

CITY OF LUCAS, KANSAS

FINANCIAL STATEMENT AND INDEPENDENT AUDITORS' REPORT
For the Year Ended December 31, 2018

CITY OF LUCAS, KANSAS

For the Year Ended December 31, 2018

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GUDENKAUF & MALONE, INC.

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James Malone, CPA

Independent Auditors' Report

Honorable Mayor and City Council
City of Lucas, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the City of Lucas, Kansas as of and for the year ended December 31, 2018, 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 A; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

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 auditors' 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 A of the financial statement, the financial statement is prepared by the City of Lucas, 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 A 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 Lucas, Kansas as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

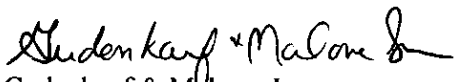
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City of Lucas, Kansas as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note A.

Other Matters

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 and individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In 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 A.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City of Lucas, Kansas as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated August 2, 2018, which contained an unmodified opinion on the basis financial statement. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended December 31, 2018 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 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 2017 basic financial statement or to the 2017 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 2017 comparative information is fairly stated in all material respects in relation to the 2017 basic financial statement as a whole for the year ended December 31, 2017, on the basis of accounting described in Note A.



Gudenkauf & Malone, Inc.

September 16, 2019

CITY OF LUCAS, KANSAS

**Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018**

Statement 1

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payables	Ending Cash Balance
GENERAL FUND	\$ 5,097	\$ -	\$ 218,479	\$ 219,103	\$ 4,473	\$ 11,419	\$ 15,892
SPECIAL PURPOSE FUNDS							
Library	247	-	9,374	9,262	359	-	359
Airport	863	-	2,935	1,715	2,083	-	2,083
Industrial Development	-	-	9,783	9,783	-	-	-
Special Highway	4,752	-	10,707	12,651	2,808	-	2,808
Total Special Purpose Funds	5,862	-	32,799	33,411	5,250	-	5,250
TRUST FUND							
McCrystal Trust	2,015	-	4,804	-	6,819	-	6,819
BUSINESS FUNDS							
Electric Utility	44,874	-	829,583	729,051	145,406	45,252	190,658
Electric Utility Reserve	47,000	-	-	-	47,000	-	47,000
Sewer Utility	6,653	-	67,711	55,215	19,149	936	20,085
Sewer Utility Reserve	2,000	-	-	-	2,000	-	2,000
Water Utility	20,051	-	84,358	88,044	16,365	2,092	18,457
Water Utility Reserve	34,000	-	-	34,000	-	-	-
Sanitation Utility	1,029	-	49,720	46,060	4,689	3,720	8,409
Total Business Funds	155,607	-	1,031,372	952,370	234,609	52,000	286,609
CAPITAL PROJECT FUND							
Airport Improvement Fund	(67,283)	-	67,283	-	-	-	-
Total reporting Entity (Excluding Agency Funds)	<u>\$ 101,298</u>	<u>\$ -</u>	<u>\$ 1,354,737</u>	<u>\$ 1,204,884</u>	<u>\$ 251,151</u>	<u>\$ 63,419</u>	<u>\$ 314,570</u>
Composition of Cash:							
				Checking Account			\$ 164,570
				Certificates of Deposit			150,000
				Total reporting Entity (Excluding Agency Funds)			<u>\$ 314,570</u>

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

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Municipal Financial Reporting Entity

The City of Lucas, located in Russell County, Kansas, was incorporated in the late 1880's. Lucas engages in a minimal range of municipal services, including general government administration, water, sewer, electric, and refuse services for the residents of the City.

The City of Lucas is a municipal corporation governed by an elected six-member City Council comprised of the Mayor and five at large members. The regulatory financial statement presents the City of Lucas, Kansas (the municipality) and does not include the following Related Municipal Entity:

Lucas Library

Related Municipal Entity

The City of Lucas has omitted the financial data of the Lucas Library which is a related municipal entity. The financial data of the Library has not been audited. The City of Lucas' Public Library board operate the City's public library. Acquisition or disposition of real property by the board must be approved by the City. Bond issuances must also be approved by the City.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide (KMAAG)* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at 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 receipts 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 City 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 City to use the regulatory basis of accounting.

Regulatory Basis Fund Types

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

Special Purpose Fund - used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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.).

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in regulatory receipts 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 was on budget amendment for 2018.

