



CITY OF NORTONVILLE, KANSAS

**Financial Statements for the
Year Ended December 31, 2019
And Independent Auditors' Report**

CITY OF NORTONVILLE, KANSAS

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and City Council
City of Nortonville, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Nortonville, Kansas and its related municipal entity (the municipal financial reporting entity), as of and for the year ended December 31, 2019 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 this 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 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 the City of Nortonville, Kansas 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 the City of Nortonville, Kansas as of December 31, 2019, or changes in 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 the City of Nortonville, Kansas as of December 31, 2019, 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

Regulatory-Required 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 balances (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 (Schedules 1 - 3 as listed in the table of contents) 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 respect in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Additional Supplementary Information

The supplemental schedules on pages 29 thru 30 are not necessary for a fair presentation of the financial statements, but are presented as additional analytical data. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statement on these schedules, and we do not express an opinion on these schedules.

The 2018 actual column presented in the individual fund schedules of regulatory basis receipts and expenditures - actual and budget for the year ended December 31, 2019 (Schedules 2 and 3 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The City of Nortonville, Kansas’ basic financial statement the year ended December 31, 2018 (not presented herein), was audited by other auditors whose report dated May 23, 2019, expressed an unmodified opinion on

the basic financial statement. The 2018 basic financial statement and the other auditor's report are available in electronic form from the web site of the Kansas Department of Administration at the following link <https://admin.ks.gov/offices/oar/municipal-services>. The report of the other auditors dated May 23, 2019, stated that the individual fund schedules of regulatory basis receipts and expenditures - actual and budget for the year ended December 31, 2018 was subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and in their opinion, was 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.

Michael D. Peroo, CPA, PA

June 9, 2020

Olathe, Kansas

Michael D. Peroo, CPA

Michael D. Peroo, CPA
In Charge of and Actively Engaged
on this Audit

CITY OF NORTONVILLE, KANSAS

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH REGULATORY BASIS FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 62,697	\$ 2,972	\$ 219,268	\$ 194,725	\$ 90,212	\$	\$ 90,212
Special Revenue Funds:							
Special Highway Fund	49,704		16,747	-	66,451		66,451
Library	-		33,511	32,365	1,146		1,146
Special Street Fund	11,000		4,000	-	15,000		15,000
Special Police Equipment Fund	9,092		1,000	-	10,092		10,092
Special Equipment Fund	17,004		6,600	6,548	17,056		17,056
Park Donation Fund	-		2,673	-	2,673		2,673
Insurance Proceeds Fund					-	5,250	5,250
Enterprise Funds							
Water Fund	56,610		130,673	160,758	26,525		26,525
Water Deposit Fund	7,273		1,321	1,546	7,048		7,048
Sewer Fund	32,439		88,382	101,916	18,905		18,905
Total Primary Governmental	<u>245,819</u>	<u>2,972</u>	<u>504,175</u>	<u>497,858</u>	<u>255,108</u>	<u>5,250</u>	<u>260,358</u>
Related Municipal Entity:							
Nortonville Public Library	<u>25,678</u>	<u>-</u>	<u>64,767</u>	<u>58,941</u>	<u>31,504</u>		<u>31,504</u>
Total Reporting Entity	\$ <u>271,497</u>	\$ <u>2,972</u>	<u>568,942</u>	<u>556,799</u>	\$ <u>286,612</u>	\$ <u>5,250</u>	\$ <u>291,862</u>
Less Transfers:			<u>11,600</u>	<u>11,600</u>			
Net Receipts and Disbursements			\$ <u>557,342</u>	\$ <u>545,199</u>			

COMPOSITION OF CASH:

Checking Account	\$ 158,358
Certificates of Deposit	102,000
Related Municipal Entity	<u>31,504</u>
Total Reporting Entity	\$ <u>291,862</u>

CITY OF NORTONVILLE, KANSAS

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2019

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 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. Basis of Presentation - Fund Accounting - The accounts of the City of Nortonville, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2019.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service funds - to account for the payment of interest and principal on long-term general debt obligation.

