

CITY OF NORTON, KANSAS
Norton, Kansas
Independent Audit Report
January 1, 2010 to December 31, 2010

MAPES & MILLER
Certified Public Accountants
Norton, Kansas

CITY OF NORTON, KANSAS
Financial Statements
January 1, 2010 to December 31, 2010

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MAPES & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

Members of American Institute of Certified Public Accountants
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INDEPENDENT AUDITOR'S REPORT

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Honorable Mayor and City Council
City of Norton
Norton, Kansas 67654

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We have audited the accompanying financial statements of the City of Norton, Kansas, as of and for the year ended December 31, 2010, which collectively comprise the basic financial statements of the City's primary government, as listed in the table of contents. These financial statements are the responsibility of the City of Norton, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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The financial statements do not include financial data for the Housing Authority of the City of Norton, a legally separate component unit of the City. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

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As described more fully in Note 1, the City of Norton, Kansas, has prepared these financial statements in conformity with accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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In our opinion, because of the omission of the component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Norton, Kansas, as of December 31, 2010, or the changes in financial position or, where applicable, its cash flows for the year then ended.

Honorable Mayor and City Council
City of Norton
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Also in our opinion, except for the effect of omitting the component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of City of Norton, Kansas, as of December 31, 2010, and its cash receipts and expenditures, and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the governing body and management of the City of Norton, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, and other federal and state agencies to whose jurisdiction the City is subject and is not intended to be and should not be used by any one other than these specified parties. This restriction is not intended to limit the distribution of this report, which upon acceptance by the City Council, is a matter of public record.

Mapes & Miller

Certified Public Accountants

Norton, Kansas
July 20, 2011

CITY OF NORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

STATEMENT 1
 Page 1

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General	\$ 600,132	4,198	1,280,459	1,417,314	467,475	40,477	507,952
Special Revenue Funds:							
Employee Benefits	34,794	0	113,728	112,805	35,717	433	36,150
Special Highway	142,026	0	71,281	30,553	182,754	0	182,754
Special Parks	11,069	3,500	5,411	3,456	16,524	0	16,524
Industrial Development	72,269	0	14,187	45,886	40,570	0	40,570
Tourism and Convention	0	0	25,128	25,128	0	0	0
Library	1,845	0	84,425	86,251	19	0	19
Library Employee Benefits	618	0	32,260	32,878	0	0	0
Special Health Insurance	91,424	0	496,123	487,907	99,640	0	99,640
Cemetery Trust	6,683	0	0	0	6,683	0	6,683
Hansen Foundation Grant	0	0	15,000	0	15,000	0	15,000
Cemetery Donation	17,241	0	0	0	17,241	0	17,241
Debt Service Funds:							
Bond and Interest	20,458	0	48,604	62,185	6,877	0	6,877
Airport Bond	4,398	0	39,418	39,418	4,398	0	4,398
Northridge Special Obligation Bond	0	0	5,157	5,157	0	0	0
Proprietary Fund Types:							
Enterprise Funds:							
Electric	659,035	309	3,283,839	3,119,699	823,484	124,325	947,809
Electric Deposits	0	0	24,015	24,015	0	71,945	71,945
Electric Replacement Reserve	493,564	0	103,062	65,200	531,426	0	531,426
Refuse	36,380	0	423,736	326,850	133,266	4,905	138,171
Refuse Replacement Reserve	64,390	0	6,000	40,000	30,390	0	30,390
Water	57,297	0	870,007	596,040	331,264	10,331	341,595
Water Deposits	0	0	6,825	6,825	0	20,393	20,393

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

CITY OF NORTON, KANSAS
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2010

STATEMENT 1
 Page 2

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Proprietary Fund Types (Continued):							
Enterprise Funds:							
Water Replacement Reserve	\$ 24,884	0	7,200	0	32,084	0	32,084
Water Loan	0	0	2,181,561	2,181,561	0	0	0
Water Improvement Bond	0	0	3,239,002	2,185,032	1,053,970	0	1,053,970
Water Project	0	0	186,661	186,661	0	0	0
Sewer Service	59,061	0	673,541	492,590	240,012	439	240,451
Sewer Replacement Reserve	31,217	0	7,200	0	38,417	0	38,417
Wastewater Loan	0	0	283,052	283,052	0	0	0
Wastewater Project	9,763	0	31,129	40,892	0	2,500	2,500
Fiduciary Fund Types:							
Private Purpose Trust Funds:							
Revolving Loan	155,731	0	29,745	556	184,920	0	184,920
Total Primary Government	<u>2,594,279</u>	<u>8,007</u>	<u>13,587,756</u>	<u>11,897,911</u>	<u>4,292,131</u>	<u>275,748</u>	<u>4,567,879</u>
Component Units:							
Norton Public Library:							
General	17,943	0	138,460	140,511	15,892	0	15,892
State Grant	0	0	1,489	1,489	0	0	0
Northwest Kansas Library System Grant	0	0	4,500	4,500	0	0	0
Copier	15,081	0	6,195	4,304	16,972	0	16,972
Capital Improvement	<u>3,792</u>	<u>0</u>	<u>4,005</u>	<u>20</u>	<u>7,777</u>	<u>0</u>	<u>7,777</u>
Total Component Units	<u>36,816</u>	<u>0</u>	<u>154,649</u>	<u>150,824</u>	<u>40,641</u>	<u>0</u>	<u>40,641</u>
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,631,095</u>	<u>8,007</u>	<u>13,742,405</u>	<u>12,048,735</u>	<u>4,332,772</u>	<u>275,748</u>	<u>4,608,520</u>

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

CITY OF NORTON, KANSAS
 Composition of Cash
For the Year Ended December 31, 2010

STATEMENT 1
 Page 3

Primary Government:	
Cash on Hand	\$ 100
First State Bank, Norton, Kansas	
NOW Account	2,988,274
Money Market Account	1,053,970
Checking Accounts	8,347
Savings Account	183,709
Certificates of Deposit	345,000
The Bank, Norton, Kansas	
Checking Account	<u>2,000</u>
Total Cash and Investments	4,581,400
Less: Agency Funds - Statement 4	<u>(13,521)</u>
Total Primary Government	<u>4,567,879</u>
Component Units:	
Norton Public Library Board:	
First Security Bank and Trust, Norton, Kansas	
NOW Account	11,338
Money Market Account	7,777
Certificate of Deposit	9,543
The Bank, Norton, Kansas	
NOW Account	7,429
Held by City Treasurer	<u>4,554</u>
Total Component Units	<u>40,641</u>
Total Reporting Entity per Statement 1, Page 2	<u>\$ 4,608,520</u>

