

CITY OF NORTON, KANSAS

Norton, Kansas

Financial Statement with Independent Auditor's Report

For the Year Ended December 31, 2012

MAPES & MILLER LLP

Certified Public Accountants

Norton, Kansas

CITY OF NORTON, KANSAS
 Financial Statement with Independent Auditor's Report
 For the Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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We have audited the accompanying summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Norton, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statement.

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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 to meet the financial reporting requirements of the State of Kansas. 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.

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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, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the applicable audit requirements of the Kansas Municipal Audit and Accounting Guide. Those standards and the Kansas Municipal Audit and Accounting Guide require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

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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.

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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 Norton, Kansas to meet the requirements of the State of 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 the 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 Norton, Kansas, as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

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 Norton, Kansas, as of December 31, 2012, 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.

Report on 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 cash receipts and expenditures-actual and budget and regulatory basis summary of cash receipts and cash disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for purposes of additional 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. The schedule of expenditures of federal awards (Schedule 4 as listed in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2013, on our consideration of the City of Norton's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Norton's internal control over financial reporting and compliance.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
September 18, 2013

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

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Norton, KS 67654

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the Kansas Municipal Audit and Accounting Guide, the financial statement of the City of Norton (City) 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, and have issued our report thereon dated September 18, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. Those are listed as 2012-1 and 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

City of Norton's Response to Findings

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
September 18, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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Report on Compliance for Each Major Federal Program

We have audited the City of Norton's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program have occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Mayor and City Council, others within the entity, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specific parties.

Mapes & Miller LLP

Certified Public Accountants

Norton, Kansas
September 18, 2013

CITY OF NORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
For the Year Ended December 31, 2012

STATEMENT 1
 Page 1

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Funds							
General	\$ 436,168		1,566,853	1,497,226	505,795	44,897	550,692
Special Purpose Funds							
Employee Benefits	44,446	0	117,381	122,852	38,975	0	38,975
Special Highway	219,283	0	75,871	84,334	210,820	0	210,820
Special Parks	21,557	0	8,490	10,612	19,435	0	19,435
Industrial Development	48,096	0	13,905	29,875	32,126	0	32,126
Tourism and Convention	0	0	49,450	49,450	0	0	0
Library	0	0	95,632	95,632	0	0	0
Library Employee Benefits	0	0	21,125	21,125	0	0	0
Special Health Insurance	104,919	0	438,513	435,017	108,415	0	108,415
Cemetery Trust	6,683	0	0	0	6,683	0	6,683
Hansen Foundation Grant	2,984	0	0	2,984	0	0	0
Cemetery Donation	17,314	0	0	0	17,314	0	17,314
Bond and Interest Funds							
Bond and Interest	8,934	0	62,792	63,575	8,151	0	8,151
Airport Bond	4,398	0	33,148	33,148	4,398	0	4,398
Northridge Special Obligation Bond	22	0	5,660	5,161	521	0	521
Water Loan	0	0	119,466	119,466	0	0	0
Wastewater Loan	0	0	282,041	282,041	0	0	0
Debt Service Bond	0	0	145,390	145,390	0	0	0
Capital Project Funds							
Water Improvement Bond	702,764	0	629,762	1,332,526	0	0	0
Business Funds							
Electric	1,074,849	0	3,520,080	3,231,370	1,363,559	149,941	1,513,500
Electric Deposits	0	0	25,174	25,174	0	76,295	76,295
Electric Replacement Reserve	499,695	0	102,169	211,242	390,622	0	390,622
Refuse	212,261	0	362,100	303,447	270,914	4,265	275,179

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

CITY OF NORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Regulatory Basis
For the Year Ended December 31, 2012

STATEMENT 1
 Page 2

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Business Funds (Continued)							
Refuse Replacement Reserve	\$ 36,390	0	6,000	0	42,390	0	42,390
Water	391,721	0	1,026,969	851,792	566,898	2,801	569,699
Water Deposits	0	0	7,019	7,019	0	21,888	21,888
Water Replacement Reserve	39,284	0	7,200	0	46,484	0	46,484
Sewer Service	424,497	0	662,167	494,109	592,555	217	592,772
Sewer Replacement Reserve	45,617	0	7,200	0	52,817	0	52,817
Trust Funds							
Revolving Loan	<u>213,626</u>	<u>0</u>	<u>27,502</u>	<u>45,322</u>	<u>195,806</u>	<u>0</u>	<u>195,806</u>
Total Primary Government	<u>4,555,508</u>	<u>0</u>	<u>9,419,059</u>	<u>9,499,889</u>	<u>4,474,678</u>	<u>300,304</u>	<u>4,774,982</u>
Related Municipal Entities:							
Norton Public Library							
General	32,659	0	136,623	137,917	31,365	0	31,365
Northwest Kansas Library System Grant	1,038	0	4,500	4,369	1,169	0	1,169
Copier	19,479	0	5,299	4,289	20,489	0	20,489
Capital Improvement	<u>7,797</u>	<u>0</u>	<u>3,021</u>	<u>0</u>	<u>10,818</u>	<u>0</u>	<u>10,818</u>
Total Related Municipal Entities	<u>60,973</u>	<u>0</u>	<u>149,443</u>	<u>146,575</u>	<u>63,841</u>	<u>0</u>	<u>63,841</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 4,616,481</u>	<u>0</u>	<u>9,568,502</u>	<u>9,646,464</u>	<u>4,538,519</u>	<u>300,304</u>	<u>4,838,823</u>

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

CITY OF NORTON, KANSAS
Composition of Cash
Regulatory Basis
For the Year Ended December 31, 2012

STATEMENT 1
Page 3

Primary Government:	
Cash on Hand	\$ 100
First State Bank, Norton, Kansas	
NOW Account	4,433,671
Checking Accounts	10,303
Savings Account	0
Certificates of Deposit	150,000
Almena State Bank, Almena, Kansas	
Certificates of Deposit	0
The Bank, Norton, Kansas	
Checking Account	2,000
Certificates of Deposit	<u>195,000</u>
Total Cash and Investments	4,791,074
Less: Agency Funds - Schedule 3	<u>(16,092)</u>
Total Primary Government	<u>4,774,982</u>
Related Municipal Entities:	
Norton Public Library Board	
First Security Bank and Trust, Norton, Kansas	
NOW Account	27,018
Money Market Account	10,817
The Bank, Norton, Kansas	
NOW Account	10,631
First State Bank, Norton, Kansas	
Checking Account	1,169
Certificate of Deposit	9,858
Held by City Treasurer	<u>4,348</u>
Total Related Municipal Entities	<u>63,841</u>
Total Reporting Entity per Statement 1, Page 2	<u>\$ <u>4,838,823</u></u>

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

CITY OF NORTON, KANSAS

Notes to the Financial Statement

December 31, 2012

1. Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City of Norton, Kansas, the primary government, was incorporated on September 12, 1885, and operates as a second-class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, electricity, water, sewer, sanitation, social, culture and recreation, planning and zoning, public improvements, and general administrative services. The financial statement presents the City of Norton, Kansas (the municipality) and one related municipal entity. The following related municipal entity was established to benefit the city and/or its constituents.