Capital project fund - to account for proceeds used for the acquisition or construction of major capital improvements or equipment.

Proprietary funds:

Enterprise funds - to account for operations that are financed and operated in a manner similar to business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- c. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has approved a resolution to prepare the financial statements on a cash basis.

- d. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation that shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets, such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance, are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.
- e. 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 1.
 2. Publication in local newspaper of the proposed budget and notice of public hearing on the Budget on or before August 5.
 3. Public hearing on or before August 15, but at least ten days after publication of notice of Hearing.
 4. Adoption of the final budget on or before August 25.

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 the year ended December 31, 2019.

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 statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the cash basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements 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. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

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.

- f. Comparative Amounts - The amounts shown for the year ended December 31, 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and are not intended to present all information necessary for a fair presentation in accordance with the cash basis and budget laws of Kansas.

2. DEPOSITS

At December 31, 2019 the carrying amounts of the City's deposits were \$291,862 and the bank balances were \$292,035. The differences between the carrying amount and the bank balances are outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name.

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 bank 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. The City has no investments.

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 a 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% . There were no designated "peak periods" during the year.

The following represents the certificates of deposit:

Bank	Maturity Date	Interest Rate	Amount
Kendall State Bank	4/29/2020	1.62%	\$ 10,000
Kendall State Bank	5/7/2020	1.61%	10,000
Kendall State Bank	2/12/2020	2.06%	10,000
Kendall State Bank	4/15/2020	1.74%	10,000
Kendall State Bank	10/15/2020	1.70%	10,000
Kendall State Bank	1/11/2020	1.55%	17,000
Kendall State Bank	3/18/2020	1.92%	10,000
Kendall State Bank	4/13/2020	2.41%	<u>25,000</u>
			<u>\$ 102,000</u>

3. TAXES

Property Taxes – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations 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 following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and second half is due the following May 10.

Motor Vehicle Taxes – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2019, the City received the following from county and state taxes:

	General Fund	Library Fund	Special Highway Fund	Totals
Property Taxes	\$ 78,318	\$ 27,827	\$	\$ 106,145
Motor Vehicle Taxes	16,046	5,684		21,730
Sales Taxes	30,394			30,394
State Highway Aid			16,747	16,747
	<u>\$ 124,758</u>	<u>\$ 33,511</u>	<u>\$ 16,747</u>	<u>\$ 175,016</u>

The mill levies and assessed values are as follows:

	2019	2018
General Fund	26.261	27.380
Library Fund	9.314	9.465
	<u>35.575</u>	<u>36.845</u>
Assessed Valuation	\$ <u>2,967,135</u>	\$ <u>2,805,265</u>

4. UTILITIES

The City provides water, sewer, and trash services. The City mails their utility bills 1st of each month. The utility bills are due by the 1st of the following month. Bills are due by the 20th and are subject to a late charge fee of 10% if paid after the 20th. If service is disconnected the customer shall pay said bill and penalty and further service charge in the sum of \$25 before turning the water back on.

The water rates at December 31, 2019 are as follows:

Inside City (residential):

0-1,000 gallons	\$ 29.00
All above 1,000 gallons	\$ 1.85 per 1,000 gallons
Minimum bill	\$ 29.00

Outside City and Commercial:

0-1,000 gallons	\$ 33.40
All above 1,000 gallons	\$ 2.13 per 1,000 gallons
Minimum bill	\$ 33.40

The sewer rates at December 31, 2019 are as follows:

Inside City (residential):

0-1,000 gallons	\$ 19.00
All above 1,000 gallons	\$ 2.99 per 1,000 gallons
Minimum bill	\$ 19.00

Outside City and Commercial:

0-1,000 gallons	\$ 24.50
All above 1,000 gallons	\$ 2.99 per 1,000 gallons
Minimum bill	\$ 24.50

The trash rates for 2019 are as follows:

\$14.39 per month for residential solid waste removal. \$12.95 per month for senior citizens.