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

CITY OF NORTON, KANSAS
 Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2010

STATEMENT 2

Description	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General	\$ 1,673,080	2,628	1,675,708	1,417,314	(258,394)
Special Revenue:					
Employee Benefits	138,000	0	138,000	112,805	(25,195)
Special Highway	166,414	0	166,414	30,553	(135,861)
Special Parks	13,626	250	13,876	3,456	(10,420)
Industrial Development	77,393	0	77,393	45,886	(31,507)
Tourism and Convention	25,128	0	25,128	25,128	0
Library	86,251	0	86,251	86,251	0
Library Employee Benefits	33,149	0	33,149	32,878	(271)
Special Health Insurance	587,840	0	587,840	487,615	*
Cemetery Trust	6,683	0	6,683	0	*
Debt Service:					
Bond and Interest	70,205	0	70,205	62,185	(8,020)
Airport Bond	39,438	0	39,438	39,418	(20)
Northridge Special Obligation Bond	5,167	0	5,167	5,157	(10)
Enterprise:					
Electric	3,940,859	46,491	3,987,350	3,119,699	(867,651)
Electric Deposits	98,459	0	98,459	24,015	*
Refuse	275,081	83,232	358,313	326,850	(31,463)
Water	1,271,160	9,269	1,280,429	596,040	(684,389)
Water Deposits	28,014	0	28,014	6,825	*
Sewer Service	553,475	0	553,475	492,590	(60,885)
Private Purpose Trust:					
Revolving Loan	48,000	0	48,000	556	*

* Exempt from the Budget Law

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

CITY OF NORTON, KANSAS

STATEMENT 3

GENERAL FUND

Page 1

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 338,083	357,656	(19,573)
Delinquent	7,807	0	7,807
Motor Vehicle	76,907	75,547	1,360
Recreational Vehicle	2,072	1,471	601
16/20M Vehicle	1,603	1,257	346
In Lieu of Taxes (IRB)	4,868	7,000	(2,132)
Intergovernmental:			
County/City Sales Tax	427,872	420,000	7,872
Local Alcoholic Liquor Tax	3,599	5,000	(1,401)
Licenses, Fees, Fines and Permits:			
Court Fees and Fines	65,773	42,500	23,273
Franchise Fees	226,127	210,000	16,127
Licenses and Permits	4,572	4,500	72
Charges for Services:			
Cemetery	6,760	8,500	(1,740)
Kennel Charges	325	400	(75)
Swimming Pool	25,559	23,000	2,559
Other:			
Interest on Idle Funds	7,856	20,000	(12,144)
Rent	11,915	14,000	(2,085)
Miscellaneous	22,244	500	21,744
Donations	12,789	0	12,789
Reimbursed Expenses	3,728	1,100	2,628
Transfer from Electric	30,000	0	30,000
	<u>1,280,459</u>	<u>1,192,431</u>	<u>88,028</u>
Total Cash Receipts			

(Continued)

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

CITY OF NORTON, KANSAS

STATEMENT 3

GENERAL FUND

Page 2

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Expenditures:			
Finance and Administration:			
Personal Services	\$ 63,843	66,100	(2,257)
Contractual Services	42,348	163,316	(120,968)
Commodities	6,847	14,500	(7,653)
Capital Outlay	<u>0</u>	<u>65,470</u>	<u>(65,470)</u>
Total Finance and Administration	<u>113,038</u>	<u>309,386</u>	<u>(196,348)</u>
Police:			
Personal Services	330,247	339,850	(9,603)
Contractual Services	113,124	122,100	(8,976)
Commodities	22,437	25,600	(3,163)
Capital Outlay	<u>33,830</u>	<u>35,000</u>	<u>(1,170)</u>
Total Police	<u>499,638</u>	<u>522,550</u>	<u>(22,912)</u>
Fire:			
Personal Services	23,205	32,000	(8,795)
Contractual Services	12,616	12,100	516
Commodities	2,610	3,400	(790)
Capital Outlay	<u>59,005</u>	<u>61,200</u>	<u>(2,195)</u>
Total Fire	<u>97,436</u>	<u>108,700</u>	<u>(11,264)</u>
Rescue:			
Personal Services	800	2,000	(1,200)
Contractual Services	734	3,000	(2,266)
Commodities	0	350	(350)
Capital Outlay	<u>240</u>	<u>250</u>	<u>(10)</u>
Total Rescue	<u>1,774</u>	<u>5,600</u>	<u>(3,826)</u>

(Continued)

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

CITY OF NORTON, KANSAS

STATEMENT 3

GENERAL FUND

Page 3

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Expenditures:			
Street and Alley:			
Personal Services	\$ 151,739	145,140	6,599
Contractual Services	17,510	25,400	(7,890)
Commodities	34,258	23,800	10,458
Capital Outlay	<u>17,667</u>	<u>40,500</u>	<u>(22,833)</u>
Total Street and Alley	<u>221,174</u>	<u>234,840</u>	<u>(13,666)</u>
Park:			
Personal Services	227,592	246,960	(19,368)
Contractual Services	20,650	25,050	(4,400)
Commodities	29,701	28,150	1,551
Capital Outlay	<u>47,674</u>	<u>77,344</u>	<u>(29,670)</u>
Total Park	<u>325,617</u>	<u>377,504</u>	<u>(51,887)</u>
Swimming Pool:			
Personal Services	31,567	34,000	(2,433)
Contractual Services	3,039	3,550	(511)
Commodities	10,510	24,550	(14,040)
Capital Outlay	<u>0</u>	<u>10,000</u>	<u>(10,000)</u>
Total Swimming Pool	<u>45,116</u>	<u>72,100</u>	<u>(26,984)</u>
Civic Building:			
Contractual Services	9,039	17,900	(8,861)
Commodities	<u>8,742</u>	<u>24,500</u>	<u>(15,758)</u>
Total Civic Building	<u>17,781</u>	<u>42,400</u>	<u>(24,619)</u>
Economic Development:			
Appropriations	<u>54,524</u>	<u>0</u>	<u>54,524</u>

(Continued)

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

CITY OF NORTON, KANSAS
GENERAL FUND

STATEMENT 3
Page 4

Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
(Continued)			
Expenditures:			
Airport:			
Appropriations	\$ 41,216	0	41,216
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	2,628	(2,628)
Total Expenditures	1,417,314	1,675,708	(258,394)
Cash Receipts Over (Under) Expenditures	(136,855)		
Prior Year Cancelled Encumbrances	4,198		
Unencumbered Cash, Beginning	600,132		
Unencumbered Cash, Ending	\$ <u><u>467,475</u></u>		

