

CITY OF NORTONVILLE, KANSAS
And NORTONVILLE PUBLIC LIBRARY

FINANCIAL STATEMENT
WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2012

CITY OF NORTONVILLE, KANSAS

For the Year Ended December 31, 2012

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Nortonville, Kansas and its related municipal entity (the municipal financial reporting entity), as of and for the year ended December 31, 2012, 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 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statement based on my audit. I conducted my 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 I 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 the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 and its related municipal entity 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 my 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 accordance with accounting principles generally accepted in the United States of America, the financial position of City of Nortonville, Kansas and its related municipal entity as of December 31, 2012, or changes in its financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In my opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of City of Nortonville, Kansas and its related municipal entity as of December 31, 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

My 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 and 2 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 my 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.

Patsy A. Porter, CPA, PA
Patsy A. Porter, CPA, PA
Atchison, KS

August 27, 2013

CITY OF NORTONVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1 - Summary of significant accounting policies

(a) Municipal financial reporting entity

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

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

(b) Regulatory basis fund types

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

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

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

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

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

(c) Basis of accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

CITY OF NORTONVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1 - Summary of significant accounting policies (continued)

(d) Budgetary information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison 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 City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

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

(e) Risk management

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

CITY OF NORTONVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

1 - Summary of significant accounting policies (continued)

(f) Reimbursements

The City records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to that fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

2 - Compensated absences

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

Full-time employees earn one week of vacation per year after one year of service, two weeks after five years of service, three weeks after ten years of service, and four weeks after twenty years of service. At December 31, 2012, vacation pay earned but not yet used was \$2,019.

Full-time employees earn four hours of sick time per month with an accumulation cap of two-hundred forty hours. If the full-time employee is sick more than thirty consecutive days, the City will pay 40% of the salary for thirteen weeks. At December 31, 2012, sick pay earned but not yet used was \$5,877.

3 - Deposits and investments

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

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

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

Custodial credit risk—deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2012.

Deposits. At December 31, 2012 the carrying amount of the City's deposits, including certificates of deposit and time deposits, was \$287,617 and the bank balance was \$287,423. At December 31, 2012 the carrying amount of the Library's deposits, was \$10,509 and the bank balance was \$10,849. The bank balance was held at one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 (including \$10,849 of the Library) was covered by federal depository insurance, while

CITY OF NORTONVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

3 - Deposits and investments (continued)

\$10,019 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and an additional \$27,404 was covered by other certificates.

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

4 - Defined benefit 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 Kansas law. 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 South Kansas Avenue, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-419 and K.S.A. 74-49,210 establishes 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 rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERs employers. The KPERs employer rate established for calendar year 2012 is 8.34%. The City employer contributions to KPERs for the years ended December 31, 2012, 2011, and 2010 were \$7,130, \$6,420 and \$5,643, respectively, equal to the required contributions for each year.

5 - Ad valorem tax revenues

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

The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied on November 1 and become delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The tax rate assessed for the year ended December 31, 2012 to finance the general fund was \$25.572 per \$1,000 valuation and other fund operations was \$10.401 per \$1,000 valuation.

6 - Related party transactions

The City previously made payments to related parties for goods and services. All transactions were approved by the City Council. Payments made to the mayor (as an employee) for well-checking services for the years ended December 31, 2012 and 2011 was \$940 and \$0, respectively.

CITY OF NORTONVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

7 - Long-term debt

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

Issue	Balance Beginning Of Year	Additions	Payments	Change	Balance End of Year	Interest Paid
KDHE	\$469,660	\$ -	\$30,182	\$(30,182)	\$439,478	\$12,340
Interest Rate	2.92%					
Date of Issue	3/1/2005					
Amount of Issue	\$671,184					
Date of Final Maturity	3/31/2025					
USDA	\$622,000	\$ -	\$7,794	\$(7,794)	\$614,206	\$20,215
Interest Rate	3.25%					
Date of Issue	2/4/2011					
Amount of Issue	\$622,000					
Date of Final Maturity	2/10/2051					
Total long-term debt	<u>\$1,091,660</u>	<u>\$ -</u>	<u>\$37,976</u>	<u>\$(37,976)</u>	<u>\$1,053,684</u>	<u>\$32,555</u>

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

	2013	2014	2015	2016	2017	2018-2022	2023-2027
Principal							
KDHE	\$31,070	\$31,984	\$32,925	\$33,893	\$34,890	\$190,460	\$84,256
USDA	8,047	8,308	8,579	8,857	9,145	50,381	59,120
Total principal	<u>39,117</u>	<u>40,292</u>	<u>41,504</u>	<u>42,750</u>	<u>44,035</u>	<u>240,841</u>	<u>143,376</u>
Interest							
KDHE	11,528	10,693	9,832	8,947	8,035	25,537	2,832
USDA	19,962	19,700	19,430	19,151	18,863	89,661	80,925
Total interest	<u>31,490</u>	<u>30,393</u>	<u>29,262</u>	<u>28,098</u>	<u>26,898</u>	<u>115,198</u>	<u>83,757</u>
Total principal & interest	<u>\$70,607</u>	<u>\$70,685</u>	<u>\$70,766</u>	<u>\$70,848</u>	<u>\$70,933</u>	<u>\$356,039</u>	<u>\$227,133</u>