5. LONG-TERM DEBT

The City's long-term debt is comprised of two loans from Kansas Department of Health.

Kansas Water Pollution Control Revolving Fund

In February 2015, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the repairing and upgrading the exiting wastewater collection and treatment system. The total cost of the project was \$671,184.

The amount of the loan is up to \$671,184 (\$201,829 and \$238,801 outstanding at December 31, 2019 and 2018, respectively) bearing interest at a rate of 2.92%, principal and interest payments made on a semi-annual basis beginning one year after the completion of the project. The loan matures March 31, 2025.

The following represents the changes in the loan:

Beginning Balance	\$ 238,801
Payments	<u>36,972</u>
Ending Balance	\$ <u>201,829</u>
Interest Payments	\$ <u>6,705</u>
Total Payments	\$ <u>43,677</u>

Payments subsequent to 2019:

	Principal	Interest	Total
2020	\$ 38,060	\$ 5,618	\$ 43,678
2021	39,180	4,498	43,678
2022	40,331	3,347	43,678
2023	41,519	2,159	43,678
2024	<u>42,740</u>	<u>938</u>	<u>43,678</u>
	\$ <u>201,830</u>	\$ <u>16,560</u>	\$ <u>218,390</u>

General Obligation Bonds, Series 2011

In January 2011, the City issued bonds in the amount of \$622,000 (\$552,079 and \$561,828 outstanding at December 31, 2019 and 2018, respectively) to be sold to Rural Development. The City will make annual principal payments ranging from \$7,794 to \$27,028 beginning February 10, 2012 and ending February 10, 2051. Interest rate is at 3.25%, payments begin February 10, 2012 through February 10, 2051.

Changes in General Obligation Bonds, Series 2011:

Beginning Balance	\$ 561,828
Payments	<u>9,749</u>
Ending Balance	<u>\$ 552,079</u>
Interest Payments	<u>\$ 18,259</u>
Total Payments	<u>\$ 28,008</u>

Payments subsequent to 2019:

	Principal	Interest	Total
2020	\$ 10,066	\$ 17,942	\$ 28,008
2021	10,393	17,615	28,008
2022	10,731	17,277	28,008
2023	11,080	16,928	28,008
2024	11,440	16,568	28,008
2025	11,812	16,196	28,008
2026	12,196	15,812	28,008
2027	12,592	15,416	28,008
2028	13,001	15,007	28,008
2029	13,424	14,584	28,008
2030	13,860	14,148	28,008
2031	14,310	13,698	28,008
2032	14,776	13,232	28,008
2033	15,256	12,752	28,008
2034	15,752	12,256	28,008
2035	16,263	11,745	28,008
2036	16,792	11,216	28,008
2037	17,338	10,670	28,008
2038	17,901	10,107	28,008
2039	18,483	9,525	28,008
2040	19,084	8,924	28,008
2041	19,704	8,304	28,008
2042	20,344	7,664	28,008
2043	21,006	7,002	28,008
2044	21,688	6,320	28,008
2045	22,393	5,615	28,008
2046	23,121	4,887	28,008
2047	23,872	4,136	28,008
2048	24,648	3,360	28,008
2049	25,449	2,559	28,008
2050	26,276	1,732	28,008
2051	<u>27,028</u>	<u>980</u>	<u>28,008</u>
	\$ <u><u>552,079</u></u>	\$ <u><u>344,177</u></u>	\$ <u><u>896,256</u></u>

Ford Motor Credit Company

In March 2017, the City entered into a lease-purchase program with Ford Motor Credit Company for a 2017 Ford F350 Reg Cab 4x4. The City will make 5 consecutive annual payments of \$6,548 beginning March 13, 2017 and ending March 13, 2021. The interest rate is 4.95%.