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 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 regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds:

Electric Reserve Fund

Water Reserve Fund

Sewer Reserve Fund

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Reimbursements

The City of Lucas records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that receives the reimbursement. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements under KMAAG regulatory basis accounting.

Property Tax

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County appraiser annually determines assessed valuations based on real estate transactions recorded by the Register of Deeds and personal property transactions reported by taxpayers. The County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Property taxes are assessed on a calendar year basis and become a lien on property on November 1 of each year. The taxes are due one-half on December 20th and one-half 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 or 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 operation of the City and therefore are not susceptible to accrual.

Undistributed taxes from the prior year levy are recognized as income in the current year. It is not practicable 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 statement taken as a whole.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Kansas Statutes

The City is not aware of any statutory violations.

NOTE C – DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution 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;

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE C – DEPOSITS & INVESTMENTS – CONTINUED

repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investments choices.

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

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under 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, 2018.

At December 31, 2018 the City's carrying amount of deposits was \$314,570 and the bank balance was \$318,475. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance, \$68,475 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

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

NOTE D – INTERFUND TRANSFERS

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
Electric	General	12-825d	\$75,000

NOTE E – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS / COMMITMENTS

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 of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Compensated Absences

Seasonal employees are not eligible to earn compensated absences. Regular full time employees working 40 hours per week will earn 3.69 hours of sick leave per every 80 hours worked. Part time employees working 30 hours per week will earn 2.77 hours per 60 hours worked. Thirty-six days of sick leave may be carried forward to the following year. An employee that terminates in good standing will be paid for unused sick leave up to 36

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE E – OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS / COMMITMENTS - CONTINUED

days at 1/2 their regular pay rate. Sick leave begins accruing on the first day of employment. The total accrued sick leave liability at December 31, 2018 was \$7,991.

Regular full time employees earn vacation at the following rates:

<u>Years of Continued Employment</u>	<u>Hours Earned Per 2 Week Pay Period</u>	<u>Equivalent Work Days</u>
1st year	1.538	To be calculated
2-4	1.538	5
5-10	3.077	10
11+	4.615	15

Eighty hours of vacation leave may be carried forward to the following year. An employee that terminates in good standing will be paid for unused vacation leave. Vacation leave begins accruing on the first day of employment, but is not available to use until after the 90 day probationary period. Total accrued vacation at December 31, 2018 was \$4,463.

Bereavement leave of 3-5 days is available to regular full time employees, depending upon their relationship to the deceased.

NOTE F – DEFINED BENEFIT PENSION PLAN

Plan Description – The City participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions – K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law establishes the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate for Death and Disability Program) and the statutory contribution rate was 8.39% for the fiscal year ended December 31, 2018. Contributions to the pension plan from the City of Lucas were \$15,079 for the year ended December 31, 2018.

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Net Pension Liability

At December 31, 2018, the City of Lucas's proportionate share of the collective net pension liability reported by KPERS was \$132,828. The net pension liability was measured as of June 30, 2018, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

NOTE G – CLAIMS AND JUDGMENTS

The City participates in federal, state, and county programs that are fully or partially funded by grant received from other government units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with the grant program regulations, the City may be required to reimburse the grantor government.

The City is 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. The City continues to carry commercial insurance for these potential risks of loss. There have been no significant reductions in insurance coverage from 2017 to 2018 and there were no settled claims that exceeded insurance coverage in the past three years.

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

NOTE H – RELATED PARTY TRANSACTIONS

In a governmental entity, related parties include members of the governing body, council members, administrative officials, and immediate families of administrative officials, council members, and members of the governing body. Required disclosures on related party transactions do not include compensation arrangements, expense allowances and similar items incurred in the ordinary course of operations. The following are not required to be reported, but are presented for information only.

