

CITY OF NORTONVILLE, KANSAS
and NORTONVILLE PUBLIC LIBRARY

FINANCIAL STATEMENT
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council of
City of Nortonville, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Nortonville, Kansas and its related municipal entity (the municipal financial reporting entity), as of and for the year ended December 31, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by City of Nortonville, Kansas and its related municipal entity on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of City of Nortonville, Kansas and its related municipal entity as of December 31, 2018, or changes in its financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of City of Nortonville, Kansas and its related municipal entity as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

OTHER MATTERS

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balance (basic financial statement) as a whole.

The summary of regulatory basis expenditures – actual and budget, individual fund schedules of regulatory basis receipts and expenditures – actual and budget, and schedules of regulatory basis receipts and expenditures, are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, 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 basic financial statement as a whole, on the basis of accounting described in Note 1.

Summary Prior Year Information

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of City of Nortonville, Kansas as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated June 7, 2018, which contained an unmodified opinion on the basic financial statement.

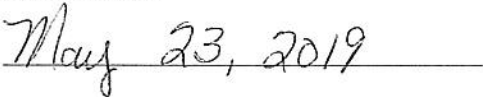
The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>.

The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures—actual and budget for the year ended December 31, 2018 is presented for purposes of additional analysis and is not a required part of the basic financial statement.

Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2018, on the basis of accounting described in Note 1.

Patsy A. Porter, CPA, PA

Patsy A. Porter, CPA, PA
Atchison, KS

May 23, 2019

CITY OF NORTONVILLE, KANSAS

For the Year Ended December 31, 2018

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CITY OF NORTONVILLE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS

For the Year Ended December 31, 2018

| | Beginning Unencumbered Cash Balance | Prior Year Canceled Encumbrances | Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Encumbrances and Accounts Payable | Ending Cash Balance |
|--|---|--|------------|--------------|--|--|------------------------|
| FUNDS | | | | | | | |
| Governmental type funds: | | | | | | | |
| General fund | \$ 53,397 | - | \$ 198,890 | \$ 189,590 | \$ 62,697 | \$ 2,972 | \$ 65,669 |
| Special purpose funds: | | | | | | | |
| Special highway | 33,011 | - | 16,693 | - | 49,704 | - | 49,704 |
| Library | - | - | 31,376 | 31,376 | - | - | - |
| Special street | 3,000 | - | 8,000 | - | 11,000 | - | 11,000 |
| Special police equipment | 9,942 | - | - | 850 | 9,092 | - | 9,092 |
| Special equipment | 12,552 | - | 11,000 | 6,548 | 17,004 | - | 17,004 |
| Insurance proceeds | - | - | - | - | - | 5,250 | 5,250 |
| Business funds: | | | | | | | |
| Water | 91,223 | - | 124,504 | 151,844 | 63,883 | - | 63,883 |
| Sewer | 36,589 | - | 91,271 | 95,421 | 32,439 | - | 32,439 |
| Total primary government | 239,714 | - | 481,734 | 475,629 | 245,819 | 8,222 | 254,041 |
| Related municipal entity: | | | | | | | |
| Nortonville Public Library | 26,562 | - | 63,565 | 64,449 | 25,678 | - | 25,678 |
| Total municipal financial reporting entity | \$ 266,276 | \$ - | \$ 545,299 | \$ 540,078 | \$ 271,497 | \$ 8,222 | \$ 279,719 |
| | | Composition of cash: | | | | | |
| | | Checking accounts | | | | | \$ 132,041 |
| | | Certificates of deposit | | | | | 122,000 |
| | | Total related municipal entity | | | | | 25,678 |
| | | Total cash | | | | | 279,719 |
| | | Total municipal financial reporting entity | | | | | \$ 279,719 |

See accompanying notes to the financial statement.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

1 - Summary of significant accounting policies

(a) Municipal financial reporting entity

The City of Nortonville, Kansas (the City) is a municipal corporation governed by an elected five-member council plus a mayor. This financial statement presents The City of Nortonville, Kansas (the municipality) and its related municipal entity. The related municipal entity is included in the City's reporting entity because it was established to benefit the City and/or its constituents.