The following represents changes in the lease-purchase:

Beginning Balance	\$ 17,848
Payments	<u>5,664</u>
Ending Balance	<u>\$ 12,184</u>
Interest Payments	<u>\$ 883</u>
Total Payments	<u>\$ 6,547</u>

Payments subsequent to 2019:

	Principal	Interest	Total
2020	\$ 5,945	\$ 603	\$ 6,548
2021	<u>6,239</u>	<u>309</u>	<u>6,548</u>
	<u>\$ 12,184</u>	<u>\$ 912</u>	<u>\$ 13,096</u>

6. CONTRACTS

In 2017, the City entered into a water supply agreement with Consolidated Rural Water District No. 5 whereby the parties agree to provide to each excess water as requested at such time. Neither party will be required to any minimum amount of water. The charge for water will be based on the charge that the Water District charges for commercial user.

7. COMPENSATED ABSENCES FOR EMPLOYEES

The City's compensated absence policy permits full-time employees to earn one week of vacation per 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. Full-time employees earn four hours of sick time per month with an accumulation cap of 240 hours. If a full-time employee is sick more than thirty consecutive days, the City will pay 40% of the salary for thirteen weeks. The full-time employees had 114 hours of sick earned but not paid at December 31, 2019.

8. CONCENTRATIONS OF CREDIT RISK

The City is engaged in the sale of water, sewer, and trash to customers located in Jefferson County in Kansas. The City grants credit to those customers and requires no collateral.

The top ten water customers accounted for 32% of the total gallons sold.

The City has all their deposits in one bank. The bank has secured the amounts in excess of FDIC coverage.

9. CAPITAL PROJECTS

Although not part of a capital project, the City also made expenditures on the following large items in 2019:

Water Fund

Drilling for test wells	\$ 44,973
	<u>\$ 44,973</u>

10. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 31, 2019 for the funds that were part of this audit.

11. RELATED PARTY

The city was not aware of any related party transactions during the year of 2019.

12. PENSION PLAN

General Information about the Pension Plan

Plan description. The City participates in the Kansas Public Employees Retirement System (KPERS), 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, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish 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 established 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 each 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 the Death and Disability Program) and the statutory contribution rate was 8.39% and 8.46% for the fiscal year ended December 31, 2019 and 2018, respectively.

The City has five employees that participate in the Plan. The payroll for the employees covered by the System for 2019 was \$85,207 and the City's total payroll for 2019 was \$156,059.

The contribution requirement for the year ended December 31, 2019 was \$12,687, which consisted of \$5,112 from the employee and \$7,575 from the City, respectively. The City also contributed \$85 for insurance.

Net Pension Liability

At December 31, 2019, the City's proportionate share of the collective net pension liability reported by KPERS was \$70,021. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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 within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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 publicly available on the website at www.kpers.org or can be obtained as described above.

13. INFRASTRUCTURE

The City has elected not to comply with Governmental Accounting Standard No. 34 (GASB 34) regarding the capitalization and tracking of infrastructure or capital assets.

14. RISK MANAGEMENT

The City is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets, job-related injuries and illnesses to employees. To insure against the various risks, the City has obtained various insurance coverage through EMC Insurance Companies.

15. ADEQUACY OF UTILITY RATES

To determine whether the city was charging adequate rates for sewer, trash, water, and gas the City calculated the operating ratio and debt service ratio as applicable. The target minimum for both of these ratios is 1.20 and 1.25 respectively. The City uses these ratios to facilitate management in measuring the adequacy of the rates. There is no penalty for falling below these benchmarks.

The Operating Ratio for the following funds is as follows:

	Sewer	Water
Operating Revenues	\$ 87,786	\$ 118,035
Operating Expenses	<u>\$ 58,238</u>	<u>\$ 132,749</u>
Operating Ratio	<u>1.51</u>	<u>0.89</u>

The Debt Service Ratios for the Sewer and Water Funds are as follows:

Debt Service	Sewer Fund	Water Fund
Net Receipts	\$ (13,535)	\$ (30,084)
Add Back:		
Debt Service	43,678	28,008
Transfer Out	<u>1,400</u>	<u>2,600</u>
Available for debt service	\$ <u>31,543</u>	\$ <u>524</u>
Debt service	\$ <u>43,678</u>	\$ <u>28,008</u>
Debt Service Ratio	<u><u>0.72</u></u>	<u><u>0.02</u></u>

16. COMMITMENTS AND CONTINGENCIES

The City is not involved in any litigation.