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

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

STATEMENT 3

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Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 91,491	96,695	(5,204)
Delinquent	1,871	0	1,871
Motor Vehicle	17,629	17,284	345
Recreational Vehicle	476	337	139
16/20M Vehicle	395	287	108
Miscellaneous	1,866	0	1,866
Total Cash Receipts	113,728	114,603	(875)
Expenditures:			
Personal Services	112,805	138,000	(25,195)
Cash Receipts Over (Under) Expenditures	923		
Unencumbered Cash, Beginning	34,794		
Unencumbered Cash, Ending	\$ 35,717		

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

CITY OF NORTON, KANSAS
SPECIAL HIGHWAY FUND

STATEMENT 3

Page 6

Statement of Cash Receipts and Expenditures
 Actual and Budget
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Intergovernmental:			
State Gas Tax	\$ 71,281	60,000	11,281
Total Cash Receipts	<u>71,281</u>	<u>60,000</u>	<u>11,281</u>
Expenditures:			
Personal Services	13,398	24,500	(11,102)
Commodities	16,329	70,000	(53,671)
Capital Outlay	<u>826</u>	<u>71,914</u>	<u>(71,088)</u>
Total Expenditures	<u>30,553</u>	<u>166,414</u>	<u>(135,861)</u>
Cash Receipts Over (Under) Expenditures	40,728		
Unencumbered Cash, Beginning	<u>142,026</u>		
Unencumbered Cash, Ending	\$ <u>182,754</u>		

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

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

STATEMENT 3

Page 7

Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Intergovernmental:			
Local Alcoholic Liquor Tax	\$ 3,600	6,000	(2,400)
Head Tax	1,461	1,000	461
Donations	350	100	250
Total Cash Receipts	5,411	7,100	(1,689)
Expenditures:			
Contractual Services	2,859	3,500	(641)
Capital Outlay	597	10,126	(9,529)
Adjustments for Qualifying Budget Credits:			
Donations	0	250	(250)
Total Expenditures	3,456	13,876	(10,420)
Cash Receipts Over (Under) Expenditures	1,955		
Prior Year Cancelled Encumbrances	3,500		
Unencumbered Cash, Beginning	11,069		
Unencumbered Cash, Ending	\$ 16,524		

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

CITY OF NORTON, KANSAS
INDUSTRIAL DEVELOPMENT FUND
Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

STATEMENT 3
Page 8

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 11,169	11,818	(649)
Delinquent	252	0	252
Motor Vehicle	2,509	2,468	41
Recreational Vehicle	67	48	19
16/20M Vehicle	48	41	7
Interest on Idle Funds	142	1,000	(858)
Total Cash Receipts	14,187	15,375	(1,188)
Expenditures:			
Public Improvements	45,886	77,393	(31,507)
Cash Receipts Over (Under) Expenditures	(31,699)		
Unencumbered Cash, Beginning	72,269		
Unencumbered Cash, Ending	\$ 40,570		

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

CITY OF NORTON, KANSAS
TOURISM AND CONVENTION FUND
Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Intergovernmental:			
Transient Guest Tax	\$ <u>25,128</u>	<u>25,128</u>	<u>0</u>
Expenditures:			
Contractual Services	<u>25,128</u>	<u>25,128</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u><u>0</u></u>		

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

CITY OF NORTON, KANSAS

STATEMENT 3

LIBRARY FUND

Page 10

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 67,128	70,910	(3,782)
Delinquent	1,522	0	1,522
Motor Vehicle	15,063	14,807	256
Recreational Vehicle	406	288	118
16/20M Vehicle	<u>306</u>	<u>246</u>	<u>60</u>
Total Cash Receipts	<u>84,425</u>	<u>86,251</u>	<u>(1,826)</u>
Expenditures:			
Appropriations	<u>86,251</u>	<u>86,251</u>	<u>0</u>
Total Expenditures	<u>86,251</u>	<u>86,251</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	(1,826)		
Unencumbered Cash, Beginning	<u>1,845</u>		
Unencumbered Cash, Ending	\$ <u><u>19</u></u>		

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

CITY OF NORTON, KANSAS
LIBRARY EMPLOYEE BENEFITS FUND
Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 26,025	27,613	(1,588)
Delinquent	555	0	555
Motor Vehicle	5,429	5,343	86
Recreational Vehicle	146	104	42
16/20M Vehicle	105	89	16
Total Cash Receipts	32,260	33,149	(889)
Expenditures:			
Appropriations	32,878	33,149	(271)
Cash Receipts Over (Under) Expenditures	(618)		
Unencumbered Cash, Beginning	618		
Unencumbered Cash, Ending	\$ 0		

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

CITY OF NORTON, KANSAS
SPECIAL HEALTH INSURANCE FUND
Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Interest on Idle Funds	\$ 190	300	(110)
Reimbursed Expenses	495,933	509,900	(13,967)
Total Cash Receipts	496,123	510,200	(14,077)
Expenditures:			
Personal Services	487,615	587,840	(100,225)
Contractual	292	0	292
Total Expenditures	487,907	587,840	(99,933)
Cash Receipts Over (Under) Expenditures	8,216		
Unencumbered Cash, Beginning	91,424		
Unencumbered Cash, Ending	\$ 99,640		

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

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

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

Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	<u>Actual</u>	<u>*Budget</u>	Variance Over (Under)
Cash Receipts:			
Expenditures:			
Capital Outlay	<u>0</u>	<u>6,683</u>	<u>(6,683)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>6,683</u>		
Unencumbered Cash, Ending	\$ <u><u>6,683</u></u>		

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

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

CITY OF NORTON, KANSAS
BOND AND INTEREST FUND

STATEMENT 3

Page 14

Statement of Cash Receipts and Expenditures
 Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Taxes:			
Ad Valorem Property	\$ 36,557	38,644	(2,087)
Delinquent	875	0	875
Motor Vehicle	10,849	10,888	(39)
Recreational Vehicle	286	212	74
16/20M Vehicle	37	181	(144)
Total Cash Receipts	48,604	49,925	(1,321)
Expenditures:			
Principal	45,000	45,000	0
Interest	17,185	17,185	0
Commissions and Postage	0	20	(20)
Cash Basis Reserve	0	8,000	(8,000)
Total Expenditures	62,185	70,205	(8,020)
Cash Receipts Over (Under) Expenditures	(13,581)		
Unencumbered Cash, Beginning	20,458		
Unencumbered Cash, Ending	\$ 6,877		