Nortonville Public Library. The City of Nortonville Library Board operates the city's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City.

(b) Regulatory basis fund types

General fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special purpose fund – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Capital project fund – used to account for debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business funds – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service funds, etc.)

Trust fund – funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.)

(c) Basis of presentation and accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year.

All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis of accounting.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

(d) Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, 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 local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of 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. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received, and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust funds and the following special purpose funds – Special Police Equipment Fund, Special Park Building Fund, Special Street Fund, Special Equipment Fund, Insurance Proceeds Fund, and Nortonville Public Library.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

(e) Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

2 - Deposits and investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2018.

At December 31, 2018 the City's carrying amount of deposits, including certificates of deposit and time deposits, was \$254,040 and the bank balance was \$260,670. At December 31, 2018 the carrying amount of the Library's deposits, was \$25,678 and the bank balance was \$25,956. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, while \$879 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and an additional \$35,747 was covered by other certificates.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

3 - Ad valorem tax revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties.

The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied on November 1 and become 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.

The tax rate assessed for the year ended December 31, 2018 to finance the general fund was \$26.261 per \$1,000 valuation and other fund operations was \$9.314 per \$1,000 valuation.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

4 - Long-term debt

Changes in long-term liabilities for the City for the year ended December 31, 2018, were as follows:

| Issue | Balance Beg of Year | Additions | Payments | Change | Balance End of Year | Interest Paid |
|----------------------|---------------------------|-------------|-----------------|-------------------|---------------------------|------------------|
| KDHE | \$274,717 | \$ - | \$35,916 | \$(35,916) | \$238,801 | \$7,097 |
| Interest Rate | 2.92% | | | | | |
| Date of Issue | 3/1/2005 | | | | | |
| Amount of Issue | \$671,184 | | | | | |
| Date of maturity | 3/31/2025 | | | | | |
| USDA | 571,270 | - | 9,442 | (9,442) | 561,828 | 18,566 |
| Interest Rate | 3.25% | | | | | |
| Date of Issue | 2/4/2011 | | | | | |
| Amount of Issue | \$622,000 | | | | | |
| Date of maturity | 2/10/2051 | | | | | |
| Ford Motor Credit Co | 23,245 | - | 5,397 | (5,397) | 17,848 | 1,151 |
| Interest Rate | 4.95% | | | | | |
| Date of Issue | 3/13/2017 | | | | | |
| Amount of Issue | \$29,793 | | | | | |
| Date of maturity | 3/13/2021 | | | | | |
| Total long-term debt | <u>\$869,232</u> | <u>\$ -</u> | <u>\$50,755</u> | <u>\$(50,755)</u> | <u>\$818,477</u> | <u>\$26,814</u> |

Current maturities of long-term debt and interest for the next five years and in five year increments through the date of maturity are as follows:

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024-2028 | 2029-2033 |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Principal | | | | | | | |
| KDHE | \$36,972 | \$38,060 | \$39,180 | \$40,332 | \$41,518 | \$42,739 | \$ - |
| USDA | 9,749 | 10,066 | 10,393 | 10,731 | 11,080 | 61,041 | 71,626 |
| Capital lease | 5,664 | 5,945 | 6,239 | - | - | - | - |
| Total principal | <u>52,385</u> | <u>54,071</u> | <u>55,812</u> | <u>51,063</u> | <u>52,598</u> | <u>103,780</u> | <u>71,626</u> |
| Interest | | | | | | | |
| KDHE | 6,131 | 5,134 | 4,113 | 3,059 | 1,974 | 858 | - |
| USDA | 18,259 | 17,943 | 17,615 | 17,278 | 16,929 | 79,003 | 68,418 |
| Capital lease | 883 | 603 | 309 | - | - | - | - |
| Total interest | <u>25,273</u> | <u>23,680</u> | <u>22,037</u> | <u>20,337</u> | <u>18,903</u> | <u>79,861</u> | <u>68,418</u> |
| Total principal & interest | <u>\$77,658</u> | <u>\$77,751</u> | <u>\$77,849</u> | <u>\$71,400</u> | <u>\$71,501</u> | <u>\$183,641</u> | <u>\$140,044</u> |

