

CITY OF NORWICH, KANSAS

Statutory Basis Financial Statement
and Independent Auditors' Report
with Supplemental Information

For the Year Ended December 31, 2012

CITY OF NORWICH, KANSAS

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
FINANCIAL STATEMENT:	
Independent Auditors' Report	1-2
<u>Statement 1</u>	
Summary Statement of Receipts, Expenditures, and Unencumbered Cash – Regulatory Basis	3
Notes to the Financial Statement	4-14
SUPPLEMENTAL INFORMATION:	
<u>Schedule 1</u>	
Summary of Expenditures – Actual and Budget (Budgeted Funds Only) – Regulatory Basis	15
<u>Schedule 2</u>	
Schedule of Receipts and Expenditures – Actual and Budget – Regulatory Basis (with Comparative Actual Amounts for the Prior Year)	
General Fund	16-18
Fire Fund	19
Library Fund.....	20
Employee Benefits Fund	21
Special Highway Fund	22
Emergency Medical Service Fund	23
Municipal Equipment Reserve Fund	24
Capital Improvement Reserve Fund	25
Special Machinery Fund	26
EMS Building Fund.....	27
Bond and Interest Fund	28
Water Utility Fund	29
Sewer Utility Fund.....	30
<u>Schedule 3</u>	
Schedule of Receipts and Disbursements – Agency Funds Regulatory Basis	31

JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Norwich, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City of Norwich, Kansas, a municipality, 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.

Auditors' Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by the City of Norwich, 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 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 Norwich, 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 Norwich, 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 Regulatory Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and disbursements-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 29, 2013
Chanute, Kansas

Statement 1

CITY OF NORWICH, KANSAS

Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis

For the Year Ended December 31, 2012

Funds	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance December 31, 2012
Governmental Type Funds:						
General	\$ 80,331.44	\$ 193,446.90	\$ 228,374.42	\$ 45,403.92	\$ 3,102.31	\$ 48,506.23
Special Purpose Funds:						
Fire	9,214.70	50,028.43	42,393.36	16,849.77	924.29	17,774.06
Library	556.76	12,715.27	12,717.77	554.26	441.38	995.64
Employee Benefits	5,569.48	18,283.29	22,689.29	1,163.48	-	1,163.48
Special Highway	24,883.60	12,730.27	5,096.44	32,517.43	6.81	32,524.24
Emergency Medical Service	10,124.85	174,245.90	167,825.00	16,545.75	1,298.05	17,843.80
Municipal Equipment Reserve	15,381.94	11,027.17	-	26,409.11	-	26,409.11
Capital Improvement Reserve	69,517.77	16,053.41	5,102.93	80,468.25	-	80,468.25
Special Machinery	2,904.44	22.07	-	2,926.51	-	2,926.51
EMS Building	355.60	-	-	355.60	-	355.60
Bond and Interest Funds:						
Bond and Interest	4,760.23	94,006.00	87,358.75	11,407.48	-	11,407.48
Business Funds:						
Water Utility	115,596.50	95,235.62	90,672.93	120,159.19	893.75	121,052.94
Sewer Utility	11,213.66	54,932.15	50,149.02	15,996.79	739.20	16,735.99
Total Reporting Entity (Excluding Agency Funds)	\$ 350,410.97	\$ 732,726.48	\$ 712,379.91	\$ 370,757.54	\$ 7,405.79	\$ 378,163.33
Composition of Cash:						
Cash on Hand						\$ 18.00
Checking Accounts						54,138.50
Money Market Accounts						325,152.85
Totals - Primary Government						379,309.35
Less Agency Funds (Schedule 3)						(1,146.02)
Total Reporting Entity (Excluding Agency Funds)						\$ 378,163.33

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

CITY OF NORWICH, KANSAS

Notes to the Financial Statement
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statement and schedules of the City of Norwich, Kansas have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies follow. Note 1 describes how the City's accounting policies differ from generally accepted accounting principles.

Financial Reporting Entity

The City of Norwich, Kansas, is a municipal corporation governed by an elected five-member council. This financial statement presents the City of Norwich.

Related Municipal Entities: A related municipal entity is determined by the following criteria. Whether the City exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of the public service, and significant operational or financial relationships with the City. Related municipal entities are not required to be included in the City's audit by the Kansas Municipal Audit and Accounting Guide (KMAAG). Based upon the application of this criterion, the following is a brief review of potential related municipal entities:

Norwich Public Library

The City of Norwich Library Board operates the City's public library. Acquisition or disposition of real property by the Board must be approved by the City. Separate unaudited financial statements are available at the Library.

Norwich Public Housing Authority

The City of Norwich Public Housing Authority operates the City's Housing Authority. Acquisition or disposition of real property by the Board must be approved by the City. Separate unaudited financial statements are available at the Housing Authority.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Regulatory Basis Fund Types

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds comprise the financial activities of the City of Norwich, Kansas, for the year of 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 specified purposes.

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.).