CITY OF NORTONVILLE, KANSAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

7 - Long-term debt (continued)

	2028-2032	2033-2037	2038-2042	2043-2047	2048-2051	Total
Principal						
KDHE	\$ -	\$ -	\$ -	\$ -	\$ -	\$439,478
USDA	69,371	81,401	95,516	112,080	103,401	614,206
Total principal	69,371	81,401	95,516	112,080	103,401	1,053,684
Interest						
KDHE	-	-	-	-	-	77,404
USDA	70,673	58,643	44,527	27,963	8,531	478,029
Total interest	70,673	58,643	44,527	27,963	8,531	555,433
Total principal & interest	\$140,044	\$140,044	\$140,043	\$140,043	\$111,932	\$1,609,117

8 - License agreement

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

9 - Capital projects

Capital project authorizations with approved change orders compared with cash disbursements and accounts payable from inception are as follows:

	Project Authorization	Cash Disbursements and Accounts Payable to Date
USDA	\$1,115,000	\$1,115,000

10 - Interfund Transfers

Operating transfers were as follows:

From	To	Statutory Authority K.S.A.	Amount
General	Special Police Equipment	12-1,117	\$ 5,000

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 27, 2013, the date the financial statements were available to be issued.

REGULATORY REQUIRED SUPPLEMENTAL INFORMATION

CITY OF NORTONVILLE, KANSAS

Schedule 1

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

<u>FUNDS</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
Government type funds:					
General fund	\$ 307,640	\$ 6,527	\$ 314,167	\$ 206,321	\$ 107,846
Special purpose funds:					
Special highway	80,783	-	80,783	67,953	12,830
Special parks & recreation	676	-	676	-	676
Library	23,260	-	23,260	21,781	1,479
Business funds:					
Water	173,366	-	173,366	113,477	59,889
Sewer	153,352	-	153,352	88,389	64,963

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-A

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 65,943	\$ 65,933	\$ 68,943	\$ (3,010)
Delinquent tax	527	1,449	-	1,449
Motor vehicle tax	11,571	10,754	13,129	(2,375)
Recreational vehicle tax	85	92	167	(75)
16/20M vehicle tax	192	195	223	(28)
Local sales tax	24,697	25,180	22,400	2,780
Franchise tax	28,409	27,086	28,700	(1,614)
Licenses	1,272	1,342	500	842
Miscellaneous	2,308	5,961	2,300	3,661
Reimbursements - USDA	6,417	7,790	-	7,790
Reimbursements - other	6,322	6,566	-	6,566
Fines	2,380	2,794	2,500	294
Trash service	31,829	34,291	34,000	291
Interest on idle funds	565	483	650	(167)
Total cash receipts	182,517	189,916	\$ 173,512	\$ 16,404
Expenditures:				
Salaries & wages	48,344	46,034	49,000	2,966
Employee benefits	12,645	12,253	16,000	3,747
Contractual services	12,490	6,527	2,000	(4,527)
Gas & oil	314	1,503	500	(1,003)
Insurance	2,054	4,559	3,000	(1,559)
Legal services	6,000	6,000	6,000	-
Miscellaneous	1,512	1,925	1,500	(425)
New equipment	480	480	1,000	520
Office supplies	1,035	856	1,000	144
Park department	2,687	5,902	3,300	(2,602)
Police and animal control	36,416	32,888	41,000	8,112
Postage, printing & professional services	2,107	2,897	3,800	903
Public safety	201	222	250	28
Recreation	615	650	800	150
Repairs & maintenance	113	1,756	79,890	78,134
Shop materials	597	-	900	900
Streets and street lights	17,743	34,160	53,900	19,740
Trash service	34,546	34,291	34,000	(291)
Utilities	9,067	8,418	9,800	1,382
Transfer to Special Street Fund	31,000	-	-	-
Transfer to Special Equipment Fund	5,000	5,000	-	(5,000)
Transfer to Special Police Equipment Fund	600	-	-	-
Legal general fund budget	225,566	206,321	307,640	101,319
Adjustment for qualifying budget credits	-	-	6,527	6,527
Total expenditures	225,566	206,321	\$ 314,167	\$ 107,846
Cash receipts over (under) expenditures	(43,049)	(16,405)		
Unencumbered cash, beginning	168,677	125,628		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 125,628	\$ 109,223		