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

| | 2034-2038 | 2039-2043 | 2044-2048 | 2049-2051 | Total |
|-------------------------------|-----------|-----------|-----------|-----------|-------------|
| Principal | | | | | |
| KDHE | \$ - | \$ - | \$ - | \$ - | \$238,801 |
| USDA | 84,046 | 98,621 | 115,722 | 78,753 | 561,828 |
| Capital lease | - | - | - | - | 17,848 |
| Total principal | 84,046 | 98,621 | 115,722 | 78,753 | 818,477 |
| Interest | | | | | |
| KDHE | - | - | - | - | 21,269 |
| USDA | 55,997 | 41,423 | 24,321 | 5,169 | 362,355 |
| Capital lease | - | - | - | - | 1,795 |
| Total interest | 55,997 | 41,423 | 24,321 | 5,169 | 385,419 |
| Total principal & interest | \$140,043 | \$140,044 | \$140,043 | \$83,922 | \$1,203,896 |

5 - Interfund transfers

Operating transfers were as follows:

| From | To | Statutory Authority K.S.A. | Amount |
|---------|-------------------|----------------------------------|----------|
| General | Special Equipment | 12-1,117 | \$ 5,000 |
| General | Special Street | 12-1,119 | \$ 8,000 |
| Water | Special Equipment | 12-1,117 | \$ 4,000 |
| Sewer | Special Equipment | 12-1,117 | \$ 2,000 |

6 - Other long-term obligations from operations

Other post-employment benefits. As provided by K.S.A. 12-5040, the municipality allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the municipality is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the municipality makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and disability other post-employment benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2018. An estimate of the OPEB liability as of June 30, 2017 was \$1,481 and as of June 30, 2016 was \$965.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

Compensated absences. As described in Note 1, these financial statements are prepared in compliance with the KMAAG regulatory basis of accounting, and therefore there is no presentation for vested or accumulated compensated absences.

The municipality's compensated absence policy permits full-time employees to earn one week of vacation per year after one year of service, two weeks after five years of service, three weeks after ten years of service, and four weeks after twenty years of service. At December 31, 2018, vacation pay earned but not yet used was \$2,323. Full-time employees earn four hours of sick time per month with an accumulation cap of two-hundred forty hours. If the full-time employee is sick more than thirty consecutive days, the City will pay 40% of the salary for thirteen weeks. At December 31, 2018, sick pay earned but not yet used was \$2,411.

7 - Defined benefit pension plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS). KPERS is part of a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. Seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions K.S.A. 74-419 and K.S.A. 74-49,210 establishes the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of an annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. The City's employer contributions to KPERS, for the years ended December 31, 2018, 2017, and 2016 were \$8,947, \$8,376 and \$11,331, respectively.

Net pension liability. At December 31, 2018, the City's proportionate share of the collective net pension liability reported by KPERS was \$74,456. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which is rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup with KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

CITY OF NORTONVILLE, KANSAS
NOTES TO THE FINANCIAL STATEMENT
December 31, 2018

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publically available on the website at www.kpers.org or can be obtained as described in the first paragraph.

8 - Risk management

The City continues to carry commercial insurance for risk of loss through the purchase of commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9 - Water consumer deposits

Water consumers are required to make cash deposits to the City when starting new water service. The deposits are refunded to the consumers when service is terminated or if consumer's account is in good standing for 12 months. Currently, the City has \$7,273 of consumer deposits, which are included in the Water Fund cash in the financial statement.

10 - License agreement

The City purchased accounting software to maintain the general ledger, utility billing, payroll and municipal court functions. The agreement with Sequoyah Software and Consulting, Inc. calls for twenty-four monthly installments of \$352, which is now satisfied. A \$100 charge per month for unlimited customer software support and updates are the only amounts paid.

11 - Subsequent events

Management has evaluated subsequent events through May 23, 2019, the date the financial statements were available to be issued.