Basis of Presentation – Regulatory 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1st of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1st of the ensuing year. Consequently, for revenue recognition purposes, taxes levied during the current year are not due and receivable until the ensuing year. At December 31, such taxes are a lien on the property.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as cash receipts. In the financial statement and budget comparisons schedules presented in this report, reimbursements and refunds are recorded as cash receipts. The reimbursements are recorded as cash receipts when received by the City Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as cash receipts in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as cash receipts in the bond and interest fund. Further, state statutes require levying additional general ad valorem property taxes in the City bond and interest fund to finance delinquent special assessments receivable.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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), debt service funds, and business funds. Although directory rather than mandatory, the statutes provide for the following timetable in the adoption of the legal annual operating budget:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for 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 the individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds, and the following special purpose funds:

- Municipal Equipment Reserve Fund
- Capital Improvement Reserve Fund
- Special Machinery Fund
- EMS Building Fund

In addition, an operating budget is not required for business principal and interest funds and business reserve funds.

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.

Compliance with Kansas Statutes

Statement 1 and Schedule 1 have been prepared in order to show compliance with the cash basis and budget laws of Kansas. As shown in Statement 1 and Schedule 1, the City was in compliance with cash basis and budget laws of Kansas.

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 branch or branch bank in the county in which the City is located, or in an adjoin county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

Concentration of credit risk. State statutes place no limit on the amount the Government 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 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. All deposits were legally secured at December 31, 2012.

Deposits: At year-end, the City's carrying amount of deposits was \$379,291.35 and the bank balance was \$379,557.63. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$301,402.90 was covered by FDIC insurance, and \$78,154.73 was collateralized with securities held by the pledging financial institution's agents in the City's name.

4. CAPITAL LEASE OBLIGATIONS

The City has entered into a capital lease agreement in order to finance the acquisition of a 2008 ambulance. Payments are made semi-annually, including interest at approximately 5.557%. Final maturity of the lease is June 15, 2018. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 14,962.40
2014	14,962.40
2015	14,962.40
2016	14,962.40
2017	14,962.40
2018	<u>8,605.53</u>
	83,417.53
Less imputed interest	<u>(12,547.39)</u>
Net Present Value of Minimum Lease Payments	70,870.14
Less: Current Maturities	<u>(11,164.82)</u>
Long-Term Capital Lease Obligations	<u>\$ 59,705.32</u>

4. CAPITAL LEASE OBLIGATIONS (Continued)

The City has entered into a capital lease agreement in order to finance the construction of an EMS building. Payments are made semi-annually, including interest at approximately 6.50%. Final maturity of the lease is December 24, 2015. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 11,444.40
2014	11,444.40
2015	<u>11,264.28</u>
	34,153.08
Less imputed interest	<u>(3,342.82)</u>
Net Present Value of Minimum	
Lease Payments	30,810.26
Less: Current Maturities	<u>(9,599.60)</u>
Long-Term Capital Lease Obligations	<u>\$ 21,210.66</u>

The City has entered into a capital lease agreement in order to finance the acquisition of a CAT Skid Loader. Payments are made semi-annually, including interest at approximately 5.00%. Final maturity of the lease is March 18, 2014. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 4,035.96
2014	<u>2,000.26</u>
	6,036.22
Less imputed interest	<u>(289.28)</u>
Net Present Value of Minimum	
Lease Payments	5,746.94
Less: Current Maturities	<u>(3,795.47)</u>
Long-Term Capital Lease Obligations	<u>\$ 1,951.47</u>

The City has entered into a capital lease agreement in order to finance the acquisition of a 2011 Ford Excursion. Payments are made annually, including interest at approximately 5.00%. Final maturity of the lease is September 12, 2014. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 4,641.92
2014	<u>4,620.98</u>
	9,262.90
Less imputed interest	<u>(650.66)</u>
Net Present Value of Minimum	
Lease Payments	8,612.24
Less: Current Maturities	<u>(4,211.31)</u>
Long-Term Capital Lease Obligations	<u>\$ 4,400.93</u>

4. CAPITAL LEASE OBLIGATIONS (Continued)

The City has entered into a capital lease agreement in order to finance the acquisition of a 2011 Ford F150. Payments are made annually, including interest at approximately 5.00%. Final maturity of the lease is June 15, 2015. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 4,862.33
2014	4,862.33
2015	<u>4,862.33</u>
	14,586.29
Less imputed interest	<u>(1,374.15)</u>
Net Present Value of Minimum Lease Payments	13,212.84
Less: Current Maturities	<u>(4,201.69)</u>
Long-Term Capital Lease Obligations	<u>\$ 9,011.15</u>

The City has entered into a capital lease agreement in order to finance the acquisition of a 2005 GMC Envoy. Payments are made annually, including interest at approximately 4.00%. Final maturity of the lease is August 7, 2014. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 5,361.37
2014	<u>5,361.36</u>
	10,722.73
Less imputed interest	<u>(618.73)</u>
Net Present Value of Minimum Lease Payments	10,104.00
Less: Current Maturities	<u>(4,949.04)</u>
Long-Term Capital Lease Obligations	<u>\$ 5,154.96</u>

The City has entered into a capital lease agreement in order to finance the acquisition of a 2011 Ford F150. Payments are made annually, including interest at approximately 4.00%. Final maturity of the lease is December 16, 2014. Future minimum lease payments are as follows:

<u>Year Ended December 31</u>	<u>Totals</u>
2013	\$ 7,794.92
2014	<u>7,794.92</u>
	15,589.84
Less imputed interest	<u>(796.66)</u>
Net Present Value of Minimum Lease Payments	14,793.18
Less: Current Maturities	<u>(7,225.83)</u>
Long-Term Capital Lease Obligations	<u>\$ 7,567.35</u>

5. LONG-TERM DEBT COMMITMENTS

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

Issue	Interest Rates	Date of Issue	Original Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds:									
Paid with Tax Levies									
General Obligation Bonds - Streets, Series 1997									
	4.8% to 6.5%	April 1, 1997	\$ 235,000.00	October 1, 2012	\$ 20,000.00	- \$	20,000.00	\$ -	1,100.00
Paid with Utility Revenues									
General Obligation Bonds - Water, Series 1992									
	6.75%	December 1, 1992	350,000.00	September 1, 2013	60,000.00	-	30,000.00	30,000.00	3,900.00
General Obligation Bonds - Sewer, Series 1999									
	4.9% to 6.8%	June 1, 1999	355,000.00	September 1, 2016	140,000.00	-	25,000.00	115,000.00	7,350.00
Capital Leases:									
Ambulance Equipment									
	6.250%	March 28, 2007	10,483.05	April 3, 2013	3,005.65	-	3,005.65	-	148.62
	5.557%	June 19, 2008	118,935.00	June 15, 2018	81,404.56	-	10,534.42	70,870.14	4,427.98
EMS Building Construction									
	6.250%	November 30, 2010	48,194.62	December 24, 2015	39,747.81	-	8,937.55	30,810.26	2,506.57
CAT Skid Loader									
	5.000%	March 18, 2011	11,100.00	March 18, 2014	9,359.52	-	3,612.58	5,746.94	423.38
2011 Ford Excursion									
	5.000%	September 12, 2011	12,623.00	September 12, 2014	12,623.00	-	4,010.76	8,612.24	631.15
2011 Ford F150									
	5.000%	July 8, 2011	17,264.00	June 15, 2015	17,264.00	-	4,051.16	13,212.84	811.17
2005 GMC Envoy									
	4.000%	August 7, 2012	10,104.00	August 7, 2014	-	10,104.00	-	10,104.00	-
Ambulance Power Cot									
	4.000%	November 16, 2012	14,793.18	December 16, 2014	-	14,793.18	-	14,793.18	-

Total Long-Term Debt Commitments

\$ 383,404.54	\$ 24,897.18	\$ 109,152.12	\$ 299,149.60	\$ 21,298.87
---------------	--------------	---------------	---------------	--------------

5. LONG-TERM DEBT COMMITMENTS (Continued)

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

Issue	2013	2014	2015	2016	2017	2018	Total
Principal							
General Obligation Bonds:							
Paid with Utility Revenues							
General Obligation Bonds -							
Water, Series 1992	\$ 30,000.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000.00
General Obligation Bonds -							
Sewer, Series 1999	25,000.00	30,000.00	30,000.00	30,000.00	-	-	115,000.00
Capital Leases:							
2008 Ambulance	11,164.82	11,796.04	12,462.94	13,161.91	13,911.68	8,372.75	70,870.14
EMS Building Construction	9,599.60	10,233.72	10,976.94	-	-	-	30,810.26
CAT Skid Loader	3,795.47	1,951.47	-	-	-	-	5,746.94
2011 Ford Excursion	4,211.31	4,400.93	-	-	-	-	8,612.24
2011 Ford F150	4,201.69	4,411.77	4,599.38	-	-	-	13,212.84
2005 GMC Envoy	4,949.04	5,154.96	-	-	-	-	10,104.00
Ambulance Power Cot	7,225.83	7,567.35	-	-	-	-	14,793.18
Total Principal Payments	100,147.76	75,516.24	58,039.26	43,161.91	13,911.68	8,372.75	299,149.60
Interest							
General Obligation Bonds:							
Paid with Utility Revenues							
General Obligation Bonds -							
Water, Series 1992	2,025.00	-	-	-	-	-	2,025.00
General Obligation Bonds -							
Sewer, Series 1999	6,037.50	4,725.00	3,150.00	1,575.00	-	-	15,487.50
Capital Leases:							
2008 Ambulance	3,797.58	3,166.36	2,499.46	1,800.49	1,050.72	232.78	12,547.39
EMS Building Construction	1,844.80	1,210.68	287.34	-	-	-	3,342.82
CAT Skid Loader	240.49	48.79	-	-	-	-	289.28
2011 Ford Excursion	430.61	220.05	-	-	-	-	650.66
2011 Ford F150	660.64	450.56	262.95	-	-	-	1,374.15
2005 GMC Envoy	412.33	206.40	-	-	-	-	618.73
Ambulance Power Cot	569.09	227.57	-	-	-	-	796.66
Total Interest Payments	16,018.04	10,255.41	6,199.75	3,375.49	1,050.72	232.78	37,132.19
Total Principal and Interest	\$ 116,165.80	\$ 85,771.65	\$ 64,239.01	\$ 46,537.40	\$ 14,962.40	\$ 8,605.53	\$ 336,281.79

6. INDUSTRIAL REVENUE BONDS

The City has entered into various agreements to induce businesses to locate or expand operations in Norwich, Kansas. In connection therewith, the City has issued industrial revenue bonds (IRB's), which require the businesses to make lease payments to trust accounts sufficient to pay debt service on the IRB's. The City is under no obligation to pay the IRB debt, which is to be paid from the lease payments made by the related businesses. At December 31, 2012, there was one industrial revenue bond issue with principal balances due totaling \$3,875,000.00.