17. TRANSFERS

Operating transfers were as follows:

From	To	Regulatory Authority	Amount
General Fund	Special Police Fund	K.S.A. 12-1,117	\$ 1,000
General Fund	Special Street Fund	K.S.A. 12-1,119	4,000
General Fund	Special Equipment Fund	K.S.A. 12-1,117	2,600
Water Fund	Special Equipment Fund	K.S.A. 12-825d	2,600
Sewer Fund	Special Equipment Fund	K.S.A. 12-825d	<u>1,400</u>
			\$ <u><u>11,600</u></u>

18. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the District has evaluated events and transactions for potential recognition or disclosure through June 9, 2020, the date the financial statements were available to be issued. There are no additional events or transactions that require adjustment to or disclosure in these financial statements except the City increased the water rates in January 2020 from \$29.00 to \$32 for inside the City and from \$33.40 to \$36.40 for outside the City. Sewer rates increased from \$19.00 to \$22.00 inside the City and from \$24.50 to \$27.50.

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CITY OF NORTONVILLE, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenditures Chargeable to Current Year	Certified Budget	Variance Favorable (Unfavorable)
General Fund	\$ 194,725	\$ 260,902	\$ 66,177
Special Revenue Funds:			-
Special Highway Fund	-	66,190	66,190
Library Fund	32,365	32,365	-
Enterprise Funds:			-
Water Fund	160,758	208,677	47,919
Water Deposit Fund	1,546	8,938	7,392
Sewer Fund	101,916	131,338	29,422
Total Budgeted Funds	\$ <u>491,310</u>	\$ <u>708,410</u>	\$ <u>217,100</u>

CITY OF NORTONVILLE KANSAS

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2018 Actual	2019 Actual	2019 Budget	Variance Favorable (Unfavorable)
RECEIPTS:				
Property Tax	\$ 75,264	\$ 78,318	\$ 77,927	\$ 391
Sales Tax	29,096	30,394	29,000	1,394
Motor Vehicle Tax	13,199	16,046	13,675	2,371
Franchise Tax	32,986	32,195	32,000	195
Licenses and Fees	420	445	100	345
Fines	1,013	3,075	2,500	575
Sales of Assets		750		750
Trash Service	35,825	37,705	38,000	(295)
Reimbursements	7,028	10,041	10,000	41
Miscellaneous	1,877	7,464	3,000	4,464
Transferred In				-
Interest on Idle Funds	2,182	2,835	1,000	1,835
Total Receipts	198,890	219,268	\$ 207,202	\$ 12,066
EXPENDITURES:				
Salaries and wages	43,132	43,495	44,500	1,005
Employee Benefits	11,610	7,938	12,900	4,962
Education		516		(516)
Contractual Services	5,284	-	30,000	30,000
Gas and Oil	1,676	1,775	2,500	725
Insurance	5,866	5,937	6,200	263
Legal Services	6,000	6,000	6,000	-
Licenses and Memberships		452		(452)
New Equipment	480	480	500	20
Office Supplies	1,616	2,591	3,000	409
Park Department	3,867	3,671	4,000	329
Police and Animal Control	24,883	23,287	33,000	9,713
Postage, Printing and Professional Services	7,560	3,635	3,500	(135)
Public Safety	269	293	300	7
Recreation	810	400	1,000	600
Repairs and Maintenance	300	1,582	500	(1,082)
Shop Materials	1,415	1,865	2,000	135
Street Department	15,136	13,920	31,002	17,082
Street Lights		11,784	12,000	216
Trash Service	35,699	37,532	38,000	468
Utilities	9,359	9,418	10,000	582
Reimbursements		7,190	10,000	2,810
Miscellaneous Expense	1,628	3,364		(3,364)
Transfer Out	13,000	7,600	10,000	2,400
Total expenditures	189,590	194,725	\$ 260,902	\$ 66,177
Receipts over Expenditures	9,300	24,543		
UNENCUMBERED CASH, BEGINNING	53,397	62,697		
Prior Year Cancelled Encumbrances		2,972		
UNENCUMBERED CASH, ENDING	\$ 62,697	\$ 90,212		