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

CITY OF NORTONVILLE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2018

| <u>FUNDS</u> | <u>Certified Budget</u> | <u>Adjustments for Qualifying Budget Credits</u> | <u>Total Budget for Comparison</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance - (Over) Under</u> |
|------------------------|-----------------------------|--|--|--|--|
| Government type funds: | | | | | |
| General fund | \$ 246,464 | \$ 7,028 | \$ 253,492 | \$ 189,590 | \$ 63,902 |
| Special purpose funds: | | | | | |
| Special highway | 49,457 | - | 49,457 | - | 49,457 |
| Library | 31,552 | - | 31,552 | 31,376 | 176 |
| Business funds: | | | | | |
| Water | 200,819 | - | 200,819 | 151,844 | 48,975 |
| Sewer | 136,249 | - | 136,249 | 95,421 | 40,828 |

CITY OF NORTONVILLE, KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | | Current Year | | Variance |
|---|------------|--------------|------------|-----------|
| | Prior Year | Actual | Budget | Over |
| | Actual | | | (Under) |
| Cash receipts: | | | | |
| Taxes and shared revenue: | | | | |
| Ad valorem property tax | \$ 63,126 | \$ 74,139 | \$ 65,986 | \$ 8,153 |
| Delinquent tax | 1,144 | 1,125 | - | 1,125 |
| Motor vehicle tax | 12,635 | 12,656 | 11,725 | 931 |
| Recreational vehicle tax | 159 | 177 | 107 | 70 |
| 16/20M vehicle tax | 156 | 249 | 72 | 177 |
| Current watercraft tax | 39 | 21 | - | 21 |
| Commercial truck fees | 97 | 96 | 108 | (12) |
| Local sales tax | 29,324 | 29,096 | 28,000 | 1,096 |
| Franchise tax | 31,439 | 32,986 | 31,000 | 1,986 |
| Licenses | 310 | 420 | 100 | 320 |
| Miscellaneous | 5,299 | 1,877 | 3,000 | (1,123) |
| Reimbursements - other | 8,570 | 7,028 | - | 7,028 |
| Fines | 1,529 | 1,013 | 2,500 | (1,487) |
| Trash service | 35,153 | 35,825 | 38,000 | (2,175) |
| Interest on idle funds | 1,008 | 2,182 | 500 | 1,682 |
| Total cash receipts | 189,988 | 198,890 | \$ 181,098 | \$ 17,792 |
| Expenditures: | | | | |
| Salaries & wages | 41,583 | 43,132 | 45,000 | 1,868 |
| Employee benefits | 10,811 | 11,610 | 14,000 | 2,390 |
| Contractual services | 8,690 | 5,284 | 8,000 | 2,716 |
| Gas & oil | 1,395 | 1,676 | 1,800 | 124 |
| Insurance | 5,172 | 5,866 | 6,000 | 134 |
| Legal services | 6,000 | 6,000 | 6,000 | - |
| Miscellaneous | 1,391 | 1,628 | 10,000 | 8,372 |
| New equipment | 480 | 480 | 500 | 20 |
| Office supplies | 1,220 | 1,616 | 1,500 | (116) |
| Park department | 3,690 | 3,867 | 4,000 | 133 |
| Police and animal control | 24,379 | 24,883 | 33,000 | 8,117 |
| Postage, printing & professional services | 3,037 | 7,560 | 3,500 | (4,060) |
| Public safety | 283 | 269 | 300 | 31 |
| Recreation | 915 | 810 | 1,000 | 190 |
| Repairs & maintenance | 273 | 300 | 500 | 200 |
| Shop materials | 1,457 | 1,415 | 2,000 | 585 |
| Streets and street lights | 17,541 | 15,136 | 58,364 | 43,228 |
| Trash service | 35,206 | 35,699 | 38,000 | 2,301 |
| Utilities | 9,094 | 9,359 | 10,000 | 641 |
| Transfer to Special Street Fund | 3,000 | 8,000 | - | (8,000) |
| Transfer to Special Equipment Fund | 5,000 | 5,000 | - | (5,000) |
| Transfer to Special Police Equipment Fund | - | - | 3,000 | 3,000 |
| Legal general fund budget | 180,617 | 189,590 | 246,464 | 56,874 |
| Adjustment for qualifying budget credits | - | - | 7,028 | 7,028 |
| Total expenditures | 180,617 | 189,590 | \$ 253,492 | \$ 63,902 |
| Cash receipts over (under) expenditures | 9,371 | 9,300 | | |
| Unencumbered cash, beginning | 44,026 | 53,397 | | |
| Prior year cancelled encumbrances | - | - | | |
| Unencumbered cash, ending | \$ 53,397 | \$ 62,697 | | |