Norton Public Library. The Norton Public Library operates a municipal public library for the City of Norton. A seven-member board of trustees is appointed by the City Council to oversee the operation. The City annually levies a tax for the operation of the Library and also provides the facilities. The City can also issue bonded debt for the benefit of the Library. The Library Board must obtain the approval for the acquisition or disposal of real property from the City Council.

Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the City for the year 2012:

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 specific purposes.

Bond and Interest fund – used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

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

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

Agency fund—funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing fund, county treasurer tax collection accounts, 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.)

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide (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 regularly 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.

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 mandatory, the statutes provide for the following sequence and timetable in 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 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 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 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 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 funds:

	<u>Statutory Authority for Exemption</u>
Special Revenue Funds:	
Special Health Insurance	K.S.A. 12-2615
Cemetery Trust	K.S.A. 79-2925
Hansen Foundation Grant	K.S.A. 79-2925
Cemetery Donation	K.S.A. 79-2925
Enterprise Funds:	
Electric Replacement Reserve	K.S.A. 12-825d
Electric Deposits	K.S.A. 12-822
Refuse Replacement Reserve	K.S.A. 12-825d
Water Replacement Reserve	K.S.A. 12-825d
Water Loan	K.S.A. 12-825d
Water Improvement Bond	K.S.A. 12-825d
Water Deposits	K.S.A. 12-822
Sewer Replacement Reserve	K.S.A. 12-825d
Wastewater Loan	K.S.A. 12-825d
Debt Service Bond	K.S.A. 12-825d

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

2. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the City and the Library. The statute requires banks eligible to hold the municipality's funds have a main or branch bank in the county in which the municipality 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 the funds. In addition, K.S.A 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City and the Library have no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's and the Library'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 and the Library have no investment policy that would further limit their investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the City and the Library 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 and the Library's deposits may not be returned to them. State statutes require the City's and the Library'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%. The City and the Library have not designated any "peak periods" with eligible depositories. All deposits were legally secured at December 31, 2012.

At December 31, 2012, the City's carrying amount of deposits was \$4,790,979 and the bank balance was \$4,794,749. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$456,909 was covered by federal depository insurance, and \$4,337,840 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2012, the Library's carrying amount of deposits was \$59,494 and the bank balance was \$72,697. The bank balance was held by three banks resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance.

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. At December 31, 2012, the City and the Library held no investments except for certificates of deposit which are considered as a component of deposits.

3. Defined Benefit Pension Plan

Plan Description

The City of Norton, Kansas and the Norton Public Library contribute to 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. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. 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 rate be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

4. Other Long-Term Obligations from Operations

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level 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 City 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. There is no cost to the City under this program.

Compensated Absences

City of Norton

Vacation Leave. Each full-time City employee with less than five years of service shall earn eight hours of vacation per month; over five years and less than ten years of service shall earn ten hours of vacation per month; over ten years and less than fifteen years of service shall earn twelve hours of vacation per month; over fifteen years and less than twenty years of service shall earn fourteen hours of vacation per month; and over twenty years of service shall earn sixteen hours of vacation per month. Each employee shall be allowed to carry over a vacation leave balance at the end of the calendar year equal to the annualized accrual for the employee's length of service as of the last day of the year. Annualized accrual shall be determined by multiplying the employee's monthly credit for the last month of the current year times twelve.

Sick Leave. Full-time City employees earn eight hours of sick leave for each calendar month worked. An employee may accumulate unlimited sick leave. Upon retirement, an employee will be paid a maximum of nine hundred sixty (960) hours sick leave. Other employees terminating voluntarily will be paid for one-half of their unused sick leave up to four hundred eighty (480) hours.

Comp Time. The City's employees eligible to receive overtime have the option to be compensated for overtime by accumulating compensatory time, comp time, at a rate of one and one-half times the overtime worked. Non-exempt police officers may accumulate up to 480 hours of comp time. All other employees may accumulate up to 240 hours.

Norton Public Library

Vacation. All full time Library employees earn vacation of five days after completion of the first calendar year of employment. After three calendar years, ten days of vacation are earned each year. After ten calendar years, fifteen days of vacation are earned each year. After twenty calendar years, twenty days of vacation are earned. Vacation time is not allowed to accumulate and any unused time is forfeited.

Sick Leave. All full time employees earn sick leave at the rate of one day per month and can accumulate unlimited. Unused sick leave at the time of termination of employment due to death, retirement, medical disability or to a family transfer out of the community will be paid at one-fourth of the dollar value of the employee's accumulated sick leave days to a maximum of ninety days.

5. Capital Projects

At year end, capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

<u>Construction Fund</u>	<u>Project Authorization</u>	<u>Cash Disbursements and Accounts Payable to Date</u>
Water Improvement Bond	3,878,907	3,878,907

6. **Interfund Transactions**

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Electric	Electric Replacement	K.S.A. 12-825d	\$ 102,000
Electric	General	K.S.A. 12-825d	68,000
Electric Replacement	Electric	K.S.A. 12-825d	18,000
Water	Water Loan	K.S.A. 12-825d	119,466
Water	Water Replacement	K.S.A. 12-825d	7,200
Water	Debt Service Bond	K.S.A. 12-825d	145,390
Sewer	Wastewater Loan	K.S.A. 12-825d	282,041
Sewer	Sewer Replacement Reserve	K.S.A. 12-825d	7,200
Refuse	Refuse Replacement	K.S.A. 12-825d	6,000

Residual equity transfers were as follows:

From	To	Statutory Authority	Amount
Electric	Electric Replacement	N/A	\$ 6,058

7. **Risk Management**

The City and the Library are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the City and the Library purchase commercial insurance.

During the year ended December 31, 2012, neither the City nor the Library reduced insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

8. **Claims and Judgments**

The City participates in federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of the date of this report, the grant expenditures have not been audited, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect of any of the individual government funds or the overall financial position of the City.

During the ordinary course of its operations the City is a party to various claims, legal actions, and complaints. It is the opinion of the City's management and legal counsel that these matters are not anticipated to have a material financial impact on the City.

9. **Special Items**

Revolving Loan Fund. The City of Norton received a \$106,100 grant from the Kansas Small Cities Program Community Development Block Grant in 1988 for the purpose of establishing a Revolving Loan Fund to provide loans to businesses in and around the City of Norton for which the loan proceeds would result in the creation and/or retention of jobs. Norton Development Corporation administers this fund under the supervision of the City Council. The balance of the outstanding loans as of December 31, 2012 was \$67,746.

