[32,236]
Commodities	28,866	-	28,866	25,750	25,750	[3,116]
Capital outlay	18,799	-	18,799	128,500	128,500	109,701
Depreciation	788,550	[788,550]	-	-	-	-
Total expenditures	1,119,253	[790,002]	329,251	404,262	404,262	75,011
Operating income [loss]	190,285	773,345	963,630	838,900	838,900	124,730
Other Financing Sources [Uses]:						
Debt principal	-	[640,593]	[640,593]	[911,395]	[5,439,017]	4,798,424
Debt interest and fees	[319,862]	[5,831]	[325,693]	-	-	[325,693]
Bond proceeds	-	-	-	-	4,527,622	[4,527,622]
Sale of asset	-	918	918	-	-	918
Capital contribution	118,181	-	118,181	-	-	118,181
Transfers out	[63,968]	-	[63,968]	[63,968]	[63,968]	-
Total Other Financing Sources [Uses]	[265,649]	[645,506]	[911,155]	[975,363]	[975,363]	64,208
Change in net position	[75,364]	127,839	52,475	$ [136,463]	$ [136,463]	$ 188,938
Net position, January 1	8,507,006	[7,789,578]	717,428			
Net position, December 31	$ 8,431,642	$ [7,661,739]	$ 769,903			

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 POSITION - ACTUAL AND BUDGET
For the Year Ended December 31, 2012

	GAAP Basis	Adjustments to Budgetary Basis	Budgetary Basis	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget Positive [Negative]
Revenues						
Charges for services	$ 286,652	$ [4,422]	$ 282,230	$ 279,130	$ 279,130	$ 3,100
Use of money and property	520	-	520	103	103	417
Total revenues	287,172	[4,422]	282,750	279,233	279,233	3,517
Expenditures						
Contractual	233,305	-	233,305	239,184	239,184	5,879
Commodities	2,595	-	2,595	2,298	2,298	[297]
Total expenditures	235,900	-	235,900	241,482	241,482	5,582
Operating income [loss]	51,272	[4,422]	46,850	37,751	37,751	9,099
Other Financing Sources [Uses]:						
Transfer [out]	[43,288]	-	[43,288]	[39,415]	[39,415]	[3,873]
Total Other Financing Sources [Uses]	[43,288]	-	[43,288]	[39,415]	[39,415]	[3,873]
Change in net position	7,984	[4,422]	3,562	$ [1,664]	$ [1,664]	$ 5,226
Net position, January 1	96,034	[23,041]	72,993			
Net position, December 31	$ 104,018	$ [27,463]	$ 76,555			

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