7. COMPENSATED ABSENCES

All full-time employees of the City are eligible for vacation benefits in varying annual amounts. Full time employees will be granted paid vacation time according to the following schedules:

After one year employment	1 Week
After three years of employment	2 Weeks
After ten years of employment	3 Weeks

The City council can; after ten years of service, award an employee additional vacation as they deem appropriate. All vacation or pay in lieu of must be used or paid in the year earned. In the event of termination employees will be compensated for unused vacation leave.

All full time employees are eligible for paid sick leave and starts accruing after the 90 day probationary period and is accrued at a rate of one eight hour day per month. Maximum accumulation of 90 days is allowed and not paid upon termination.

The City determines a liability for compensated absences when the following conditions are met:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation relates to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

In accordance with the above criteria, the City has estimated a liability for vacation benefits of \$4,687.64, and not estimated a liability for sick pay which has been earned, but not taken by City employees, inasmuch as the amount cannot be reasonably estimated.

8. OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government 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 of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

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.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City manages these risks of loss through the purchase of various insurance policies.

10. INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From Fund:</u>	<u>To Fund:</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Fire	K.S.A. 79-2934	\$ 10,500.00
General	Capital Improvements Reserve	K.S.A. 12-1,118	16,000.00
General	Municipal Equipment Reserve	K.S.A. 12-1,117	11,000.00
General	Employee Benefits	K.S.A. 12-16,102	500.00
General	Bond and Interest	K.S.A. 79-2934	20,019.34
Water Utility	Bond and Interest	K.S.A. 12-825d	25,000.00
Water Utility	General	K.S.A. 12-825d	12,000.00
Sewer Utility	Bond and Interest	K.S.A. 12-825d	5,000.00
Sewer Utility	General	K.S.A. 12-825d	5,000.00

11. SUBSEQUENT EVENTS

The City evaluated events and transactions occurring subsequent year end, and there were no subsequent events requiring recognition in the financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

SUPPLEMENTAL INFORMATION

Schedule 1

CITY OF NORWICH, KANSAS

Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 Regulatory Basis
 For the Year Ended December 31, 2012

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General	\$ 321,250.00	\$ 448.33	\$ 321,698.33	\$ 228,374.42	\$ (93,323.91)
Special Purpose Funds:					
Fire	57,300.00	-	57,300.00	42,393.36	(14,906.64)
Library	16,587.00	6,450.00	23,037.00	12,717.77	(10,319.23)
Employee Benefit	23,400.00	-	23,400.00	22,689.29	(710.71)
Special Highway	10,900.00	-	10,900.00	5,096.44	(5,803.56)
Emergency Medical Service	151,100.00	25,697.18	176,797.18	167,825.00	(8,972.18)
Bond and Interest Funds:					
Bond and Interest	97,360.00	-	97,360.00	87,358.75	(10,001.25)
Business Funds:					
Water Utility	141,200.00	-	141,200.00	90,672.93	(50,527.07)
Sewer Utility	59,000.00	-	59,000.00	50,149.02	(8,850.98)

CITY OF NORWICH, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 109,658.62	\$ 85,736.63	\$ 90,548.00	\$ (4,811.37)
Delinquent Tax	1,902.36	4,686.71	-	4,686.71
Motor Vehicle Tax	8,510.56	12,483.53	44,879.00	(32,395.47)
Recreational Vehicle Tax	218.12	153.84	4,488.00	(4,334.16)
16/20M Vehicle Tax	285.97	201.65	449.00	(247.35)
Franchise Tax	52,310.74	49,087.19	49,000.00	87.19
Charges for Services				
Swimming Pool Receipts	8,420.00	7,427.00	9,000.00	(1,573.00)
Police Agreement	2,700.00	2,700.00	2,700.00	-
VIN Inspections	205.00	295.00	150.00	145.00
Licenses and Permits	210.00	240.00	300.00	(60.00)
Municipal Court Fines	-	554.00	1,000.00	(446.00)
Use of Money and Property				
Interest Income	198.79	55.72	600.00	(544.28)
Lease/Rent of Property	600.00	700.00	600.00	100.00
Other Revenues				
Donations	100.00	11,302.30	-	11,302.30
Miscellaneous	4,110.53	375.00	4,000.00	(3,625.00)
Reimbursed Expenses	2,000.00	448.33	-	448.33
Operating Transfers from:				
Water Utility Fund	10,000.00	12,000.00	12,000.00	-
Sewer Utility Fund	-	5,000.00	5,000.00	-
Total Receipts	201,430.69	193,446.90	\$ 224,714.00	\$ (31,267.10)
Expenditures				
General Government				
Contractual Services	2,675.14	1,691.70	\$ 10,000.00	\$ (8,308.30)
Commodities	7,317.68	7,012.13	4,000.00	3,012.13
Capital Outlay	-	-	1,000.00	(1,000.00)