10. Wastewater Project

On May 10, 2004, the City entered into an agreement with the Kansas Department of Health and Environment (KDHE) for a loan from the Kansas Water Pollution Control Revolving Loan Fund in an amount not to exceed \$3,800,000, for the purpose of constructing a new wastewater treatment plant. This was subsequently changed to a renovation of the existing wastewater treatment plant. The loan agreement was amended on May 21, 2007 increasing the total amount of loan available to an amount not to exceed \$4,300,000. The full \$4,300,000 expenditure authority on this loan has been met.

11. Water Project

On June 28, 2006, the City entered into an agreement with the Kansas Department of Health and Environment (KDHE) for a loan from the Kansas Public Water Supply Loan Fund in an amount not to exceed \$6,449,123, for the purpose of rehabilitating and repairing the existing water treatment plant and for the development and construction of a new well field as an alternate water source. The loan agreement was amended August 23, 2011 decreasing the total amount of loan available to an amount not to exceed \$4,111,316. The full \$4,111,316 expenditure authority on this loan has been met. On August 12, 2010 the City issued General Obligation Bonds through the United States Department of Agriculture (USDA) in the amount of \$3,234,000 for the purpose of providing funds to pay a portion of the improvement costs, pay bond issuance costs, and retire \$2,058,277 of the loan from the Kansas Public Water Supply Loan Fund.

12. Long Term Debt**Northridge Bond**

On March 21, 2000, the City of Norton authorized the issuance of a taxable special obligation bond in the amount of \$147,500, to provide necessary funds to pay a portion of the costs in connection with the development of housing located within the Northridge Acres site rural housing incentive district. The bond was issued at an 8% interest rate with semiannual payments due in June and December each year and will mature on December 1, 2013. On January 21, 2003 this bond was refunded with a new bond in the amount of \$37,061 for the same terms as the original bond. The bond is a special obligation of the City of Norton, payable solely from the pledge of the project and revenue under the resolution. The bond constitutes neither debt of, nor a pledge of the full faith and credit of the City of Norton, nor shall it in any way obligate the City of Norton, the State of Kansas, or any political subdivision thereof to levy any form of taxation or make any appropriation for its payment.

12. Long-term Debt - (Continued)

Changes in long-term liabilities for the City of Norton, Kansas for the year ended December 31, 2012, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change/ Adjustment</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Series 2007 Washington Square Improvements	3.80-4.25%	09/01/07	515,000	09/01/17	330,000	0	50,000		280,000	15,475
Series 2009 Airport Refunding	1.40-4.20%	09/15/09	310,000	10/01/20	255,000	0	25,000		230,000	8,147
Series 2010 Water Supply System Improvements	3.25%	08/12/10	3,234,000	08/17/50	<u>3,193,431</u>	<u>0</u>	<u>41,603</u>		<u>3,151,828</u>	<u>103,787</u>
Total General Obligation Bonds					<u>3,778,431</u>	<u>0</u>	<u>116,603</u>		<u>3,661,828</u>	<u>127,409</u>
Capital Leases:										
Playground Equipment	5.25%	01/02/05	69,355	04/01/12	6,707	0	6,707		0	352
Altec Digger	5.62%	02/01/06	139,722	12/01/13	40,392	0	19,629		20,763	2,002
Mini Rescue Pumper Truck	4.79%	06/04/07	131,874	10/01/14	62,713	0	19,923		42,790	1,954
Refuse Truck	4.00%	03/03/10	83,632	04/15/13	<u>56,839</u>	<u>0</u>	<u>27,859</u>		<u>28,980</u>	<u>2,258</u>
Total Capital Leases					<u>166,651</u>	<u>0</u>	<u>74,118</u>		<u>92,533</u>	<u>6,566</u>
KDHE Revolving Loans:										
Wastewater Project (Note 12)	2.77%	05/10/04	4,300,000	03/01/26	3,349,246	0	190,578		3,158,668	91,463
Water Project (Note 13)	3.62%	06/28/06	6,449,123	08/01/28	<u>1,474,371</u>	<u>0</u>	<u>66,692</u>		<u>1,407,679</u>	<u>52,774</u>
Total KDHE Revolving Loans					<u>4,823,617</u>	<u>0</u>	<u>257,270</u>		<u>4,566,347</u>	<u>144,237</u>
Total Contractual Indebtedness					<u>8,768,699</u>	<u>0</u>	<u>447,991</u>		<u>8,320,708</u>	<u>278,212</u>

12. Long-term Debt - (Continued)

Current maturities of long-term debt for the City of Norton, Kansas through maturity are as follows:

	2013	2014	2015	2016	2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2042	2043-2047	2048-2052	Total
PRINCIPAL													
General Obligation Bonds:													
Series 2007 Washington Square Improvements	50,000	55,000	55,000	60,000	60,000	0	0	0	0	0	0	0	280,000
Series 2009 Airport Refunding Series 2010 Water Supply System Improvements	25,000	25,000	25,000	30,000	30,000	95,000	0	0	0	0	0	0	230,000
	<u>43,240</u>	<u>44,645</u>	<u>46,096</u>	<u>47,325</u>	<u>49,132</u>	<u>270,409</u>	<u>317,314</u>	<u>372,177</u>	<u>436,977</u>	<u>512,783</u>	<u>601,746</u>	<u>409,984</u>	<u>3,151,828</u>
Total General Obligation Bonds	<u>118,240</u>	<u>124,645</u>	<u>126,096</u>	<u>137,325</u>	<u>139,132</u>	<u>365,409</u>	<u>317,314</u>	<u>372,177</u>	<u>436,977</u>	<u>512,783</u>	<u>601,746</u>	<u>409,984</u>	<u>3,661,828</u>
Capital Leases:													
Playground Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Altec Digger	20,763	0	0	0	0	0	0	0	0	0	0	0	20,763
Mini Rescue Pumper Truck	20,889	21,901	0	0	0	0	0	0	0	0	0	0	42,790
Refuse Truck	28,980	0	0	0	0	0	0	0	0	0	0	0	28,980
Total Capital Leases	<u>70,632</u>	<u>21,901</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>92,533</u>
KDHE Revolving Loans:													
Wastewater Project (Note 12)	195,893	201,357	206,974	212,746	218,680	1,188,365	934,653	0	0	0	0	0	3,158,668
Water Project (Note 13)	69,128	71,653	74,270	76,983	79,795	445,245	531,934	58,671	0	0	0	0	1,407,679
Total KDHE Revolving Loans	<u>265,021</u>	<u>273,010</u>	<u>281,244</u>	<u>289,729</u>	<u>298,475</u>	<u>1,633,610</u>	<u>1,466,587</u>	<u>58,671</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,566,347</u>
TOTAL PRINCIPAL	<u>453,893</u>	<u>419,556</u>	<u>407,340</u>	<u>427,054</u>	<u>437,607</u>	<u>1,999,019</u>	<u>1,783,901</u>	<u>430,848</u>	<u>436,977</u>	<u>512,783</u>	<u>601,746</u>	<u>409,984</u>	<u>8,320,708</u>
INTEREST													
General Obligation Bonds:													
Series 2007 Washington Square Improvements	11,675	9,775	7,438	5,100	2,550	0	0	0	0	0	0	0	36,538
Series 2009 Airport Refunding Series 2010 Water Supply System Improvements	7,623	7,022	6,360	5,635	4,690	7,520	0	0	0	0	0	0	38,850
	<u>102,434</u>	<u>101,029</u>	<u>99,578</u>	<u>98,080</u>	<u>96,542</u>	<u>457,711</u>	<u>410,826</u>	<u>355,805</u>	<u>291,242</u>	<u>215,468</u>	<u>126,546</u>	<u>26,932</u>	<u>2,382,193</u>
Total General Obligation Bonds	<u>121,732</u>	<u>117,826</u>	<u>113,376</u>	<u>108,815</u>	<u>103,782</u>	<u>465,231</u>	<u>410,826</u>	<u>355,805</u>	<u>291,242</u>	<u>215,468</u>	<u>126,546</u>	<u>26,932</u>	<u>2,457,581</u>
Capital Leases:													
Playground Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Altec Digger	878	0	0	0	0	0	0	0	0	0	0	0	878
Mini Rescue Pumper Truck	1,802	790	0	0	0	0	0	0	0	0	0	0	2,592
Refuse Truck	1,159	0	0	0	0	0	0	0	0	0	0	0	1,159
Total Capital Leases	<u>3,839</u>	<u>790</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,629</u>
KDHE Revolving Loans:													
Wastewater Project (Note 12)	86,148	80,684	75,068	69,295	63,360	221,841	55,300	0	0	0	0	0	651,696
Water Project (Note 13)	50,338	47,813	45,196	42,483	39,670	152,443	67,353	1,062	0	0	0	0	446,358
Total KDHE Revolving Loans	<u>136,486</u>	<u>128,497</u>	<u>120,264</u>	<u>111,778</u>	<u>103,030</u>	<u>374,284</u>	<u>122,653</u>	<u>1,062</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,098,054</u>
TOTAL INTEREST	<u>262,057</u>	<u>247,113</u>	<u>233,640</u>	<u>220,593</u>	<u>206,812</u>	<u>839,515</u>	<u>533,479</u>	<u>356,867</u>	<u>291,242</u>	<u>215,468</u>	<u>126,546</u>	<u>26,932</u>	<u>3,560,264</u>
TOTAL PRINCIPAL AND INTEREST	<u>\$ 715,950</u>	<u>666,669</u>	<u>640,980</u>	<u>647,647</u>	<u>644,419</u>	<u>2,838,534</u>	<u>2,317,380</u>	<u>787,715</u>	<u>728,219</u>	<u>728,251</u>	<u>728,292</u>	<u>436,916</u>	<u>11,880,972</u>

CITY OF NORTON, KANSAS
REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

CITY OF NORTON, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

SCHEDULE 1

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Types:					
General Funds					
General	\$ 1,653,057	15,829	1,668,886	1,497,226	(171,660)
Special Purpose Funds					
Employee Benefits	145,000	0	145,000	122,852	(22,148)
Special Highway	223,704	0	223,704	84,334	(139,370)
Special Parks	19,524	999	20,523	10,612	(9,911)
Industrial Development	58,193	0	58,193	29,875	(28,318)
Tourism and Convention	49,500	0	49,500	49,450	(50)
Library	96,900	0	96,900	95,632	(1,268)
Library Employee Benefits	21,136	0	21,136	21,125	(11)
Special Health Insurance	511,942	0	511,942	435,017	*
Cemetery Trust	7,683	0	7,683	0	*
Bond and Interest Funds					
Bond and Interest	71,595	0	71,595	63,575	(8,020)
Airport Bond	37,546	0	37,546	33,148	(4,398)
Northridge Special Obligation Bond	5,171	0	5,171	5,161	(10)
Business Funds					
Electric	4,018,621	9,740	4,028,361	3,231,370	(796,991)
Electric Deposits	92,974	0	92,974	25,174	*
Refuse	518,757	0	518,757	303,447	(215,310)
Water	1,229,388	4,116	1,233,504	851,792	(381,712)
Water Deposits	30,364	0	30,364	7,019	*
Sewer Service	896,781	0	896,781	494,109	(402,672)
Trust Funds					
Revolving Loan	48,000	0	48,000	45,322	*

* Exempt from the Budget Law

CITY OF NORTON, KANSAS

SCHEDULE 2

GENERAL FUND

Page 1

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 400,161	415,761	(15,600)
Delinquent	14,894	0	14,894
Motor Vehicle	73,564	73,888	(324)
Recreational Vehicle	1,562	1,925	(363)
16/20M Vehicle	1,637	1,486	151
In Lieu of Taxes (IRB)	0	4,500	(4,500)
Excise	83	0	83
Intergovernmental:			
County/City Sales Tax	475,015	425,000	50,015
Local Alcoholic Liquor Tax	5,927	4,000	1,927
Licenses, Fees, Fines and Permits:			
Court Fees and Fines	47,294	62,000	(14,706)
Franchise Fees	222,126	230,000	(7,874)
Licenses and Permits	5,884	4,700	1,184
Charges for Services:			
Cemetery	7,170	8,000	(830)
Kennel Charges	1,217	300	917
Swimming Pool	25,646	23,000	2,646
Other:			
Interest on Idle Funds	1,852	5,000	(3,148)
Rent	11,148	12,000	(852)
Miscellaneous	57,044	1,650	55,394
Hansen Grant Proceeds	90,000	0	90,000
Reimbursed Expenses	56,629	40,800	15,829
Transfer from Electric Fund	68,000	50,000	18,000
	<u>1,566,853</u>	<u>1,364,010</u>	<u>202,843</u>

(Continued)

CITY OF NORTON, KANSAS
GENERAL FUND

SCHEDULE 2

Page 2

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
(Continued)			
Expenditures:			
Finance and Administration:			
Personal Services	\$ 62,226	71,100	(8,874)
Contractual Services	87,310	214,095	(126,785)
Commodities	11,132	16,500	(5,368)
Capital Outlay	0	70,232	(70,232)
Total Finance and Administration	160,668	371,927	(211,259)
Police:			
Personal Services	304,482	343,570	(39,088)
Contractual Services	109,933	125,450	(15,517)
Commodities	22,994	25,650	(2,656)
Capital Outlay	63,066	37,700	25,366
Total Police	500,475	532,370	(31,895)
Fire:			
Personal Services	23,429	26,000	(2,571)
Contractual Services	19,628	17,900	1,728
Commodities	2,432	2,700	(268)
Capital Outlay	22,855	23,900	(1,045)
Total Fire	68,344	70,500	(2,156)
Rescue:			
Personal Services	350	2,000	(1,650)
Contractual Services	2,101	2,500	(399)
Commodities	0	350	(350)
Capital Outlay	26	250	(224)
Total Rescue	2,477	5,100	(2,623)