CITY OF NORTONVILLE, KANSAS

SPECIAL HIGHWAY FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | | Current Year | | Variance |
|---|----------------------|--------------|-----------|-------------------------|
| | Prior Year Actual | Actual | Budget | Over Over (Under) |
| Cash receipts: | | | | |
| State of Kansas gas tax | \$ 16,383 | \$ 16,693 | \$ 16,380 | \$ 313 |
| Expenditures: | | | | |
| Street repair and maintenance | - | - | \$ 49,457 | \$ 49,457 |
| Cash receipts over (under) expenditures | 16,383 | 16,693 | | |
| Unencumbered cash, beginning | 16,628 | 33,011 | | |
| Prior year cancelled encumbrances | - | - | | |
| Unencumbered cash, ending | \$ 33,011 | \$ 49,704 | | |

CITY OF NORTONVILLE, KANSAS

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | | Current Year | | Variance |
|---|------------|--------------|-----------|----------|
| | Prior Year | Actual | Budget | Over |
| | Actual | | | (Under) |
| Cash receipts: | | | | |
| Taxes and shared revenue: | | | | |
| Ad valorem property tax | \$ 25,260 | \$ 25,628 | \$ 26,306 | \$ (678) |
| Delinquent tax | 466 | 450 | - | 450 |
| Motor vehicle tax | 5,170 | 5,079 | 4,780 | 299 |
| Recreational vehicle tax | 65 | 71 | 44 | 27 |
| 16/20M vehicle tax | 65 | 101 | 30 | 71 |
| Current watercraft tax | 16 | 8 | - | 8 |
| Commercial truck fees | 40 | 38 | - | 38 |
| Miscellaneous | - | - | - | - |
| Total cash receipts | 31,082 | 31,376 | \$ 31,160 | \$ 215 |
| Expenditures: | | | | |
| Transfer to Nortonville Public Library | 31,082 | 31,376 | \$ 31,552 | \$ 176 |
| Miscellaneous | - | - | - | - |
| Total expenditures | 31,082 | 31,376 | \$ 31,552 | \$ 176 |
| Cash receipts over (under) expenditures | - | - | | |
| Unencumbered cash, beginning | - | - | | |
| Prior year cancelled encumbrances | - | - | | |
| Unencumbered cash, ending | \$ - | \$ - | | |

CITY OF NORTONVILLE, KANSAS

WATER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|---|----------------------|--------------|------------|-----------------------------|
| | | Actual | Budget | |
| Cash receipts: | | | | |
| Sales | \$ 106,480 | \$ 109,480 | \$ 110,500 | \$ (1,020) |
| Connections | 50 | - | 600 | (600) |
| Deposits | 1,073 | 1,276 | - | 1,276 |
| Late charges | 8,770 | 10,491 | 9,000 | 1,491 |
| Sales tax | 1,096 | 1,241 | 1,000 | 241 |
| Coin meter | 206 | 528 | 500 | 28 |
| Interest on deposits | - | - | - | - |
| Miscellaneous | 10,379 | 1,488 | - | 1,488 |
| Total cash receipts | 128,054 | 124,504 | \$ 121,600 | \$ 2,904 |
| Expenditures: | | | | |
| Salaries & wages | 39,375 | 38,838 | \$ 45,000 | \$ 6,162 |
| Employee benefits | 10,645 | 11,314 | 15,000 | 3,686 |
| Contractual services | 5,233 | 26,812 | 65,618 | 38,806 |
| Deposit refunds | 828 | 940 | 5,693 | 4,753 |
| Education | 76 | 291 | 500 | 209 |
| Gas & oil | 1,341 | 1,681 | 2,000 | 319 |
| Insurance | 5,172 | 5,866 | 6,000 | 134 |
| Licenses & memberships | 492 | 499 | 500 | 1 |
| Miscellaneous | 25 | 75 | - | (75) |
| New equipment | 480 | 480 | 2,000 | 1,520 |
| Office supplies | 397 | 1,148 | 500 | (648) |
| Postage, printing & professional services | 3,132 | 10,579 | 3,500 | (7,079) |
| Repairs & maintenance | 849 | 668 | 5,000 | 4,332 |
| Sales tax | 1,111 | 1,266 | 1,500 | 234 |
| Shop materials | 8,653 | 9,013 | 12,000 | 2,987 |
| USDA principal | 9,145 | 9,442 | 7,442 | (2,000) |
| USDA interest | 18,863 | 18,566 | 18,566 | - |
| Utilities | 8,062 | 9,012 | 8,000 | (1,012) |
| Water protection & testing | 2,428 | 1,354 | 2,000 | 646 |
| Transfer to Special Equipment Fund | 4,000 | 4,000 | - | (4,000) |
| Total expenditures | 120,307 | 151,844 | \$ 200,819 | \$ 48,975 |
| Cash receipts over (under) expenditures | 7,747 | (27,340) | | |
| Unencumbered cash, beginning | 83,476 | 91,223 | | |
| Prior year cancelled encumbrances | - | - | | |
| Unencumbered cash, ending | \$ 91,223 | \$ 63,883 | | |