CITY OF NORTONVILLE, KANSAS**SPECIAL HIGHWAY FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2018 Actual	2019 Actual	2019 Budget	Variance Favorable (Unfavorable)
RECEIPTS:				
County Tax	\$ 16,693	\$ 16,747	\$ 16,620	\$ 127
Total Receipts	16,693	16,747	<u>16,620</u>	<u>127</u>
EXPENDITURES:				
Street Repair and Maintenance			66,190	66,190
Total Expenditures	-	-	<u>66,190</u>	<u>66,190</u>
Receipts over Expenditures	16,693	16,747		
UNENCUMBERED CASH, BEGINNING	<u>33,011</u>	<u>49,704</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 49,704</u>	<u>\$ 66,451</u>		

CITY OF NORTONVILLE, KANSAS**LIBRARY FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2018 Actual	2019 Actual	2019 Budget	Variance Favorable (Unfavorable)
RECEIPTS:				
Property Taxes	\$ 26,079	\$ 27,827	\$ 27,639	\$ 188
Vehicle Taxes	<u>5,297</u>	<u>5,684</u>	<u>4,726</u>	<u>958</u>
Total Receipts	31,376	33,511	<u>\$ 32,365</u>	<u>\$ 1,145</u>
EXPENDITURES:				
Appropriation to Library Board	<u>31,376</u>	<u>32,365</u>	<u>32,365</u>	<u>-</u>
Total Expenditures	<u>31,376</u>	<u>32,365</u>	<u>\$ 32,365</u>	<u>\$ -</u>
Receipts over Expenditures	-	1,146		
UNENCUMBERED CASH, BEGINNING	<u>-</u>	<u>-</u>		
UNENCUMBERED CASH, ENDING	<u>\$ -</u>	<u>\$ 1,146</u>		

CITY OF NORTONVILLE, KANSAS

SPECIAL STREET FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Actual Total for the Prior Year Ended December 31, 2018)

	2018	2019
RECEIPTS:		
Transfers In	\$ <u>8,000</u>	\$ <u>4,000</u>
Total Receipts	8,000	4,000
EXPENDITURES:		
Capital outlay	<u> </u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts over Expenditures	8,000	4,000
UNENCUMBERED CASH, BEGINNING	<u>3,000</u>	<u>11,000</u>
UNENCUMBERED CASH, ENDING	\$ <u><u>11,000</u></u>	\$ <u><u>15,000</u></u>

CITY OF NORTONVILLE, KANSAS

SPECIAL POLICE EQUIPMENT FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Actual Total for the Prior Year Ended December 31, 2018)

	2018	2019
RECEIPTS:		
Transfers In	\$ _____	\$ _____ 1,000
Total Receipts	-	1,000
EXPENDITURES:		
Capital Outlay	_____ 850	_____ -
Total Expenditures	850	-
Receipts over (under) Expenditures	(850)	1,000
UNENCUMBERED CASH, BEGINNING	_____ 9,942	_____ 9,092
UNENCUMBERED CASH, ENDING	\$ _____ 9,092	\$ _____ 10,092

CITY OF NORTONVILLE, KANSAS**SPECIAL EQUIPMENT FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

(With Comparative Actual Total for the Prior Year Ended December 31, 2018)

	2018	2019
RECEIPTS:		
Transfers In	\$ <u>11,000</u>	\$ <u>6,600</u>
Total Receipts	11,000	6,600
EXPENDITURES:		
Capital Outlay	<u>6,548</u>	<u>6,548</u>
Total Expenditures	6,548	6,548
Receipts over Expenditures	4,452	52
UNENCUMBERED CASH, BEGINNING	<u>12,552</u>	<u>17,004</u>
UNENCUMBERED CASH, ENDING	\$ <u><u>17,004</u></u>	\$ <u><u>17,056</u></u>