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

CITY OF NORTON, KANSAS
AIRPORT BOND FUND

STATEMENT 3

Page 15

Statement of Cash Receipts and Expenditures
 Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Norton City/County Airport Board	\$ 39,418	39,418	0
Total Cash Receipts	39,418	39,418	0
Expenditures:			
Principal	30,000	30,000	0
Interest	9,418	9,418	0
Commissions and Postage	0	20	(20)
Total Expenditures	39,418	39,438	(20)
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	4,398		
Unencumbered Cash, Ending	\$ 4,398		

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

CITY OF NORTON, KANSAS
NORTHRIDGE SPECIAL OBLIGATION BOND

STATEMENT 3

Page 16

Statement of Cash Receipts and Expenditures
 Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Incremental Real Estate Tax	\$ 4,881	4,600	281
Northridge Acres	276	567	(291)
Total Cash Receipts	5,157	5,167	(10)
Expenditures:			
Principal	3,829	3,829	0
Interest	1,328	1,328	0
Commissions and Postage	0	10	(10)
Total Expenditures	5,157	5,167	(10)
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	0		
Unencumbered Cash, Ending	\$ 0		

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

CITY OF NORTON, KANSAS
ELECTRIC FUND

STATEMENT 3
Page 17

Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 3,196,318	3,629,610	(433,292)
Miscellaneous	7,030	3,000	4,030
Reimbursed Expenses	50,491	4,000	46,491
Transfer from Electric Reserve	30,000	0	30,000
 Total Cash Receipts	 3,283,839	 3,636,610	 (352,771)
Expenditures:			
General and Administrative:			
Personal Services	489,653	524,770	(35,117)
Contractual Services	143,046	137,150	5,896
Commodities	12,240	17,100	(4,860)
Capital Outlay	2,358	32,009	(29,651)
 Total General and Administrative	 647,297	 711,029	 (63,732)
Production and Acquisitions:			
Personal Services	152,274	210,800	(58,526)
Contractual Services	89,413	110,350	(20,937)
Commodities	1,814,121	2,522,600	(708,479)
Capital Outlay	0	21,000	(21,000)
 Total Production and Acquisitions	 2,055,808	 2,864,750	 (808,942)
Transmission and Distribution:			
Personal Services	160,577	145,650	14,927
Contractual Services	13,723	20,750	(7,027)
Commodities	30,490	28,550	1,940
Capital Outlay	79,804	68,130	11,674
 Total Transmission and Distribution	 284,594	 263,080	 21,514

(Continued)

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

CITY OF NORTON, KANSAS
ELECTRIC FUND

STATEMENT 3
Page 18

Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
(Continued)			
Transfers:			
To Electric Replacement Reserve	\$ 102,000	102,000	0
To General	30,000	0	30,000
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	46,491	(46,491)
Total Expenditures	3,119,699	3,987,350	(867,651)
Cash Receipts Over (Under) Expenditures	164,140		
Prior Year Cancelled Encumbrances	309		
Unencumbered Cash, Beginning	659,035		
Unencumbered Cash, Ending	\$ 823,484		

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

CITY OF NORTON, KANSAS
ELECTRIC DEPOSITS FUND
Statement of Cash Receipts and Expenditures
Actual and Budget
For the Year Ended December 31, 2010

	Actual	*Budget	Variance Over (Under)
Cash Receipts:			
Consumer Deposits	\$ <u>24,015</u>	<u>25,000</u>	<u>(985)</u>
Expenditures:			
Deposit Refunds	<u>24,015</u>	<u>98,459</u>	<u>(74,444)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

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

CITY OF NORTON, KANSAS
REFUSE FUND

STATEMENT 3

Page 20

Statement of Cash Receipts and Expenditures
 Actual and Budget
For the Year Ended December 31, 2010

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 339,264	262,500	76,764
Miscellaneous	840	0	840
Reimbursed Expenses	83,632	400	83,232
Total Cash Receipts	423,736	262,900	160,836
Expenditures:			
Personal Services	168,456	178,130	(9,674)
Contractual Services	63,577	71,100	(7,523)
Commodities	5,185	9,000	(3,815)
Capital Outlay	83,632	10,851	72,781
Transfer to Refuse Replacement Reserve	6,000	6,000	0
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	0	83,232	(83,232)
Total Expenditures	326,850	358,313	(31,463)
Cash Receipts Over (Under) Expenditures	96,886		
Unencumbered Cash, Beginning	36,380		
Unencumbered Cash, Ending	\$ 133,266		

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

CITY OF NORTON, KANSAS

STATEMENT 3

WATER FUND

Page 21

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 853,603	1,254,378	(400,775)
Miscellaneous	5,735	3,600	2,135
Reimbursed Expenses	<u>10,669</u>	<u>1,400</u>	<u>9,269</u>
 Total Cash Receipts	 <u>870,007</u>	 <u>1,259,378</u>	 <u>(389,371)</u>
Expenditures:			
General and Administrative:			
Personal Services	109,832	125,430	(15,598)
Contractual Services	33,922	37,050	(3,128)
Commodities	<u>0</u>	<u>2,000</u>	<u>(2,000)</u>
 Total General and Administrative	 <u>143,754</u>	 <u>164,480</u>	 <u>(20,726)</u>
Production and Treatment:			
Personal Services	84,542	88,920	(4,378)
Contractual Services	28,247	35,200	(6,953)
Commodities	167,006	342,950	(175,944)
Capital Outlay	<u>0</u>	<u>455,950</u>	<u>(455,950)</u>
 Total Production and Treatment	 <u>279,795</u>	 <u>923,020</u>	 <u>(643,225)</u>
Transmission and Distribution:			
Personal Services	75,077	101,760	(26,683)
Contractual Services	5,838	16,000	(10,162)
Commodities	5,689	12,700	(7,011)
Capital Outlay	<u>19,434</u>	<u>46,000</u>	<u>(26,566)</u>
 Total Transmission and Distribution	 <u>106,038</u>	 <u>176,460</u>	 <u>(70,422)</u>

(Continued)