(Continued)

CITY OF NORTON, KANSAS
GENERAL FUND

SCHEDULE 2

Page 3

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
(Continued)			
Expenditures:			
Street and Alley:			
Personal Services	\$ 164,436	168,635	(4,199)
Contractual Services	29,005	24,250	4,755
Commodities	40,393	35,000	5,393
Capital Outlay	0	500	(500)
Total Street and Alley	233,834	228,385	5,449
Park:			
Personal Services	207,510	227,080	(19,570)
Contractual Services	26,733	23,550	3,183
Commodities	40,457	28,500	11,957
Capital Outlay	81,274	65,200	16,074
Total Park	355,974	344,330	11,644
Swimming Pool:			
Personal Services	31,291	32,000	(709)
Contractual Services	2,663	3,375	(712)
Commodities	10,034	16,650	(6,616)
Capital Outlay	6,250	10,000	(3,750)
Total Swimming Pool	50,238	62,025	(11,787)
Civic Building:			
Contractual Services	12,149	13,420	(1,271)
Commodities	5,490	25,000	(19,510)
Total Civic Building	17,639	38,420	(20,781)
Economic Development:			
Appropriations	55,232	0	55,232

(Continued)

CITY OF NORTON, KANSAS
GENERAL FUND

SCHEDULE 2

Page 4

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
(Continued)			
Expenditures:			
Airport:			
Appropriations	\$ 52,345	0	52,345
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	<u>0</u>	<u>15,829</u>	<u>(15,829)</u>
Total Expenditures	<u>1,497,226</u>	<u>1,668,886</u>	<u>(171,660)</u>
Cash Receipts Over (Under) Expenditures	69,627		
Prior Year Cancelled Encumbrances	0		
Unencumbered Cash, Beginning	<u>436,168</u>		
Unencumbered Cash, Ending	<u>\$ 505,795</u>		

**CITY OF NORTON, KANSAS
EMPLOYEE BENEFITS FUND**

SCHEDULE 2

Page 5

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 91,402	94,970	(3,568)
Delinquent	3,906	0	3,906
Motor Vehicle	20,789	20,909	(120)
Recreational Vehicle	441	545	(104)
16/20M Vehicle	443	421	22
Excise	23	0	23
Miscellaneous	377	0	377
Total Cash Receipts	117,381	116,845	536
Expenditures:			
Personal Services	122,852	145,000	(22,148)
Cash Receipts Over (Under) Expenditures	(5,471)		
Unencumbered Cash, Beginning	44,446		
Unencumbered Cash, Ending	\$ 38,975		

**CITY OF NORTON, KANSAS
SPECIAL HIGHWAY FUND**

SCHEDULE 2

Page 6

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Intergovernmental:			
State Gas Tax	\$ 75,592	70,950	4,642
Miscellaneous	66	0	66
Reimbursed Expense	213	70,950	(70,737)
Total Cash Receipts	75,871	141,900	(66,029)
Expenditures:			
Personal Services	6,427	11,000	(4,573)
Commodities	55,903	63,500	(7,597)
Capital Outlay	22,004	149,204	(127,200)
Total Expenditures	84,334	223,704	(139,370)
Cash Receipts Over (Under) Expenditures	(8,463)		
Unencumbered Cash, Beginning	219,283		
Unencumbered Cash, Ending	\$ 210,820		

**CITY OF NORTON, KANSAS
SPECIAL PARKS FUND**

SCHEDULE 2

Page 7

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Intergovernmental:			
Local Alcoholic Liquor Tax	\$ 5,927	4,000	1,927
Head Tax	1,563	1,400	163
Donations	1,000	0	1,000
Total Cash Receipts	8,490	5,400	3,090
Expenditures:			
Contractual Services	2,350	3,500	(1,150)
Capital Outlay	8,262	16,024	(7,762)
Adjustments for Qualifying Budget Credits:			
Donations	0	999	(999)
Total Expenditures	10,612	20,523	(9,911)
Cash Receipts Over (Under) Expenditures	(2,122)		
Unencumbered Cash, Beginning	21,557		
Unencumbered Cash, Ending	\$ 19,435		

CITY OF NORTON, KANSAS
INDUSTRIAL DEVELOPMENT FUND

SCHEDULE 2

Page 8

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 10,892	11,313	(421)
Delinquent	470	0	470
Motor Vehicle	2,419	2,429	(10)
Recreational Vehicle	51	63	(12)
16/20M Vehicle	54	49	5
Excise	3	0	3
Interest on Idle Funds	16	100	(84)
Total Cash Receipts	13,905	13,954	(49)
Expenditures:			
Public Improvements	29,875	58,193	(28,318)
Cash Receipts Over (Under) Expenditures	(15,970)		
Unencumbered Cash, Beginning	48,096		
Unencumbered Cash, Ending	\$ 32,126		

CITY OF NORTON, KANSAS
TOURISM AND CONVENTION FUND

SCHEDULE 2

Page 9

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Intergovernmental:			
Transient Guest Tax	\$ <u>49,450</u>	<u>49,500</u>	<u>(50)</u>
Expenditures:			
Contractual Services	<u>49,450</u>	<u>49,500</u>	<u>(50)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u><u>0</u></u>		

CITY OF NORTON, KANSAS
LIBRARY FUND

SCHEDULE 2

Page 10

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 75,010	77,936	(2,926)
Delinquent	3,106	0	3,106
Motor Vehicle	16,815	16,959	(144)
Recreational Vehicle	357	442	(85)
16/20M Vehicle	325	341	(16)
Excise	<u>19</u>	<u>0</u>	<u>19</u>
Total Cash Receipts	<u>95,632</u>	<u>95,678</u>	<u>(46)</u>
Expenditures:			
Appropriations	<u>95,632</u>	<u>96,900</u>	<u>(1,268)</u>
Total Expenditures	<u>95,632</u>	<u>96,900</u>	<u>(1,268)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

CITY OF NORTON, KANSAS
LIBRARY EMPLOYEE BENEFITS FUND

SCHEDULE 2

Page 11

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 13,316	13,837	(521)
Delinquent	1,061	0	1,061
Motor Vehicle	6,477	6,531	(54)
Recreational Vehicle	138	170	(32)
16/20M Vehicle	126	131	(5)
Excise	<u>7</u>	<u>0</u>	<u>7</u>
Total Cash Receipts	<u>21,125</u>	<u>20,669</u>	<u>456</u>
Expenditures:			
Appropriations	<u>21,125</u>	<u>21,136</u>	<u>(11)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u><u>0</u></u>		