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-A

SPECIAL HIGHWAY FUND

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

For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
State of Kansas gas tax	\$ 15,868	\$ 16,424	\$ 15,770	\$ 654
Expenditures:				
Street repair and maintenance	-	67,953	\$ 80,783	\$ 12,830
Cash receipts over (under) expenditures	15,868	(51,529)		
Unencumbered cash, beginning	49,453	65,321		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 65,321	\$ 13,792		

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-A

SPECIAL PARK & RECREATION FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Liquor tax	\$ -	\$ -	\$ 180	\$ (180)
Expenditures:				
Supplies	-	-	\$ 676	\$ 676
Cash receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	316	316		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	\$ 316	\$ 316		

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-A

LIBRARY FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Taxes and shared revenue:				
Ad valorem property tax	\$ 17,968	\$ 18,356	\$ 18,785	\$ (429)
Delinquent tax	148	401	-	401
Motor vehicle tax	3,261	2,944	3,677	(733)
Recreational vehicle tax	24	25	47	(22)
16/20M vehicle tax	56	55	63	(8)
Miscellaneous	-	-	300	(300)
Total cash receipts	<u>21,457</u>	<u>21,781</u>	<u>\$ 22,872</u>	<u>\$ (1,091)</u>
Expenditures:				
Transfer to Nortonville Public Library	22,271	21,781	\$ 22,960	\$ 1,179
Miscellaneous	-	-	300	300
Total expenditures	<u>22,271</u>	<u>21,781</u>	<u>\$ 23,260</u>	<u>\$ 1,479</u>
Cash receipts over (under) expenditures	(814)	-		
Unencumbered cash, beginning	814	-		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>\$ -</u>		

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-A

WATER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Sales	\$ 107,977	\$ 107,131	\$ 103,000	\$ 4,131
Connections	600	617	500	117
Deposits	2,700	2,213	-	2,213
Late charges	7,243	7,463	8,000	(537)
Sales tax	1,179	1,202	700	502
Coin meter	574	556	500	56
Interest on deposits	22	-	30	(30)
Miscellaneous	414	-	-	-
Total cash receipts	<u>120,709</u>	<u>119,182</u>	<u>\$ 112,730</u>	<u>\$ 6,452</u>
Expenditures:				
Salaries & wages	44,526	41,679	\$ 47,000	\$ 5,321
Employee benefits	10,635	11,348	22,000	10,652
Contractual services	998	738	49,725	48,987
Deposit refunds	2,282	2,487	8,082	5,595
Education	297	223	200	(23)
Gas & oil	1,691	1,503	1,500	(3)
Insurance	2,054	4,559	2,500	(2,059)
Licenses & memberships	482	220	300	80
Miscellaneous	250	100	150	50
New equipment	480	2,200	1,000	(1,200)
Office supplies	415	207	3,300	3,093
Postage, printing & professional services	2,492	2,894	1,900	(994)
Repairs & maintenance	113	1,310	950	(360)
Sales tax	1,077	1,193	-	(1,193)
Shop materials	6,326	7,148	-	(7,148)
USDA principal	-	7,794	7,794	-
USDA interest	-	20,215	20,215	-
Utilities	6,009	6,442	5,250	(1,192)
Water protection & testing	1,993	1,217	1,500	283
Total expenditures	<u>82,120</u>	<u>113,477</u>	<u>\$ 173,366</u>	<u>\$ 59,889</u>
Cash receipts over (under) expenditures	38,589	5,705		
Unencumbered cash, beginning	27,526	66,115		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	<u>\$ 66,115</u>	<u>\$ 71,820</u>		

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-A

SEWER FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash receipts:				
Sales	\$ 89,497	\$ 89,681	\$ 94,000	\$ (4,319)
Miscellaneous	177	-	-	-
Total cash receipts	<u>89,674</u>	<u>89,681</u>	<u>\$ 94,000</u>	<u>\$ (4,319)</u>
Expenditures:				
Salaries & wages	21,668	20,232	\$ 25,000	\$ 4,768
Employee benefits	7,265	5,630	7,100	1,470
Contractual services	998	1,955	63,149	61,194
Education	144	223	150	(73)
Gas & oil	1,691	1,503	1,750	247
Insurance	2,054	2,280	3,000	720
KDHE interest	13,128	12,340	-	(12,340)
KDHE principal	29,320	30,182	42,522	12,340
KDHE service fee	1,229	1,155	1,156	1
License fees	457	405	300	(105)
Miscellaneous	100	1	100	99
New equipment	240	1,960	500	(1,460)
Office supplies	393	207	500	293
Postage, printing & professional fees	2,491	3,942	1,400	(2,542)
Repairs & maintenance	113	542	500	(42)
Sewer testing	480	525	450	(75)
Shop supplies	5,255	4,090	4,600	510
Utilities	1,178	1,217	1,175	(42)
Total expenditures	<u>88,204</u>	<u>88,389</u>	<u>\$ 153,352</u>	<u>\$ 64,963</u>
Cash receipts over (under) expenditures	1,470	1,292		
Unencumbered cash, beginning	55,355	56,825		
Prior year cancelled encumbrances	-	-		
Unencumbered cash, ending	<u>\$ 56,825</u>	<u>\$ 58,117</u>		