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

CITY OF NORTON, KANSAS

STATEMENT 3

WATER FUND

Page 22

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Transfers:			
To Water Replacement Reserve	\$ 7,200	7,200	0
To Water Project	932	0	932
To Water Loan	<u>58,321</u>	<u>0</u>	<u>58,321</u>
Total Transfers	<u>66,453</u>	<u>7,200</u>	<u>59,253</u>
Adjustments for Qualifying Budget Credits:			
Reimbursed Expenses	<u>0</u>	<u>9,269</u>	<u>(9,269)</u>
Total Expenditures	<u>596,040</u>	<u>1,280,429</u>	<u>(684,389)</u>
Cash Receipts Over (Under) Expenditures	273,967		
Unencumbered Cash, Beginning	<u>57,297</u>		
Unencumbered Cash, Ending	\$ <u><u>331,264</u></u>		

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

CITY OF NORTON, KANSAS

WATER DEPOSITS FUND

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>*Budget</u>	Variance Over (Under)
Cash Receipts:			
Customer Deposits	\$ <u>6,825</u>	<u>8,000</u>	<u>(1,175)</u>
Expenditures:			
Deposit Refunds	<u>6,825</u>	<u>28,014</u>	<u>(21,189)</u>
Revenues Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

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

CITY OF NORTON, KANSAS

STATEMENT 3

SEWER SERVICE FUND

Page 24

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Charges for Services	\$ 626,958	420,150	206,808
Miscellaneous	8,191	0	8,191
Reimbursed Expenses	0	1,100	(1,100)
Transfer from Electric	<u>38,392</u>	<u>0</u>	<u>38,392</u>
 Total Cash Receipts	 <u>673,541</u>	 <u>421,250</u>	 <u>252,291</u>
Expenditures:			
General and Administrative:			
Personal Services	36,154	47,060	(10,906)
Contractual Services	<u>1,340</u>	<u>3,300</u>	<u>(1,960)</u>
 Total General and Administrative	 <u>37,494</u>	 <u>50,360</u>	 <u>(12,866)</u>
Sewer Plant:			
Personal Services	74,502	81,250	(6,748)
Contractual Services	30,386	30,050	336
Commodities	17,310	19,550	(2,240)
Capital Outlay	<u>0</u>	<u>290,000</u>	<u>(290,000)</u>
 Total Sewer Plant	 <u>122,198</u>	 <u>420,850</u>	 <u>(298,652)</u>
Sewer Collections:			
Personal Services	39,849	52,500	(12,651)
Contractual Services	804	250	554
Commodities	1,993	6,450	(4,457)
Capital Outlay	<u>0</u>	<u>15,865</u>	<u>(15,865)</u>
 Total Sewer Collections	 <u>42,646</u>	 <u>75,065</u>	 <u>(32,419)</u>

(Continued)

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

CITY OF NORTON, KANSAS

SEWER SERVICE FUND

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
(Continued)			
Transfers:			
To Sewer Replacement Reserve	\$ 7,200	7,200	0
To Wastewater Loan	<u>283,052</u>	<u>0</u>	<u>283,052</u>
Total Transfers	<u>290,252</u>	<u>7,200</u>	<u>283,052</u>
Total Expenditures	<u>492,590</u>	<u>553,475</u>	<u>(60,885)</u>
Cash Receipts Over (Under) Expenditures	180,951		
Unencumbered Cash, Beginning	<u>59,061</u>		
Unencumbered Cash, Ending	\$ <u><u>240,012</u></u>		

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

CITY OF NORTON, KANSAS

REVOLVING LOAN FUND

Statement of Cash Receipts and Expenditures

Actual and Budget

For the Year Ended December 31, 2010

	<u>Actual</u>	<u>*Budget</u>	Variance Over (Under)
Cash Receipts:			
Loan Payments Received	\$ 29,029	48,000	(18,971)
Interest on Idle Funds	<u>716</u>	<u>0</u>	<u>716</u>
Total Cash Receipts	<u>29,745</u>	<u>48,000</u>	<u>(18,255)</u>
Expenditures:			
Administrative Fees	<u>556</u>	<u>48,000</u>	<u>(47,444)</u>
Total Expenditures	<u>556</u>	<u>48,000</u>	<u>(47,444)</u>
Cash Receipts Over (Under) Expenditures	29,189		
Unencumbered Cash, Beginning	<u>155,731</u>		
Unencumbered Cash, Ending	\$ <u>184,920</u>		

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

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

CITY OF NORTON, KANSAS
 Any Nonbudgeted Fund
 Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010

STATEMENT 3

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	<u>Hansen Foundation Grant</u>	<u>Cemetery Donation</u>	<u>Electric Replacement Reserve</u>	<u>Refuse Replacement Reserve</u>
Cash Receipts:				
Grant Proceeds	\$ 15,000	0	0	0
Transfer from Electric	0	0	102,000	0
Transfer from Refuse	0	0	0	6,000
Interest on Idle Funds	<u>0</u>	<u>0</u>	<u>1,062</u>	<u>0</u>
Total Cash Receipts	<u>15,000</u>	<u>0</u>	<u>103,062</u>	<u>6,000</u>
Expenditures:				
Capital Outlay	0	0	35,200	40,000
Transfer to Electric	<u>0</u>	<u>0</u>	<u>30,000</u>	<u>0</u>
Total Cash Expenditures	<u>0</u>	<u>0</u>	<u>65,200</u>	<u>40,000</u>
Cash Receipts Over (Under) Expenditures	15,000	0	37,862	(34,000)
Unencumbered Cash, Beginning	<u>0</u>	<u>17,241</u>	<u>493,564</u>	<u>64,390</u>
Unencumbered Cash, Ending	<u>\$ 15,000</u>	<u>17,241</u>	<u>531,426</u>	<u>30,390</u>

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

CITY OF NORTON, KANSAS
 Any Nonbudgeted Fund
 Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010

	Water Replacement Reserve	Water Loan	Water Improvement Bond	Water Project
Cash Receipts:				
Transfer from Water	7,200	58,321	0	932
Transfer from Water Improvement Bond	0	2,123,240	0	0
Interest on Idle Funds	0	0	5,002	0
Bond Proceeds	0	0	3,234,000	0
Loan Proceeds	0	0	0	185,729
Total Cash Receipts	7,200	2,181,561	3,239,002	186,661
Expenditures:				
Loan Principal	0	2,058,377	0	0
Loan Interest	0	123,184	0	0
Capital Outlay	0	0	39,586	186,661
Contractual	0	0	22,206	0
Transfer to Water Loan	0	0	2,123,240	0
Transfer to Water	0	0	0	0
Total Expenditures	0	2,181,561	2,185,032	186,661
Cash Receipts Over (Under) Expenditures	7,200	0	1,053,970	0
Unencumbered Cash, Beginning	24,884	0	0	0
Unencumbered Cash, Ending	32,084	0	1,053,970	0