CITY OF NORTON, KANSAS
SPECIAL HEALTH INSURANCE FUND

SCHEDULE 2

Page 12

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Interest on Idle Funds	\$ 30	100	(70)
Reimbursed Expenses	438,483	484,050	(45,567)
Total Cash Receipts	438,513	484,150	(45,637)
Expenditures:			
Personal Services	435,017	511,942	(76,925)
Contractual	0	0	0
Total Expenditures	435,017	511,942	(76,925)
Cash Receipts Over (Under) Expenditures	3,496		
Unencumbered Cash, Beginning	104,919		
Unencumbered Cash, Ending	\$ 108,415		

*Exempt from the Budget Law K.S.A. 12-2615

**CITY OF NORTON, KANSAS
CEMETERY TRUST FUND**

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Donations	0	1,000	(1,000)
Expenditures:			
Capital Outlay	0	7,683	(7,683)
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	6,683		
Unencumbered Cash, Ending	\$ 6,683		

* Exempt from Budget Law K.S.A. 79-2925

CITY OF NORTON, KANSAS
BOND AND INTEREST FUND

SCHEDULE 2

Page 14

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 47,548	49,264	(1,716)
Delinquent	2,082	0	2,082
Motor Vehicle	12,702	12,907	(205)
Recreational Vehicle	269	336	(67)
16/20M Vehicle	177	260	(83)
Excise	<u>14</u>	<u>260</u>	<u>(246)</u>
Total Cash Receipts	<u>62,792</u>	<u>63,027</u>	<u>(235)</u>
Expenditures:			
Principal	50,000	50,000	0
Interest	13,575	13,575	0
Commissions and Postage	0	20	(20)
Cash Basis Reserve	<u>0</u>	<u>8,000</u>	<u>(8,000)</u>
Total Expenditures	<u>63,575</u>	<u>71,595</u>	<u>(8,020)</u>
Cash Receipts Over (Under) Expenditures	(783)		
Unencumbered Cash, Beginning	<u>8,934</u>		
Unencumbered Cash, Ending	<u>\$ 8,151</u>		

CITY OF NORTON, KANSAS
AIRPORT BOND FUND

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Norton City/County Airport Board	\$ 33,148	33,148	0
Total Cash Receipts	33,148	33,148	0
Expenditures:			
Principal	25,000	25,000	0
Interest	8,148	8,148	0
Commissions and Postage	0	20	(20)
Cash Basis Reserve	0	4,378	(4,378)
Total Expenditures	33,148	37,546	(4,398)
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	4,398		
Unencumbered Cash, Ending	\$ <u>4,398</u>		

CITY OF NORTON, KANSAS
NORTHRIDGE SPECIAL OBLIGATION BOND

SCHEDULE 2

Page 16

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Incremental Real Estate Tax	\$ 5,660	5,120	540
Northridge Acres	0	51	(51)
Total Cash Receipts	5,660	5,171	489
Expenditures:			
Principal	4,491	4,491	0
Interest	670	670	0
Commissions and Postage	0	10	(10)
Total Expenditures	5,161	5,171	(10)
Cash Receipts Over (Under) Expenditures	499		
Unencumbered Cash, Beginning	22		
Unencumbered Cash, Ending	\$ 521		

CITY OF NORTON, KANSAS
ELECTRIC FUND

SCHEDULE 2

Page 17

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 3,465,527	3,455,990	9,537
Miscellaneous	22,313	3,000	19,313
Reimbursed Expenses	14,240	4,500	9,740
Transfer from Electric Replacement Reserve	18,000	0	18,000
 Total Cash Receipts	 3,520,080	 3,463,490	 56,590
 Expenditures:			
General and Administrative:			
Personal Services	491,013	557,390	(66,377)
Contractual Services	161,232	155,050	6,182
Commodities	16,782	17,100	(318)
Capital Outlay	7,880	12,000	(4,120)
 Total General and Administrative	 676,907	 741,540	 (64,633)
Production and Acquisitions:			
Personal Services	122,955	127,860	(4,905)
Contractual Services	25,044	20,100	4,944
Commodities	2,055,674	297,800	
Capital Outlay	0	2,465,000	(2,465,000)
 Total Production and Acquisitions	 2,203,673	 2,910,760	 (2,464,961)
Transmission and Distribution:			
Personal Services	94,589	101,890	(7,301)
Contractual Services	10,879	17,750	(6,871)
Commodities	29,263	28,050	1,213
Capital Outlay	46,059	66,631	(20,572)
 Total Transmission and Distribution	 180,790	 214,321	 (33,531)

(Continued)

CITY OF NORTON, KANSAS
ELECTRIC FUND

SCHEDULE 2

Page 18

Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
(Continued)			
Transfers:			
To Electric Replacement Reserve	\$ 102,000	102,000	0
To General Fund	68,000	50,000	18,000
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	9,740	(9,740)
Total Expenditures	3,231,370	4,028,361	(796,991)
Cash Receipts Over (Under) Expenditures	288,710		
Unencumbered Cash, Beginning	1,074,849		
Unencumbered Cash, Ending	\$ 1,363,559		

CITY OF NORTON, KANSAS
ELECTRIC DEPOSITS FUND

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Consumer Deposits	\$ <u>25,174</u>	<u>25,000</u>	<u>174</u>
Expenditures:			
Deposit Refunds	<u>25,174</u>	<u>92,974</u>	<u>(67,800)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

* Exempt from Budget Law K.S.A. 12-822.

CITY OF NORTON, KANSAS
REFUSE FUND

SCHEDULE 2
Page 20

Schedule of Cash Receipts and Expenditures- Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2012

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 361,450	345,500	15,950
Miscellaneous	517	300	217
Reimbursed Expenses	133	0	133
Total Cash Receipts	362,100	345,800	16,300
Expenditures:			
Personal Services	185,206	197,460	(12,254)
Contractual Services	64,958	71,000	(6,042)
Commodities	15,737	8,000	7,737
Capital Outlay	31,546	236,297	(204,751)
Transfer to Refuse Replacement Reserve	6,000	6,000	0
Total Expenditures	303,447	518,757	(215,310)
Cash Receipts Over (Under) Expenditures	58,653		
Unencumbered Cash, Beginning	212,261		
Unencumbered Cash, Ending	\$ 270,914		