CITY OF NORWICH, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
General Administration				
Personal Services	\$ 7,499.39	\$ 7,257.81	\$ 12,000.00	\$ (4,742.19)
Contractual Services	7,102.84	6,582.58	5,000.00	1,582.58
Commodities	2,911.52	2,899.02	4,000.00	(1,100.98)
Capital Outlay	50.00	-	5,000.00	(5,000.00)
Police				
Personal Services	40,780.30	42,524.02	42,000.00	524.02
Contractual Services	5,577.97	4,195.55	8,000.00	(3,804.45)
Commodities	14,335.41	10,879.38	12,000.00	(1,120.62)
Capital Outlay	2,092.09	-	10,000.00	(10,000.00)
Debt Service	-	4,862.33	-	4,862.33
Street Lights				
Personal Services	70.00	-	-	-
Contractual Services	11,448.83	8,688.28	10,500.00	(1,811.72)
Commodities	-	-	5,000.00	(5,000.00)
Buildings and Properties				
Contractual Services	2,992.93	3,225.23	4,000.00	(774.77)
Commodities	1,804.40	3,284.16	4,000.00	(715.84)
Capital Outlay	3,019.03	-	35,000.00	(35,000.00)
Park				
Personal Services	112.00	42.00	1,000.00	(958.00)
Contractual Services	1,496.83	2,651.51	3,000.00	(348.49)
Commodities	1,325.08	7,237.04	2,500.00	4,737.04
Capital Outlay	1,711.75	20,000.00	25,000.00	(5,000.00)
Streets				
Personal Services	-	-	500.00	(500.00)
Contractual Services	1,015.00	2,621.00	500.00	2,121.00
Commodities	2,958.31	4,035.18	10,000.00	(5,964.82)
Capital Outlay	18,237.65	12,001.48	30,000.00	(17,998.52)

CITY OF NORWICH, KANSAS
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Expenditures (Continued)				
Swimming Pool				
Personal Services	\$ 6,006.80	\$ 6,621.63	\$ 10,000.00	\$ (3,378.37)
Contractual Services	4,776.86	4,694.02	5,250.00	(555.98)
Commodities	7,465.99	4,114.87	12,000.00	(7,885.13)
Capital Outlay	129.03	-	12,000.00	(12,000.00)
Noxious Weeds				
Personal Services	1,403.50	2,145.50	2,500.00	(354.50)
Contractual Services	206.50	-	500.00	(500.00)
Commodities	135.28	1,088.66	500.00	588.66
Sidewalk Improvements				
Capital Outlay	-	-	500.00	(500.00)
Fire				
Contractual Services	-	-	7,000.00	(7,000.00)
Operating Transfers to:				
Fire Fund	3,500.00	10,500.00	-	10,500.00
Capital Improvements Reserve Fund	16,000.00	16,000.00	16,000.00	-
Municipal Equipment Reserve Fund	6,000.00	11,000.00	11,000.00	-
Employee Benefits Fund	-	500.00	-	500.00
Bond and Interest Fund	-	20,019.34	-	20,019.34
Total Certified Budget			321,250.00	(92,875.58)
Adjustments for Qualifying Budget Credits				
			448.33	(448.33)
Total Expenditures	182,158.11	228,374.42	\$ 321,698.33	\$ (93,323.91)
Receipts Over(Under) Expenditures	19,272.58	(34,927.52)		
Unencumbered Cash, Beginning	61,058.86	80,331.44		
Unencumbered Cash, Ending	\$ 80,331.44	\$ 45,403.92		

CITY OF NORWICH, KANSAS
FIRE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Township Appropriations	\$ 39,900.00	\$ 33,250.00	\$ 42,000.00	\$ (8,750.00)
Use of Money and Property				
Interest Income	65.19	20.93	300.00	(279.07)
Other Revenues				
Miscellaneous	240.00	-	5,000.00	(5,000.00)
Donations	3,225.62	6,257.50	9,000.00	(2,742.50)
Operating Transfers from General Fund				
	3,500.00	10,500.00	-	10,500.00
Total Receipts	46,930.81	50,028.43	\$ 56,300.00	\$ (6,271.57)
Expenditures				
Emergency Services				
Personal Services	1,100.00	1,150.00	\$ 1,100.00	\$ 50.00
Contractual Services	7,006.07	6,486.53	5,200.00	1,286.53
Commodities	40,026.44	30,089.92	31,000.00	(910.08)
Capital Outlay	1,721.33	-	10,000.00	(10,000.00)
Debt Service				
Capital Lease Payments	4,469.86	4,666.91	10,000.00	(5,333.09)
Total Expenditures	54,323.70	42,393.36	\$ 57,300.00	\$ (14,906.64)
Receipts Over(Under) Expenditures	(7,392.89)	7,635.07		
Unencumbered Cash, Beginning	16,607.59	9,214.70		
Unencumbered Cash, Ending	<u>\$ 9,214.70</u>	<u>\$ 16,849.77</u>		