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

CITY OF NORTON, KANSAS
 Any Nonbudgeted Fund
 Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010

	Sewer Replacement Reserve	Wastewater Loan	Wastewater Project
Cash Receipts:			
Transfer from Sewer	\$ 7,200	283,052	0
Loan Proceeds	0	0	31,129
Total Cash Receipts	7,200	283,052	31,129
Expenditures:			
Loan Principal	0	181,796	0
Loan Interest	0	101,256	0
Capital Outlay	0	0	2,500
Transfer to Sewer	0	0	38,392
Total Expenditures	0	283,052	40,892
Cash Receipts Over (Under) Expenditures	7,200	0	(9,763)
Unencumbered Cash, Beginning	31,217	0	9,763
Unencumbered Cash, Ending	\$ 38,417	0	0

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

CITY OF NORTON, KANSAS
Component Units
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010

	Norton Public Library		
	General	State Grant	Northwest Kansas Library System Grant
Cash Receipts:			
Appropriation from City	\$ 119,129	0	0
Library Foundation	5,797	0	0
Grant Proceeds	0	1,489	4,500
Memorials and Donations	11,803	0	0
Fines and Fees	925	0	0
Interest on Idle Funds	7	0	0
Miscellaneous	<u>199</u>	<u>0</u>	<u>0</u>
 Total Cash Receipts	 <u>138,460</u>	 <u>1,489</u>	 <u>4,500</u>
 Expenditures			
Salaries and Wages	85,117	0	0
Employee Benefits	29,665	0	0
Books and Periodicals	10,189	1,489	4,500
Miscellaneous	870	0	0
Repairs and Maintenance	4,325	0	0
Capital Outlay	1,923	0	0
Supplies	3,218	0	0
Utilities	1,204	0	0
Transfer to Capital Improvements	<u>4,000</u>	<u>0</u>	<u>0</u>
 Total Expenditures	 <u>140,511</u>	 <u>1,489</u>	 <u>4,500</u>
 Cash Receipts Over (Under) Expenditures	 (2,051)	 0	 0
Unencumbered Cash, Beginning	<u>17,943</u>	<u>0</u>	<u>0</u>
 Unencumbered Cash, Ending	 <u>\$ 15,892</u>	 <u>0</u>	 <u>0</u>

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

CITY OF NORTON, KANSAS
 Component Units
 Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2010

	Norton Public Library	
	Copier	Capital Improvement
Cash Receipts:		
Fees	\$ 6,042	0
Interest on Idle Funds	153	5
Transfer from General	0	4,000
Total Cash Receipts	6,195	4,005
Expenditures		
Miscellaneous	0	20
Repairs and Maintenance	2,832	0
Sales Tax	346	0
Supplies	1,126	0
Transfer to General	0	0
Total Expenditures	4,304	20
Cash Receipts Over (Under) Expenditures	1,891	3,985
Unencumbered Cash, Beginning	15,081	3,792
Unencumbered Cash, Ending	\$ 16,972	7,777

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

CITY OF NORTON, KANSAS

STATEMENT 4

Agency Funds

Summary of Cash Receipts and Cash Disbursements

For the Year Ended December 31, 2010

	Beginning Cash Balance	Cash Receipts	Cash Disburse- ments	Ending Cash Balance December 31
Payroll Clearing	\$ 1,214	1,761,566	1,754,806	7,974
Utility Trust	<u>3,321</u>	<u>20,802</u>	<u>18,576</u>	<u>5,547</u>
Total Agency Funds	\$ <u>4,535</u>	<u>1,782,368</u>	<u>1,773,382</u>	<u>13,521</u>

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

CITY OF NORTON, KANSAS

Notes to the Financial Statements

December 31, 2010

1. Summary of Significant Accounting Policies

Reporting Entity

The City of Norton, Kansas, the primary government, was incorporated on September 12, 1885, and operates as a second-class city in accordance with the laws of the State of Kansas. The City operates under a mayor-council form of government and provides the following services: public safety (police and fire protection), highways and streets, electricity, water, sewer, sanitation, social, culture and recreation, planning and zoning, public improvements, and general administrative services.

Discretely Presented Component Unit

The component unit section of these financial statements includes the financial data of a discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the City.

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

Principles Determining Scope of the Reporting Entity

Generally accepted accounting principles require government financial statements to include the primary government and its component units. Component units of a governmental entity are legally separate entities for which the primary government is considered to be financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion would cause the combined financial statements to be misleading or incomplete. The primary government is considered to be financially accountable if it appoints a majority of an organization's governing body and imposes its will on that organization. The primary government may also be financial accountable if an organization is fiscally dependent on the primary government, regardless of the authority of the organization's governing board.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the following are component units of the City:

Norton Public Library
Housing Authority of the City of Norton

Financial information for the Housing Authority of the City of Norton has not been reported in the City's financial statements. Accordingly, these financial statements are not a complete presentation in accordance with generally accepted accounting principles.

Housing Authority of the City of Norton. The Housing Authority of the City of Norton operates the city's public housing facilities. The Housing Authority can sue and be sued, and can buy, sell or lease real property. A five-member board is appointed by the City Council to oversee the operation. The Housing Authority must obtain approval from the City Council for bond issuances. The Housing Authority of the City of Norton issues separately audited financial statements that may be obtained from the Executive Director, Norton Housing Authority, Norton Manor, 213 Horace Greeley Avenue, Norton, KS 67654.

Related Organizations

Norton Public Library Foundation. The Norton Public Library Foundation is organized as a not for profit corporation for the purpose of the promotion, improvement and growth of the Norton Public Library and has obtained status as a charitable organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation solicits donations from the public and can also receive bequests from estates. The nine-member board of trustees is appointed by the Norton Public Library Board to oversee the operation. Currently, the Foundation is providing funding to the Library for one-half of one employee's salary and for other items as needed and approved by the trustees. Financial information for the Norton Public Library Foundation has not been reported in the City's financial statements because the Library Board's accountability does not extend beyond making appointments to the Foundation's trustees.

Fund Accounting

In governmental accounting 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 Norton for the year 2010:

Governmental Funds:

General Fund--To account for all unrestricted financial resources except those required to be accounted for in another fund.

Special Revenue Funds--To account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--To account for the accumulation of resources for, and the payment of interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the City.

Capital Project Funds--To account for financial resources segregated for the acquisition of major capital facilities (other than those financed by enterprise funds).