CITY OF NORTON, KANSAS

SCHEDULE 2

WATER FUND

Page 21

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 1,011,136	1,009,000	2,136
Miscellaneous	4,659	4,000	659
Reimbursed Expenses	5,116	1,000	4,116
Residual Equity Transfer from Water Improvement Fund	<u>6,058</u>	<u>0</u>	<u>6,058</u>
 Total Cash Receipts	 <u>1,026,969</u>	 <u>1,014,000</u>	 <u>12,969</u>
Expenditures:			
General and Administrative:			
Personal Services	127,234	137,180	(9,946)
Contractual Services	38,044	38,900	(856)
Commodities	<u>568</u>	<u>2,000</u>	<u>(1,432)</u>
 Total General and Administrative	 <u>165,846</u>	 <u>178,080</u>	 <u>(12,234)</u>
Production and Treatment:			
Personal Services	80,021	86,980	(6,959)
Contractual Services	37,539	44,600	(7,061)
Commodities	176,357	236,900	(60,543)
Capital Outlay	<u>0</u>	<u>425,500</u>	<u>(425,500)</u>
 Total Production and Treatment	 <u>293,917</u>	 <u>793,980</u>	 <u>(500,063)</u>
Transmission and Distribution:			
Personal Services	84,117	86,950	(2,833)
Contractual Services	6,469	10,000	(3,531)
Commodities	11,095	12,500	(1,405)
Capital Outlay	<u>18,292</u>	<u>140,678</u>	<u>(122,386)</u>
 Total Transmission and Distribution	 <u>119,973</u>	 <u>250,128</u>	 <u>(130,155)</u>

(Continued)

CITY OF NORTON, KANSAS

WATER FUND

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Transfers:			
To Water Replacement Reserve	\$ 7,200	7,200	0
To Water Loan	119,466	0	119,466
To Debt Service Bond	<u>145,390</u>	<u>0</u>	<u>145,390</u>
Total Transfers	<u>272,056</u>	<u>7,200</u>	<u>264,856</u>
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	<u>0</u>	<u>4,116</u>	<u>(4,116)</u>
Total Expenditures	<u>851,792</u>	<u>1,233,504</u>	<u>(381,712)</u>
Cash Receipts Over (Under) Expenditures	175,177		
Unencumbered Cash, Beginning	<u>391,721</u>		
Unencumbered Cash, Ending	\$ <u><u>566,898</u></u>		

CITY OF NORTON, KANSAS

WATER DEPOSITS FUND

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>*Budget</u>	Variance Over (Under)
Cash Receipts:			
Customer Deposits	\$ <u>7,019</u>	<u>8,000</u>	<u>(981)</u>
Expenditures:			
Deposit Refunds	<u>7,019</u>	<u>30,364</u>	<u>(23,345)</u>
Revenues Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

* Exempt from Budget Law K.S.A. 12-822.

CITY OF NORTON, KANSAS

SCHEDULE 2

SEWER SERVICE FUND

Page 24

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 653,123	600,300	52,823
Miscellaneous	8,724	1,000	7,724
Reimbursed Expenses	<u>320</u>	<u>100</u>	<u>220</u>
 Total Cash Receipts	 <u>662,167</u>	 <u>601,400</u>	 <u>60,767</u>
Expenditures:			
General and Administrative:			
Personal Services	26,247	47,860	(21,613)
Contractual Services	1,577	3,100	(1,523)
Capital Outlay	<u>7,560</u>	<u>40,000</u>	<u>(32,440)</u>
 Total General and Administrative	 <u>35,384</u>	 <u>90,960</u>	 <u>(55,576)</u>
Sewer Plant:			
Personal Services	77,736	81,350	(3,614)
Contractual Services	31,014	70,400	(39,386)
Commodities	12,952	30,900	(17,948)
Capital Outlay	<u>471</u>	<u>282,042</u>	<u>(281,571)</u>
 Total Sewer Plant	 <u>122,173</u>	 <u>464,692</u>	 <u>(342,519)</u>
Sewer Collections:			
Personal Services	44,242	48,500	(4,258)
Contractual Services	221	250	(29)
Commodities	2,848	3,950	(1,102)
Capital Outlay	<u>0</u>	<u>281,229</u>	<u>(281,229)</u>
 Total Sewer Collections	 <u>47,311</u>	 <u>333,929</u>	 <u>(286,618)</u>

(Continued)

CITY OF NORTON, KANSAS

SEWER SERVICE FUND

Schedule of Cash Receipts and Expenditures- Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Transfers:			
To Sewer Replacement Reserve	\$ 7,200	7,200	0
To Wastewater Loan	<u>282,041</u>	<u>0</u>	<u>282,041</u>
Total Transfers	<u>289,241</u>	<u>7,200</u>	<u>282,041</u>
Total Expenditures	<u>494,109</u>	<u>896,781</u>	<u>(402,672)</u>
Cash Receipts Over (Under) Expenditures	168,058		
Unencumbered Cash, Beginning	<u>424,497</u>		
Unencumbered Cash, Ending	\$ <u><u>592,555</u></u>		

CITY OF NORTON, KANSAS
REVOLVING LOAN FUND

SCHEDULE 2

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Schedule of Cash Receipts and Expenditures- Actual and Budget
 Regulatory Basis
For the Year Ended December 31, 2012

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Loan Payments Received	\$ 27,250	48,000	(20,750)
Interest on Idle Funds	252	0	252
Total Cash Receipts	27,502	48,000	(20,498)
Expenditures:			
Loan Proceeds Disbursement	45,010	48,000	(2,990)
Administrative Fees	312	0	312
Total Expenditures	45,322	48,000	(2,678)
Cash Receipts Over (Under) Expenditures	(17,820)		
Unencumbered Cash, Beginning	213,626		
Unencumbered Cash, Ending	\$ 195,806		

*Exempt from the Budget Law K.S.A. 79-2925

CITY OF NORTON, KANSAS
 Any Nonbudgeted Fund
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

SCHEDULE 2

Page 27

	<u>Hansen Foundation Grant</u>	<u>Cemetery Donation</u>	<u>Electric Replacement Reserve</u>	<u>Debt Service Bond</u>
Cash Receipts:				
Donations	\$ 0	0	0	0
Interest on Idle Funds	0	0	169	0
Transfer from Electric	0	0	102,000	0
Transfer from Water	<u>0</u>	<u>0</u>	<u>0</u>	<u>145,390</u>
Total Cash Receipts	<u>0</u>	<u>0</u>	<u>102,169</u>	<u>145,390</u>
Expenditures:				
Principal	0	0	0	41,603
Interest	0	0	0	103,787
Capital Outlay	2,984	0	193,242	0
Transfer to Electric Utility	<u>0</u>	<u>0</u>	<u>18,000</u>	<u>0</u>
Total Cash Expenditures	<u>2,984</u>	<u>0</u>	<u>211,242</u>	<u>145,390</u>
Cash Receipts Over (Under) Expenditures	(2,984)	0	(109,073)	0
Unencumbered Cash, Beginning	<u>2,984</u>	<u>17,314</u>	<u>499,695</u>	<u>0</u>
Unencumbered Cash, Ending	<u><u>0</u></u>	<u><u>17,314</u></u>	<u><u>390,622</u></u>	<u><u>0</u></u>