CITY OF NORWICH, KANSAS
LIBRARY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 5,113.52	\$ 5,221.99	\$ 5,503.00	\$ (281.01)
Delinquent Tax	156.85	304.66	-	304.66
Motor Vehicle Tax	917.11	705.09	2,092.00	(1,386.91)
Recreational Vehicle Tax	24.91	9.47	209.00	(199.53)
16/20M Vehicle Tax	22.10	24.06	21.00	3.06
Other Revenues				
Reimbursed Expense	7,279.75	6,450.00	7,938.00	(1,488.00)
Total Receipts	13,514.24	12,715.27	\$ 15,763.00	\$ (3,047.73)
Expenditures				
Cultural and Recreation				
Library Appropriations	6,234.49	6,265.27	\$ 9,024.00	\$ (2,758.73)
Personal Services	7,040.63	6,452.50	7,563.00	(1,110.50)
Contractual Services	10.00	-	-	-
Total Certified Budget			16,587.00	(3,869.23)
Adjustments for Qualifying Budget Credits			6,450.00	(6,450.00)
Total Expenditures	13,285.12	12,717.77	\$ 23,037.00	\$ (10,319.23)
Receipts Over(Under) Expenditures	229.12	(2.50)		
Unencumbered Cash, Beginning	327.64	556.76		
Unencumbered Cash, Ending	\$ 556.76	\$ 554.26		

CITY OF NORWICH, KANSAS
EMPLOYEE BENEFITS FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 11,977.29	\$ 13,101.85	\$ 13,807.00	\$ (705.15)
Delinquent Tax	363.49	709.68	-	709.68
Motor Vehicle Tax	2,226.95	1,682.78	4,901.00	(3,218.22)
Recreational Vehicle Tax	61.47	22.77	490.00	(467.23)
16/20M Vehicle Tax	47.46	60.07	49.00	11.07
Use of Money and Property				
Interest Income	25.21	18.60	100.00	(81.40)
Other Revenues				
Miscellaneous	-	2,187.54	-	2,187.54
Operating Transfers from General Fund	-	500.00	-	500.00
Total Receipts	<u>14,701.87</u>	<u>18,283.29</u>	<u>\$ 19,347.00</u>	<u>\$ (1,063.71)</u>
Expenditures				
General Administration				
Personal Services	<u>16,548.22</u>	<u>22,689.29</u>	<u>23,400.00</u>	<u>(710.71)</u>
Total Expenditures	<u>16,548.22</u>	<u>22,689.29</u>	<u>\$ 23,400.00</u>	<u>\$ (710.71)</u>
Receipts Over(Under) Expenditures	(1,846.35)	(4,406.00)		
Unencumbered Cash, Beginning	<u>7,415.83</u>	<u>5,569.48</u>		
Unencumbered Cash, Ending	<u>\$ 5,569.48</u>	<u>\$ 1,163.48</u>		

CITY OF NORWICH, KANSAS
SPECIAL HIGHWAY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Special Highway Tax	\$ 12,800.15	\$ 12,707.08	\$ 13,570.00	\$ (862.92)
Use of Money and Property				
Interest Income	58.63	23.19	250.00	(226.81)
Total Receipts	12,858.78	12,730.27	\$ 13,820.00	\$ (1,089.73)
Expenditures				
Street Maintenance				
Contractual Services	1,157.23	1,060.48	\$ 1,500.00	\$ (439.52)
Commodities	89.50	-	1,200.00	(1,200.00)
Capital Outlay	128.95	-	4,000.00	(4,000.00)
Debt Service				
Capital Lease - CAT Loader	-	4,035.96	4,200.00	(164.04)
Total Expenditures	1,375.68	5,096.44	\$ 10,900.00	\$ (5,803.56)
Receipts Over(Under) Expenditures	11,483.10	7,633.83		
Unencumbered Cash, Beginning	13,400.50	24,883.60		
Unencumbered Cash, Ending	\$ 24,883.60	\$ 32,517.43		

CITY OF NORWICH, KANSAS
EMERGENCY MEDICAL SERVICE FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
Kingman County Appropriations	\$ 32,231.21	\$ 30,815.28	\$ 30,000.00	\$ 815.28
Sumner County Appropriations	22,560.00	25,998.00	23,000.00	2,998.00
Argonia Appropriations	-	44,000.00	44,000.00	-
State Aid - Emergency Medical	4,000.00	4,575.00	-	4,575.00
Charges for Services				
Transports	25,484.09	38,297.12	42,000.00	(3,702.88)
Use of Money and Property				
Interest Income	105.23	20.73	-	20.73
Capital Lease Proceeds	-	24,897.18	-	24,897.18
Other Revenues				
Miscellaneous	3,450.83	1,192.59	-	1,192.59
Reimbursed Expense	1,118.77	800.00	-	800.00
Donations	1,073.00	3,650.00	3,000.00	650.00
Total Receipts	90,023.13	174,245.90	\$ 142,000.00	\$ 32,245.90
Expenditures				
Emergency Services				
Personal Services	19,855.37	30,979.20	\$ 25,000.00	\$ 5,979.20
Contractual Services	27,860.10	41,511.61	35,000.00	6,511.61
Commodities	25,224.50	35,761.71	30,000.00	5,761.71
Capital Outlay	5,920.31	30,011.69	36,100.00	(6,088.31)
Debt Service				
Capital Lease - Equipment	28,523.44	29,560.79	25,000.00	4,560.79
Total Certified Budget			151,100.00	16,725.00
Adjustments for Qualifying				
Budget Credits			25,697.18	(25,697.18)
Total Expenditures	107,383.72	167,825.00	\$ 176,797.18	\$ (8,972.18)
Receipts Over(Under) Expenditures	(17,360.59)	6,420.90		
Unencumbered Cash, Beginning	27,485.44	10,124.85		
Unencumbered Cash, Ending	<u>\$ 10,124.85</u>	<u>\$ 16,545.75</u>		