Proprietary Funds:

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

Fiduciary Funds:

Private Purpose Trust and Agency Funds--To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Reimbursed Expenditures

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund and an expenditure is charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 76-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

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

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balances are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in adoption of the legal annual operating budgets:

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The Airport Bond and Interest Fund and Tourism Fund were amended in this manner for 2010.

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 statutory 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 related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written 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 funds:

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

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

3. Property Taxes

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding

year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the City and therefore are not susceptible to accrual.

It is not practical to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. **Inventories and Prepaid Expenses**

Inventories and prepaid expenses, which benefit future periods, are recorded as expenditures during the year of purchase.

5. **Compensated Absences**

Primary Government

Vacation Leave

Each full-time City employee with less than five years of service shall earn eight hours of vacation per month; over five years and less than ten years of service shall earn ten hours of vacation per month; over ten years and less than fifteen years of service shall earn twelve hours of vacation per month; over fifteen years and less than twenty years of service shall earn fourteen hours of vacation per month; and over twenty years of service shall earn sixteen hours of vacation per month. Each employee shall be allowed to carry over a vacation leave balance at the end of the calendar year equal to the annualized accrual for the employee's length of service as of the last day of the year. Annualized accrual shall be determined by multiplying the employee's monthly credit for the last month of the current year times twelve. The cost of accumulated vacation pay as of December 31, 2010 was \$70,171.

Sick Leave

Full-time City employees earn eight hours of sick leave for each calendar month worked. An employee may accumulate unlimited sick leave. Upon retirement, an employee will be paid a maximum of nine hundred sixty (960) hours sick leave. Other employees terminating voluntarily will be paid for one-half of their unused sick leave up to four hundred eighty (480) hours. The cost of accumulated sick leave as of December 31, 2010 was \$272,353.

Comp Time

The City's employees eligible to receive overtime have the option to be compensated for overtime by accumulating compensatory time, comp time, at a rate of one and one-half times the overtime worked. Non-exempt police officers may accumulate up to 480 hours of comp time. All other employees may accumulate up to 240 hours. The cost of accumulated comp time pay as of December 31, 2010 was \$19,952.

Norton Public Library

Vacation

All full time Library employees earn vacation of five days after completion of the first calendar year of employment. After three calendar years, ten days of vacation are earned each year. After ten calendar years, fifteen days of vacation are earned each year. After twenty calendar years, twenty days of vacation are earned. Vacation time is not allowed to accumulate and any unused time is forfeited, therefore, no cost for accumulated vacation pay is recorded or estimated as of December 31, 2010

Sick Leave

All full time employees earn sick leave at the rate of one day per month and can accumulate unlimited. Unused sick leave at the time of termination of employment due to death, retirement, medical disability or to a family transfer out of the community will be paid at one-fourth of the dollar value of the employee's accumulated sick leave days to a maximum of ninety days. One-fourth of the cost of accumulated sick leave as of December 31, 2010 was \$3,681.

6. Defined Benefit Pension Plan

Plan Description

The City of Norton, Kansas and the Norton Public Library participate in the Kansas Public Employees System (KPERS); a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue 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, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for the year ended December 31, 2010, which includes pension contributions and Group Death Disability Insurance, was 7.14%. The City of Norton, Kansas' employer contribution to KPERS for the years ending December 31, 2010, 2009, and 2008 were \$104,217, \$93,637, and \$82,385, respectively, equal to the statutory required contributions for each year. The Norton Public Library's employer contribution to KPERS for the years ending December 31, 2010, 2009 and 2008 were \$5,200, \$3,584 and \$3,096, respectively, equal to the statutory required contributions for each year.

7. Other Post Employment Benefits

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

8. Deposits and Investments

At December 31, 2010, the City and the Library had no investments except for certificates of deposit which are considered as a component of deposits.

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

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

Concentration of Credit Risk

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

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's and the Library's deposits may not be returned to them. State statutes require the City's and the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City and the Library have not designated any "peak periods" with eligible depositories. All deposits were legally secured at December 31, 2010.

At December 31, 2010, the City's carrying amount of deposits was \$4,581,300 and the bank balance was \$4,632,247. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$509,848 was covered by federal depository insurance, and \$4,122,399 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

At December 31, 2010, the Library's carrying amount of deposits was \$40,641 and the bank balance was \$48,816. The bank balance was held by three banks resulting in a concentration of credit risk. All of the bank balance was covered by federal depository insurance.

9. Interfund Transactions

Operating transfers were as follows:

From	To	Statutory Authority	Amount
Electric Replacement Reserve	Electric	K.S.A. 12-825d	\$ 30,000
Electric	Electric Replacement Reserve	K.S.A. 12-825d	102,000
Electric	General	K.S.A. 12-825d	30,000
Water	Water Loan	K.S.A. 12-825d	58,321
Water	Water Replacement	K.S.A. 12-825d	7,200
Water	Water Project	K.S.A. 12-825d	932
Sewer	Wastewater Loan	K.S.A. 12-825d	283,053
Sewer	Sewer Replacement Reserve	K.S.A. 12-825d	7,200
Wastewater Project	Sewer	K.S.A. 12-825d	38,392
Refuse	Refuse Replacement	K.S.A. 12-825d	6,000
Water Improvement Bond	Water Loan	K.S.A. 12-825d	2,123,240

10. **Revolving Loan Fund**

The City of Norton received a \$106,100 grant from the Kansas Small Cities Program Community Development Block Grant in 1988 for the purpose of establishing a Revolving Loan Fund to provide loans to businesses in and around the City of Norton for which the loan proceeds would result in the creation and/or retention of jobs. Norton Development Corporation administers this fund under the supervision of the City Council. The balance of the outstanding loans as of December 31, 2010 was \$106,693.