CITY OF NORTONVILLE, KANSAS

SEWER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET REGULATORY BASIS

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | | Current Year | | Variance |
|---|------------|--------------|------------|------------|
| | Prior Year | Actual | Budget | Over |
| | Actual | | | (Under) |
| Cash receipts: | | | | |
| Sales | \$ 85,370 | \$ 90,629 | \$ 95,000 | \$ (4,371) |
| Miscellaneous | - | 642 | - | 642 |
| Total cash receipts | 85,370 | 91,271 | \$ 95,000 | \$ (3,729) |
| Expenditures: | | | | |
| Salaries & wages | 19,195 | 19,057 | \$ 25,000 | \$ 5,943 |
| Employee benefits | 5,280 | 5,580 | 8,000 | 2,420 |
| Contractual services | 3,660 | 1,998 | 34,871 | 32,873 |
| Education | 113 | 188 | 500 | 312 |
| Gas & oil | 672 | 838 | 1,200 | 362 |
| Insurance | 2,586 | 2,933 | 2,800 | (133) |
| KDHE interest | 8,035 | 7,097 | 7,097 | - |
| KDHE principal | 34,890 | 35,916 | 35,916 | - |
| KDHE service fee | 752 | 665 | 665 | - |
| Licenses & memberships | 503 | 530 | 500 | (30) |
| Miscellaneous | - | - | - | - |
| New equipment | 240 | 240 | 500 | 260 |
| Office supplies | 236 | 616 | 500 | (116) |
| Postage, printing & professional fees | 2,254 | 2,723 | 5,000 | 2,277 |
| Repairs & maintenance | - | 273 | 1,000 | 727 |
| Sewer testing | 1,060 | 994 | 1,200 | 206 |
| Shop supplies | 7,783 | 12,827 | 10,000 | (2,827) |
| Utilities | 1,051 | 946 | 1,500 | 554 |
| Transfer to special equipment fund | 2,000 | 2,000 | | (2,000) |
| Total expenditures | 90,310 | 95,421 | \$ 136,249 | \$ 40,828 |
| Cash receipts over (under) expenditures | (4,940) | (4,150) | | |
| Unencumbered cash, beginning | 41,529 | 36,589 | | |
| Prior year cancelled encumbrances | - | - | | |
| Unencumbered cash, ending | \$ 36,589 | \$ 32,439 | | |

CITY OF NORTONVILLE, KANSAS

SPECIAL STREET FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | <u>2017</u> | <u>2018</u> |
|---|------------------------|-------------------------|
| Cash receipts: | | |
| Transfer from General Fund | <u>\$ 3,000</u> | <u>\$ 8,000</u> |
| Expenditures: | | |
| Materials | <u>-</u> | <u>-</u> |
| Cash receipts over (under) expenditures | 3,000 | 8,000 |
| Unencumbered cash, beginning | - | 3,000 |
| Prior year canceled encumbrances | <u>-</u> | <u>-</u> |
| Unencumbered cash, ending | <u><u>\$ 3,000</u></u> | <u><u>\$ 11,000</u></u> |