CITY OF NORTONVILLE, KANSAS

PARK DONATION FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2019

(With Comparative Actual Total for the Prior Year Ended December 31, 2018)

	2018	2019
RECEIPTS:		
Donation Received	\$ _____	\$ _____ 2,673
Total Receipts	-	2,673
EXPENDITURES:		
Capital Outlay	_____	_____
Total Expenditures	-	-
Receipts over Expenditures	-	2,673
UNENCUMBERED CASH, BEGINNING	_____ -	_____ -
UNENCUMBERED CASH, ENDING	\$ _____ -	\$ _____ 2,673

CITY OF NORTONVILLE, KANSAS**WATER FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2018	2019	2019	Variance
	Actual	Actual	Budget	Favorable
				(Unfavorable)
RECEIPTS:				
Water Sales	\$ 109,480	\$ 118,035	\$ 120,000	\$ (1,965)
Connections		100	600	(500)
Late Charges	10,491	9,783	12,500	(2,717)
Sales Tax Collected	1,241	1,312	1,400	(88)
Coin Meter/Bulk Water	528	178	500	(322)
Miscellaneous	1,488	1,265		1,265
Total Receipts	123,228	130,673	\$ 135,000	\$ (4,327)
EXPENDITURES:				
Personnel Costs	38,838	41,171	\$ 45,000	\$ 3,829
Employee Benefits	11,314	7,938	15,000	7,062
Contractual Services	26,812	43,399	71,768	28,369
Education	291	311	500	189
Gas & Oil	1,681	1,775	2,000	225
Insurance	5,866	5,937	6,000	63
Licenses and Memberships	499	833	500	(333)
New Equipment	480	480	2,000	1,520
Office Supplies	1,148	1,630	1,200	(430)
Postage, Printing and Professional Services	10,579	3,334	3,500	166
Repairs and Maintenance	668	1,638	5,000	3,362
Sales Tax	1,266	1,286	1,500	214
Shop Materials	9,013	8,108	12,000	3,892
Utilities	9,012	6,628	7,500	872
Water Purchases		1,169	2,500	1,331
Water Protection Fee and Testing	1,354	4,452	2,000	(2,452)
Miscellaneous Expenses	75	61		(61)
Debt Service	28,008	28,008	28,009	1
Transfer Out	4,000	2,600	2,700	100
Total Expenditures	150,904	160,758	\$ 208,677	\$ 47,919
Receipts under Expenditures	(27,676)	(30,085)		
UNENCUMBERED CASH, BEGINNING	84,286	56,610		
UNENCUMBERED CASH, ENDING	\$ 56,610	\$ 26,525		

CITY OF NORTONVILLE, KANSAS**WATER DEPOSIT FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	<u>2018 Actual</u>	<u>2019 Actual</u>	<u>2019 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
RECEIPTS:				
Water Deposits Received	\$ <u>1,276</u>	\$ <u>1,321</u>	\$ <u>2,000</u>	\$ <u>(679)</u>
Total Receipts	1,276	1,321	\$ <u><u>2,000</u></u>	\$ <u><u>(679)</u></u>
EXPENDITURES:				
Refunded Water Deposits	<u>940</u>	<u>1,546</u>	\$ <u>8,938</u>	\$ <u>7,392</u>
Total Expenditures	<u>940</u>	<u>1,546</u>	\$ <u><u>8,938</u></u>	\$ <u><u>7,392</u></u>
Receipts over (under) Expenditures	336	(225)		
UNENCUMBERED CASH, BEGINNING	<u>6,937</u>	<u>7,273</u>		
UNENCUMBERED CASH, ENDING	\$ <u><u>7,273</u></u>	\$ <u><u>7,048</u></u>		