11. **Risk Management**

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

During the year ended December 31, 2010, neither the City nor the Library reduced insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years

12. **Wastewater Project**

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

13. **Water Project**

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

14. Long Term DebtNorthridge Bond

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

14. Long-term Debt - (Continued)

Changes in long-term liabilities for the City of Norton, Kansas for the year ended December 31, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change/ Adjustment</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds:										
Series 2007 Washington Square Improvements	3.80-4.25%	09/01/07	515,000	09/01/17	425,000	0	45,000		380,000	17,185
Series 2009 Airport Refunding	1.40-4.20%	09/15/09	310,000	10/01/20	310,000	0	30,000		280,000	9,418
Series 2010 Water Supply System Improvements	3.25%	08/12/10	3,234,000	08/17/50	<u>0</u>	<u>3,234,000</u>	<u>0</u>		<u>3,234,000</u>	<u>0</u>
Total General Obligation Bonds					<u>735,000</u>	<u>3,234,000</u>	<u>75,000</u>		<u>3,894,000</u>	<u>26,603</u>
Capital Leases:										
Playground Equipment	5.25%	01/02/05	69,355	04/01/12	23,649	0	8,254		15,395	1,242
Altec Digger	5.62%	02/01/06	139,722	12/01/13	76,545	0	17,576		58,969	4,055
Mini Rescue Pumper Truck	4.79%	06/04/07	131,874	10/01/14	99,839	0	18,124		81,715	4,568
Refuse Truck	4.00%	03/03/10	83,632	04/15/13	<u>0</u>	<u>83,632</u>	<u>0</u>		<u>83,632</u>	<u>0</u>
Total Capital Leases					<u>200,033</u>	<u>83,632</u>	<u>43,954</u>		<u>239,711</u>	<u>9,865</u>
KDHE Revolving Loans:										
Wastewater Project (Note 12)	2.77%	05/10/04	4,300,000	03/01/26	3,685,319	31,129	181,796		3,534,652	101,256
Water Project (Note 13)	3.62%	06/28/06	6,449,123	08/01/28	<u>3,411,347</u>	<u>185,729</u>	<u>2,058,376</u>		<u>1,538,700</u>	<u>123,184</u>
Total KDHE Revolving Loans					<u>7,096,666</u>	<u>216,858</u>	<u>2,240,172</u>		<u>5,073,352</u>	<u>224,440</u>
Total Contractual Indebtedness					<u>8,031,699</u>	<u>3,534,490</u>	<u>2,359,126</u>		<u>9,207,063</u>	<u>260,908</u>
Compensated Absences:										
Primary Government:										
Vacation	N/A	N/A	N/A	N/A	78,190			(8,019)	70,171	
Sick Leave	N/A	N/A	N/A	N/A	303,276			(30,923)	272,353	
Comp Time	N/A	N/A	N/A	N/A	16,735			3,217	19,952	
Norton Public Library										
Sick Leave	N/A	N/A	N/A	N/A	<u>3,131</u>			<u>550</u>	<u>3,681</u>	
Total Long-Term Debt					<u>\$8,433,031</u>	<u>3,534,490</u>	<u>2,359,126</u>	<u>(35,175)</u>	<u>9,573,220</u>	<u>260,908</u>

14. Long-term Debt - (Continued)

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

	2011	2012	2013	2014	2015	2016-2020	2021-2025	2026-2030	2031-2035	2036-2040	2041-2045	2046-2050	Total
PRINCIPAL													
General Obligation Bonds:													
Series 2007 Washington Square Improvements	50,000	50,000	50,000	55,000	55,000	120,000	0	0	0	0	0	0	380,000
Series 2009 Airport Refunding	25,000	25,000	25,000	25,000	25,000	155,000	0	0	0	0	0	0	280,000
Series 2010 Water Supply System Improvements	40,569	41,603	43,240	44,645	46,096	253,393	297,652	349,286	409,877	480,863	564,459	662,317	3,234,000
Total General Obligation Bonds	115,569	116,603	118,240	124,645	126,096	528,393	297,652	349,286	409,877	480,863	564,459	662,317	3,894,000
Capital Leases:													
Playground Equipment	8,688	6,707	0	0	0	0	0	0	0	0	0	0	15,395
Altec Digger	18,577	19,629	20,763	0	0	0	0	0	0	0	0	0	58,969
Mini Rescue Pumper Truck	19,002	19,923	20,889	21,901	0	0	0	0	0	0	0	0	81,715
Refuse Truck	26,793	27,859	28,980	0	0	0	0	0	0	0	0	0	83,632
Total Capital Leases	73,060	74,118	70,632	21,901	0	0	0	0	0	0	0	0	239,711
KDHE Revolving Loans:													
Wastewater Project (Note 12)	185,406	190,578	195,893	201,357	206,974	1,124,748	1,290,602	139,094	0	0	0	0	3,534,652
Water Project (Note 13)	64,329	66,692	69,128	71,653	74,270	414,081	495,439	283,108	0	0	0	0	1,538,700
Total KDHE Revolving Loans	249,735	257,270	265,021	273,010	281,244	1,538,829	1,786,041	422,202	0	0	0	0	5,073,352
TOTAL PRINCIPAL	438,364	447,991	453,893	419,556	407,340	2,067,222	2,083,693	771,488	409,877	480,863	564,459	662,317	9,207,063
INTEREST													
General Obligation Bonds:													
Series 2007 Washington Square Improvements	15,475	13,575	11,675	9,775	7,438	7,650	0	0	0	0	0	0	65,588
Series 2009 Airport Refunding	8,598	8,147	7,623	7,022	6,360	17,845	0	0	0	0	0	0	55,595
Series 2010 Water Supply System Improvements	105,105	103,787	102,434	101,029	99,578	474,458	430,488	378,877	318,312	247,237	163,832	65,948	2,591,085
Total General Obligation Bonds	129,178	125,509	121,732	117,826	113,376	499,953	430,488	378,877	318,312	247,237	163,832	65,948	2,712,268
Capital Leases:													
Playground Equipment	808	352	0	0	0	0	0	0	0	0	0	0	1,160
Altec Digger	3,054	2,002	878	0	0	0	0	0	0	0	0	0	5,934
Mini Rescue Pumper Truck	3,689	2,768	1,802	790	0	0	0	0	0	0	0	0	9,049
Refuse Truck	3,345	2,280	1,159	0	0	0	0	0	0	0	0	0	6,784
Total Capital Leases	10,896	7,402	3,839	790	0	0	0	0	0	0	0	0	22,927
KDHE Revolving Loans:													
Wastewater Project (Note 12)	96,635	91,463	86,148	80,684	75,068	285,458	119,604	1,927	0	0	0	0	836,987
Water Project (Note 13)	55,137	52,774	50,338	47,813	45,196	183,247	101,890	15,557	0	0	0	0	551,952
Total KDHE Revolving Loans	151,772	144,237	136,486	128,497	120,264	468,705	221,494	17,484	0	0	0	0	1,388,939
TOTAL INTEREST	291,846	277,148	262,057	247,113	233,640	968,658	651,982	396,361	318,312	247,237	163,832	65,948	4,124,134
TOTAL PRINCIPAL AND INTEREST	\$ 730,210	725,139	715,950	666,669	640,980	3,035,880	2,735,675	1,167,849	728,189	728,100	728,291	728,265	13,331,197