CITY OF NORTONVILLE, KANSAS

SPECIAL POLICE EQUIPMENT FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | <u>2017</u> | <u>2018</u> |
|---|-----------------|-----------------|
| Cash receipts: | | |
| Transfer from General Fund | <u>\$ -</u> | <u>\$ -</u> |
| Expenditures: | | |
| Materials | <u>-</u> | <u>850</u> |
| Cash receipts over (under) expenditures | - | (850) |
| Unencumbered cash, beginning | 9,942 | 9,942 |
| Prior year canceled encumbrances | <u>-</u> | <u>-</u> |
| Unencumbered cash, ending | <u>\$ 9,942</u> | <u>\$ 9,092</u> |

CITY OF NORTONVILLE, KANSAS

SPECIAL EQUIPMENT FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | <u>2017</u> | <u>2018</u> |
|---|------------------|------------------|
| Cash receipts: | | |
| Transfer from General Fund | \$ 9,000 | \$ 5,000 |
| Transfer from Water Fund | - | 4,000 |
| Transfer from Sewer Fund | <u>2,000</u> | <u>2,000</u> |
| Total cash receipts | <u>11,000</u> | <u>11,000</u> |
| Expenditures: | | |
| Ford Motor Credit principal | 6,548 | 5,397 |
| Ford Motor Credit interest | <u>-</u> | <u>1,151</u> |
| Total expenditures | <u>6,548</u> | <u>6,548</u> |
| Cash receipts over (under) expenditures | 4,452 | 4,452 |
| Unencumbered cash, beginning | 8,100 | 12,552 |
| Prior year canceled encumbrances | <u>-</u> | <u>-</u> |
| Unencumbered cash, ending | <u>\$ 12,552</u> | <u>\$ 17,004</u> |

CITY OF NORTONVILLE, KANSAS

INSURANCE PROCEEDS FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | <u>2017</u> | <u>2018</u> |
|---|--------------------|--------------------|
| Cash receipts: | | |
| Insurance proceeds | <u>\$ -</u> | <u>\$ -</u> |
| Expenditures: | | |
| Miscellaneous | <u>-</u> | <u>-</u> |
| Cash receipts over (under) expenditures | - | - |
| Unencumbered cash, beginning | - | - |
| Prior year canceled encumbrances | <u>-</u> | <u>-</u> |
| Unencumbered cash, ending | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |

CITY OF NORTONVILLE, KANSAS

NORTONVILLE PUBLIC LIBRARY

SCHEDULE OF RECEIPTS AND EXPENDITURES REGULATORY BASIS

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

| | 2017 | 2018 |
|---|-----------|-----------|
| Cash receipts: | | |
| Transfer from Library Fund | \$ 31,082 | \$ 31,376 |
| Norton Township | 11,716 | 11,133 |
| Northeast Kansas Library System | 15,922 | 16,900 |
| State of Kansas | 496 | 261 |
| Gifts and donations | 3,775 | 3,883 |
| Interest on idle funds | 19 | 12 |
| Total cash receipts | 63,010 | 63,565 |
| Expenditures: | | |
| Wages | 37,219 | 38,182 |
| Benefits | 5,047 | 5,021 |
| Capital improvements | - | 3,720 |
| Continuing education | 36 | 307 |
| Mileage | 800 | 800 |
| Books | 4,904 | 4,653 |
| Online content | - | 120 |
| Videos | 2,905 | 2,667 |
| Periodicals | 330 | 482 |
| Children's programming | 1,429 | 1,098 |
| Technology | 2,120 | 1,254 |
| Supplies | 1,619 | 1,551 |
| Postage | 457 | 467 |
| Insurance | 581 | 624 |
| Internet access | 483 | 284 |
| Automation charges | 675 | 675 |
| Miscellaneous | 1,096 | 2,544 |
| Total expenditures | 59,701 | 64,449 |
| Cash receipts over (under) expenditures | 3,309 | (884) |
| Unencumbered cash, beginning | 23,253 | 26,562 |
| Prior year cancelled encumbrances | - | - |
| Unencumbered cash, ending | \$ 26,562 | \$ 25,678 |