CITY OF NORTONVILLE, KANSAS**SEWER FUND****SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2018 Actual	2019 Actual	2019 Budget	Variance Favorable (Unfavorable)
RECEIPTS:				
Sales - Customers	\$ 90,629	\$ 87,786	\$ 98,000	\$ (10,214)
Special Assessments	642	596		596
Total Receipts	91,271	88,382	<u>\$ 98,000</u>	<u>\$ (9,618)</u>
EXPENDITURES:				
Salaries and wages	19,057	18,712	\$ 25,000	\$ 6,288
Employee benefits	5,580	5,431	8,000	2,569
Contractual services	1,998	2,075	28,061	25,986
Education	188	167	500	333
Gas & oil	838	889	1,200	311
Insurance	2,933	2,968	3,200	232
Licenses & memberships	530	473	500	27
Miscellaneous				-
New equipment	240	240	500	260
Office supplies	616	1,358	500	(858)
Postage, printing, and professional	2,723	2,311	5,000	2,689
Repairs & maintenance	273	69	1,000	931
Sewer testing	994	967	1,200	233
Shop supplies	12,827	19,907	10,000	(9,907)
Utilities	946	1,271	1,500	229
Debt service	43,678	43,678	43,677	(1)
Transfer Out	2,000	1,400	1,500	100
Total Expenditures	95,421	101,916	<u>\$ 131,338</u>	<u>\$ 29,422</u>
Receipts under Expenditures	(4,150)	(13,534)		
UNENCUMBERED CASH, BEGINNING	<u>36,589</u>	<u>32,439</u>		
UNENCUMBERED CASH, ENDING	<u>\$ 32,439</u>	<u>\$ 18,905</u>		

NORTONVILLE PUBLIC LIBRARY**SCHEDULE OF RECEIPTS AND EXPENDITURES****REGULATORY BASIS****FOR THE YEAR ENDED DECEMBER 31, 2019**

(With Comparative Actual Total for the Prior Year Ended December 31, 2018)

	2018	2019
RECEIPTS:		
Transfer from Library	31,376	32,365
Norton Township	11,133	11,368
Northeast Kansas Library System	16,900	17,037
State of Kansas	261	259
Gifts and donations	3,883	3,723
Interest	\$ <u>12</u>	\$ <u>15</u>
Total Receipts	63,565	64,767
EXPENDITURES:		
Salaries and wages	38,182	40,298
Employee benefits	5,021	4,352
Capital improvements	3,720	
Continuing education	307	15
Mileage	800	800
Books	4,653	4,592
Online content	120	
Videos	2,667	2,325
Periodicals	482	343
Childrens programming	1,098	1,080
Technology	1,254	1,172
Supplies	1,551	1,296
Postage	467	476
Insurance	624	566
Internet access	284	913
Automation charges	675	675
Miscellaneous	<u>2,544</u>	<u>38</u>
Total Expenditures	64,449	58,941
Receipts over (under) Expenditures	(884)	5,826
UNENCUMBERED CASH, BEGINNING	<u>26,562</u>	<u>25,678</u>
UNENCUMBERED CASH, ENDING	\$ <u><u>25,678</u></u>	\$ <u><u>31,504</u></u>

CITY OF NORTONVILLE, KANSAS

SCHEDULE OF SELECTED UTILITY OPERATING DATA YEAR ENDED DECEMBER 31, 2019

2019

WATER STATISTICS:

Number of customers	285
Gallons sold (includes commercial & city use)	13,846,860
Gallons purchased & pumped	15,411,410
Water loss percentage	10.15%
Average monthly usage per customer	4,034
Charges for service	\$ 118,035
Average customer charge per month	\$ 34.39

CITY OF NORTONVILLE, KANSAS

SCHEDULE OF OTHER OPERATING DATA YEAR ENDED DECEMBER 31, 2019

	2019
Population	637
Assessed Valuation	\$ 2,967,460
Mill Levy	35.575
Total Receipts	\$ 557,342
Total Disbursements	\$ 545,199
Bond Indebtedness	\$ 552,079
Receipts per Capita	\$ 875
Disbursements per Capita	\$ 856
Bond Indebtedness per Capita	\$ 867