CITY OF NORWICH, KANSAS
MUNICIPAL EQUIPMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	<u>Prior</u> <u>Year</u> <u>Actual</u>	<u>Current</u> <u>Year</u> <u>Actual</u>
Receipts		
Use of Money and Property		
Interest Income	\$ 54.30	\$ 27.17
Other Revenues		
Miscellaneous	4,916.00	-
Operating Transfer from General Fund	<u>6,000.00</u>	<u>11,000.00</u>
Total Receipts	<u>10,970.30</u>	<u>11,027.17</u>
Expenditures		
General Government		
Capital Outlay	<u>7,800.00</u>	<u>-</u>
Total Expenditures	<u>7,800.00</u>	<u>-</u>
Receipts Over(Under) Expenditures	3,170.30	11,027.17
Unencumbered Cash, Beginning	<u>12,211.64</u>	<u>15,381.94</u>
Unencumbered Cash, Ending	<u>\$ 15,381.94</u>	<u>\$ 26,409.11</u>

CITY OF NORWICH, KANSAS
CAPITAL IMPROVEMENT RESERVE FUND
Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 133.56	\$ 53.41
Operating Transfer from General Fund	16,000.00	16,000.00
Total Receipts	16,133.56	16,053.41
Expenditures		
General Government		
Capital Outlay	-	5,102.93
Total Expenditures	-	5,102.93
Receipts Over(Under) Expenditures	16,133.56	10,950.48
Unencumbered Cash, Beginning	53,384.21	69,517.77
Unencumbered Cash, Ending	\$ 69,517.77	\$ 80,468.25

CITY OF NORWICH, KANSAS
SPECIAL MACHINERY FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 38.04	\$ 22.07
Total Receipts	38.04	22.07
Expenditures		
General Government		
Capital Outlay	10,834.00	-
Debt Service		
Capital Lease Payments	2,017.98	-
Total Expenditures	12,851.98	-
Receipts Over(Under) Expenditures	(12,813.94)	22.07
Unencumbered Cash, Beginning	15,718.38	2,904.44
Unencumbered Cash, Ending	\$ 2,904.44	\$ 2,926.51

CITY OF NORWICH, KANSAS
EMS BUILDING FUND

Schedule of Receipts and Expenditures - Actual
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year Actual
Receipts		
Use of Money and Property		
Interest Income	\$ 1.62	\$ -
Total Receipts	1.62	-
Expenditures		
Emergency Services		
Capital Outlay	-	-
Total Expenditures	-	-
Receipts Over(Under) Expenditures	1.62	-
Unencumbered Cash, Beginning	353.98	355.60
Unencumbered Cash, Ending	\$ 355.60	\$ 355.60

CITY OF NORWICH, KANSAS
BOND AND INTEREST FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Taxes and Shared Revenue				
Ad Valorem Property Tax	\$ 32,078.36	\$ 20,519.80	\$ 21,568.00	\$ (1,048.20)
Delinquent Tax	962.00	1,838.40	-	1,838.40
Motor Vehicle Tax	5,538.99	4,377.73	13,128.00	(8,750.27)
Recreational Vehicle Tax	150.52	58.57	1,313.00	(1,254.43)
16/20M Vehicle Tax	132.77	145.48	131.00	14.48
Special Assessments	17,600.26	17,027.44	18,000.00	(972.56)
Use of Money and Property				
Interest Income	105.67	19.24	500.00	(480.76)
Operating Transfers from:				
General Fund	-	20,019.34	-	20,019.34
Water Utility Fund	18,000.00	25,000.00	25,000.00	-
Sewer Utility Fund	10,000.00	5,000.00	15,000.00	(10,000.00)
Total Receipts	84,568.57	94,006.00	\$ 94,640.00	\$ (634.00)
Expenditures				
Debt Service				
Principal	70,000.00	75,000.00	\$ 75,000.00	\$ -
Interest	16,377.50	12,350.00	12,350.00	-
Service Charges	6.25	8.75	10.00	(1.25)
Cash Basis Reserve	-	-	10,000.00	(10,000.00)
Total Expenditures	86,383.75	87,358.75	\$ 97,360.00	\$ (10,001.25)
Receipts Over(Under) Expenditures	(1,815.18)	6,647.25		
Unencumbered Cash, Beginning	6,575.41	4,760.23		
Unencumbered Cash, Ending	\$ 4,760.23	\$ 11,407.48		