CITY OF NORTON, KANSAS
 Any Nonbudgeted Fund
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	Refuse Replacement Reserve	Water Replacement Reserve	Water Loan
Cash Receipts:			
Transfer from Water	\$ 0	7,200	119,466
Transfer from Refuse	6,000	0	0
Total Cash Receipts	6,000	7,200	119,466
Expenditures:			
Loan Principal	0	0	66,692
Loan Interest	0	0	52,774
Total Expenditures	0	0	119,466
Cash Receipts Over (Under) Expenditures	6,000	7,200	0
Unencumbered Cash, Beginning	36,390	39,284	0
Unencumbered Cash, Ending	\$ 42,390	46,484	0

CITY OF NORTON, KANSAS
 Any Nonbudgeted Fund
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

SCHEDULE 2

Page 29

	<u>Water Improvement Bond</u>	<u>Sewer Replacement Reserve</u>	<u>Wastewater Loan</u>
Cash Receipts:			
Interest on Idle Funds	\$ 1,262	0	0
Grant Proceeds	628,500	0	0
Transfer from Electric	0	0	0
Transfer from Sewer	<u>0</u>	<u>7,200</u>	<u>282,041</u>
Total Cash Receipts	<u>629,762</u>	<u>7,200</u>	<u>282,041</u>
Expenditures:			
Loan Principal	0	0	190,578
Loan Interest	0	0	91,463
Capital Outlay	1,326,468	0	0
Residual Equity Transfer to Water Utility	6,058	0	0
Administrative	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>1,332,526</u>	<u>0</u>	<u>282,041</u>
Cash Receipts Over (Under) Expenditures	(702,764)	7,200	0
Unencumbered Cash, Beginning	<u>702,764</u>	<u>45,617</u>	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 0</u></u>	<u><u>52,817</u></u>	<u><u>0</u></u>

CITY OF NORTON, KANSAS
 Related Municipal Entities
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	Norton Public Library	
	General	Northwest Kansas Library System Grant
Cash Receipts:		
Appropriation from City	\$ 122,388	0
Library Foundation	6,062	0
Grant Proceeds	0	4,500
Memorials and Donations	4,715	0
Fines and Fees	1,424	0
Interest on Idle Funds	5	0
Miscellaneous	2,041	0
Total Cash Receipts	136,635	4,500
Expenditures		
Salaries and Wages	94,872	3,130
Employee Benefits	12,856	0
Books and Periodicals	14,665	1,024
Miscellaneous	2,655	30
Repairs and Maintenance	4,636	0
Capital Outlay	2,598	0
Supplies	1,915	185
Utilities	720	0
Transfer to Capital Improvements	3,000	0
Total Expenditures	137,917	4,369
Cash Receipts Over (Under) Expenditures	(1,282)	131
Unencumbered Cash, Beginning	32,659	1,038
Unencumbered Cash, Ending	\$ 31,377	1,169

CITY OF NORTON, KANSAS
 Related Municipal Entities
 Schedule of Cash Receipts and Expenditures
 Regulatory Basis
For the Year Ended December 31, 2012

	Norton Public Library	
	Copier	Capital Improvement
Cash Receipts:		
Fees	\$ 5,297	0
Transfer from General Fund	0	3,000
Interest on Idle Funds	2	21
Total Cash Receipts	5,299	3,021
Expenditures		
Repairs and Maintenance	3,025	0
Sales Tax	337	0
Supplies	938	0
Total Expenditures	4,300	0
Cash Receipts Over (Under) Expenditures	999	3,021
Unencumbered Cash, Beginning	19,479	7,797
Unencumbered Cash, Ending	\$ 20,478	10,818

CITY OF NORTON, KANSAS

SCHEDULE 3

Agency Funds

Summary of Cash Receipts and Cash Disbursements

Regulatory Basis

For the Year Ended December 31, 2012

	Beginning Cash Balance	Cash Receipts	Cash Disburse- ments	Ending Cash Balance December 31
Payroll Clearing	\$ 8,466	1,704,337	1,704,214	8,589
Utility Trust	<u>3,892</u>	<u>18,497</u>	<u>14,886</u>	<u>7,503</u>
Total Agency Funds	\$ <u>12,358</u>	<u>1,722,834</u>	<u>1,719,100</u>	<u>16,092</u>

CITY OF NORTON, KANSAS
SINGLE AUDIT SECTION
FOR THE YEAR ENDED DECMEBER 31, 2012

CITY OF NORTON, KANSAS

SCHEDULE 4

Page 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Agriculture Water and Waste Disposal Loans and Grants	10.770	<u>1,316,119</u>
U.S. Department of Transportation Passed through the Kansas Department of Transportation State and Community Highway Safety	20.600	<u>1,420</u>
Total Expenditures of Federal Awards		<u>\$ 1,317,539</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Note A - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Norton, Kansas, under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the schedule of expenditures of federal awards is prepared using the regulatory basis of accounting to comply with the cash basis laws of the State of Kansas. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances.

Note C - Local Government Contributions

Local cost sharing, as defined by the OMB Circular A-102, Attachment F, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with the statutory basis of accounting described in Note 1 to the financial statement

Unqualified

Internal control over financial reporting:

- Material weaknesses identified? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weaknesses? _x_ Yes ___ No
- Noncompliance material to financial statement noted? ___ Yes _x_ No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? ___ Yes _x_ No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes _x_ No

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

___ Yes _x_ No

Identification of major programs:

CFDA NUMBER
10.770

NAME OF FEDERAL PROGRAM
Water and Waste Disposal Loans and Grants

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

___ Yes _x_ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS

2012-1 Segregation of Duties

Condition: The limited staff size does not provide for adequate segregating of duties.

Criteria: Segregation of duties should be maintained to strengthen internal control over accounting and compliance functions.

Cause: Because the entity is small, management does not feel it is feasible to hire more staff.

Effect: Lack of segregation of duties increases the risk of errors and noncompliance occurring and not being detected in a timely manner.

Recommendation: Duties of key financial and compliance personnel should be evaluated to determine if duties could be segregated.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the size of the entity does not make it practical to have a sufficient number of employees to achieve the optimum level of internal controls.

2012-2 Financial Statement Preparation

Condition: Management does not have the qualifications and training necessary to prepare the financial statements which would include the related footnote disclosures.

Criteria: Management must have controls over the preparation of the financial statements including footnote disclosures which would prevent or detect an omission/misstatement in the financial statements.

Cause: There are no procedures in place that require management to obtain the necessary qualifications and training.

Effect: The control deficiency allows for omission/misstatements in the financial statements including footnotes that may not be prevented, detected, or corrected.

Recommendation: Management would need to attend training classes and annual continuing education classes to gain an understanding on proper and complete preparation of the financial statements and footnote disclosures and to be aware of all of the current accounting standards by purchasing annual accounting subscriptions.

Views of Responsible Officials and Planned Corrective Actions: We concur with the recommendation. However, the cost of annual subscription services and the continuing education/training classes do not make it practical to obtain the competency and expertise required to correct the deficiency.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no reportable findings.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Not applicable