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

SPECIAL POLICE EQUIPMENT FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Transfer from General Fund	<u>\$ 600</u>	<u>\$ -</u>
Expenditures:		
Materials	<u>-</u>	<u>-</u>
Cash receipts over (under) expenditures	600	-
Unencumbered cash, beginning	7,069	7,669
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 7,669</u></u>	<u><u>\$ 7,669</u></u>

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

SPECIAL PARK BUILDING FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Transfer from General Fund	<u>\$ -</u>	<u>\$ -</u>
Expenditures:		
Materials	<u>-</u>	<u>1,226</u>
Cash receipts over (under) expenditures	-	(1,226)
Unencumbered cash, beginning	1,226	1,226
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 1,226</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

SPECIAL STREET FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Transfer from General Fund	<u>\$ 31,000</u>	<u>\$ -</u>
Expenditures:		
Materials	<u>-</u>	<u>31,000</u>
Cash receipts over (under) expenditures	31,000	(31,000)
Unencumbered cash, beginning	-	31,000
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 31,000</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

SPECIAL EQUIPMENT FUND

**SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS**

For the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Transfer from General Fund	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Expenditures:		
Materials	<u>-</u>	<u>-</u>
Cash receipts over (under) expenditures	5,000	5,000
Unencumbered cash, beginning	-	5,000
Prior year canceled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u><u>\$ 5,000</u></u>	<u><u>\$ 10,000</u></u>

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

CAPITAL PROJECTS FUND - USDA WATER PROJECT

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASISFor the Year Ended December 31, 2012
(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Grant - USDA	\$ 445,500	\$ 47,500
Loan - USDA	622,000	-
Interest on idle funds	206	3
	<u>1,067,706</u>	<u>47,503</u>
Total cash receipts		
Expenditures:		
Water project	<u>1,066,149</u>	<u>49,060</u>
Cash receipts over (under) expenditures	1,557	(1,557)
Unencumbered cash, beginning	-	1,557
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ 1,557</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

COMMUNITY IMPROVEMENT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Miscellaneous	\$ 2,500	\$ -
Total cash receipts	<u>2,500</u>	<u>-</u>
Expenditures:		
Miscellaneous	<u>2,033</u>	<u>467</u>
Cash receipts over (under) expenditures	467	(467)
Unencumbered cash, beginning	-	467
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>
Unencumbered cash, ending	<u>\$ 467</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF NORTONVILLE, KANSAS

Schedule 2-B

NORTONVILLE PUBLIC LIBRARY

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	<u>2011</u>	<u>2012</u>
Cash receipts:		
Transfer from Library Fund	\$ 22,271	\$ 21,781
Norton Township	7,288	6,965
Northeast Kansas Library System	13,400	14,005
State of Kansas	468	396
Gifts and donations	3,478	4,321
Interest on idle funds	51	27
	<u>46,956</u>	<u>47,495</u>
 Expenditures:		
Wages	25,065	29,944
Benefits	4,066	3,906
Continuing education	199	100
Mileage	850	800
Books	6,496	5,603
Videos	2,941	2,800
Periodicals	385	335
Technology	1,636	1,251
Supplies	1,282	1,213
Postage	596	404
Insurance	320	348
Internet access	1,570	1,260
Children's programming	1,137	938
Automation grant	675	675
Miscellaneous	3,010	1,065
	<u>50,228</u>	<u>50,642</u>
 Cash receipts over (under) expenditures	(3,272)	(3,147)
 Unencumbered cash, beginning	16,928	13,656
 Prior year cancelled encumbrances	<u>-</u>	<u>-</u>
 Unencumbered cash, ending	<u>\$ 13,656</u>	<u>\$ 10,509</u>

See accompanying notes to financial statements.



August 27, 2013

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

I have audited the regulatory basis financial statements of City of Nortonville, Kansas and Nortonville Public Library (Municipal Financial Reporting Entity) for the year ended December 31, 2012. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter dated December 7, 2012. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Municipal Financial Reporting Entity are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. I noted no transactions entered into by the Municipal Financial Reporting Entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated August 27, 2013.

Management Consultations with Other Independent Accountants'

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Municipal Financial Reporting Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Municipal Financial Reporting Entity's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Mayor, City Council and other employees of the Municipal Financial Reporting Entity and is not intended to be and should not be used by anyone other than these specified parties.


PATSY A. PORTER, CPA, PA