CITY OF NORWICH, KANSAS
WATER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
Charges for Service	\$ 109,285.79	\$ 94,210.80	\$ 100,000.00	\$ (5,789.20)
Connection Fees	-	920.00	-	920.00
Use of Money and Property				
Interest Income	276.44	104.82	1,500.00	(1,395.18)
Other Revenues				
Miscellaneous	311.40	-	-	-
Total Receipts	109,873.63	95,235.62	\$ 101,500.00	\$ (6,264.38)
Expenditures				
Operations				
Personal Services	24,069.42	25,436.92	\$ 35,000.00	\$ (9,563.08)
Contractual Services	23,422.96	11,102.18	29,200.00	(18,097.82)
Commodities	14,816.28	17,133.83	20,000.00	(2,866.17)
Capital Outlay	620.37	-	20,000.00	(20,000.00)
Operating Transfers to:				
General Fund	10,000.00	12,000.00	12,000.00	-
Bond and Interest Fund	18,000.00	25,000.00	25,000.00	-
Total Expenditures	90,929.03	90,672.93	\$ 141,200.00	\$ (50,527.07)
Receipts Over(Under) Expenditures	18,944.60	4,562.69		
Unencumbered Cash, Beginning	96,651.90	115,596.50		
Unencumbered Cash, Ending	<u>\$ 115,596.50</u>	<u>\$ 120,159.19</u>		

CITY OF NORWICH, KANSAS
SEWER UTILITY FUND

Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis

For the Year Ended December 31, 2012

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

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
Receipts				
Operating Revenues				
Charges for Service	\$ 48,376.26	\$ 54,717.67	\$ 70,000.00	\$ (15,282.33)
Connection Fees	-	200.00	-	200.00
Use of Money and Property				
Interest Income	39.64	14.48	-	14.48
Total Receipts	48,415.90	54,932.15	\$ 70,000.00	\$ (15,067.85)
Expenditures				
Operations				
Personal Services	24,508.88	25,200.96	\$ 25,000.00	\$ 200.96
Contractual Services	9,059.17	3,672.85	5,000.00	(1,327.15)
Commodities	7,338.65	11,275.21	9,000.00	2,275.21
Capital Outlay	620.37	-	5,000.00	(5,000.00)
Operating Transfers to:				
General Operating	-	5,000.00	5,000.00	-
Bond and Interest Fund	10,000.00	5,000.00	10,000.00	(5,000.00)
Total Expenditures	51,527.07	50,149.02	\$ 59,000.00	\$ (8,850.98)
Receipts Over(Under) Expenditures	(3,111.17)	4,783.13		
Unencumbered Cash, Beginning	14,324.83	11,213.66		
Unencumbered Cash, Ending	\$ 11,213.66	\$ 15,996.79		

CITY OF NORWICH, KANSAS
AGENCY FUNDS
Schedule of Receipts and Disbursements
Regulatory Basis
For the Year Ended December 31, 2012

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Payroll Clearing Fund	<u>\$ 1,146.02</u>	<u>\$ 294,214.54</u>	<u>\$ 294,214.54</u>	<u>\$ 1,146.02</u>



Communication of Material Weaknesses

The Honorable Mayor and City Council
City of Norwich, Kansas

In planning and performing our audit of the financial statement of City of Norwich, Kansas as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered City of Norwich, Kansas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the City of Norwich, Kansas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Norwich, Kansas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in City of Norwich, Kansas' internal control to be material weaknesses:

Preparation of Financial Statement

Accounting standards states the client must be able to accept responsibility and be able to identify a material misstatement when reviewing the financial statement, including footnotes and supplemental information. This would also include knowing if a required footnote disclosure was missing or not correctly stated. Presently, the City staff does not have the ability to process and prepare the required financial statement, including footnotes. The potential effects of this material weakness could be unrecognized errors on the financial statement. While we recognize that this condition is not unusual for a City your size, it is important that you be aware of this condition for financial reporting purposes. Management and the Council should continually be aware of the financial reporting of the City and changes in reporting requirements.

Jarred, Gilmore & Phillips, PA
CERTIFIED PUBLIC ACCOUNTANTS

412 W. MAIN, P.O. BOX 97
NEODESHA, KANSAS 66757
(620) 325-3430

1815 S. SANTA FE, P.O. BOX 779
CHANUTE, KANSAS 66720
(620) 431-6342

16 W. JACKSON
IOLA, KANSAS 66749
(620) 365-3125

www.jgppa.com

Segregation of Duties

An internal control structure is, quite simply, the procedures and policies in effect which ensure that the City's financial activity is properly recorded, processed, summarized, and reported in the financial statements. A weakness in the control structure occurs when one person is responsible for all of the accounting activities such as performing billings, receipting cash, making deposits, reconciling the bank accounts, and having access to all books and records of the City. Due to small staff size, it is not possible for reviews of daily work to take place, potentially resulting in errors in financial records and reports.

Municipal Court

In reviewing procedures and controls related to the cash receipts over municipal court fines, we noted that the municipal court clerk and municipal judge are related. This condition could provide an opportunity for misappropriation of funds and concealment of such activity. In order to mitigate this condition, we recommend that City staff be responsible for the collections and accounting of the municipal court functions. This separation will provide additional overview of municipal court functions that can help prevent or detect improper or unauthorized transactions.

This communication is intended solely for the information and use of management, City Council, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.



JARRED, GILMORE & PHILLIPS, PA
Certified Public Accountants

April 29, 2013
Chanute, Kansas