Angel Accounting - Accounting	\$275
Ryan Cook, City Treasurer	
Employee	
Leach & Naegele - Various Supplies	5,732
Trent Leach, Council Member	
Officer	
Lucas Area Chamber of Commerce	10,000
Tarry Dougherty, Council Member	
Spouse is an employee	

City of Lucas, Kansas

Notes to Financial Statement

Year Ended December 31, 2018

NOTE H – RELATED PARTY TRANSACTIONS – CONTINUED

Lucas Publishing - Newspaper Publishing	2,002
Gary Bretz, Employee	
Spouse is an employee	
Postmaster - Postage	1,820
Sarah Rowden, Council Member	
Employee	

NOTE I – AGREEMENT

In July 2018, the City approved to pledge lots to Joiner Construction to assist Russell County Economic Development with applications to apply for grants to build a duplex in Lucas. In March, 2019, the city received a check for \$24,125 from the Greater Salina Community Foundation to be paid to Joiner Construction once the project is completed. The project has not been initiated as of the date of this report

NOTE J – SUBSEQUENT EVENTS

In January 2019, a payment to Schwab Eaton was approved for up to \$8,000 to provide engineering studies on the nitrate plant, sewer line to Home Oil and K-18 Café and repairs to the lift station. To be expensed \$3,000 out of the water fund and \$5,000 out of the sewer fund.

Effective April 1, 2019, the City imposed a one percent retailers' sales tax to assist in payment on bonds issued for infrastructure, funding of future city streets/infrastructure projections, restoration of service cuts, and mill levy reductions.

The City accepted the proposal from Schwab Eaton during May 2019 for engineering assistance on the nitrate plant project not to exceed \$20,000.

In September 2018, the City purchased the mini park for \$20,089. In March 2019, the City sold the storage shed, excluding the land, for \$16,000. The City is leasing the retained land for \$50 per year.

In June 2019, the City approved to give the Lucas Theater \$6,000 to go towards the new projection equipment to be paid from the McCrystal Trust Fund.

In July 2019, the City allocated \$7,000 to the sidewalk improvement program.

Management has evaluated the effects on the financial statement of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION
DECEMBER 31, 2018**

CITY OF LUCAS, KANSAS

**Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018**

Schedule 1

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:					
General	\$ 222,595	\$ -	\$ 222,595	\$ 219,103	\$ (3,492)
Special Purpose Funds					
Library	10,138	-	10,138	9,262	(876)
Airport	10,550	-	10,550	1,715	(8,835)
Industrial Development	11,000	-	11,000	9,783	(1,217)
Special Highway	15,967	-	15,967	12,651	(3,316)
Business Funds					
Electric Utility	842,113	-	842,113	729,051	(113,062)
Sewer Utility	86,452	-	86,452	55,215	(31,237)
Water Utility	131,722	-	131,722	88,044	(43,678)
Sanitation Utility	47,500	-	47,500	46,060	(1,440)
Total	\$ 1,378,037	\$ -	\$ 1,378,037	\$ 1,170,884	\$ (207,153)

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)**

Schedule 2-1

GENERAL FUND

		<u>2018</u>		Variance Over (Under)
	2017 Actual	Actual	Budget	
Receipts				
Ad Valorem Tax	\$ 38,604	\$ 33,953	\$ 35,250	\$ (1,297)
Vehicle Tax & Delinquent	6,465	10,460	9,163	1,297
Licenses and Permits	1,335	910	-	910
Sales Tax	36,904	56,520	65,826	(9,306)
Franchise Tax	8,943	9,201	9,271	(70)
Intangible Tax	705	-	-	-
Alcoholic Liquor Tax	845	831	185	646
Rental Income	7,890	8,858	9,379	(521)
Reimbursements	17,463	4,444	8,288	(3,844)
Grants	-	8,288	-	8,288
Neighborhood Revitalization	10,225	9,732	-	9,732
Interest on Idle Funds	507	282	279	3
Miscellaneous	540	-	4,859	(4,859)
Transfer from Electric Utility	50,000	75,000	75,000	-
Transfer from Sanitation Utility	5,500	-	-	-
Transfer from Water Utility	21,000	-	-	-
Total Receipts	<u>206,926</u>	<u>218,479</u>	<u>\$ 217,500</u>	<u>\$ 979</u>
Expenditures				
Personal Services	45,101	45,949	45,000	949
Employee Benefits	25,726	31,035	35,781	(4,746)
Library	955	619	619	-
Contractual Services	60,771	65,907	74,811	(8,904)
Commodities	39,386	27,128	25,172	1,956
Capital Outlay	59,900	34,858	37,312	(2,454)
Neighborhood Revitalization Reimbursement	10,225	9,732	-	9,732
Street Maintenance	1,898	3,875	3,900	(25)
Total Expenditures	<u>243,962</u>	<u>219,103</u>	<u>\$ 222,595</u>	<u>\$ (3,492)</u>

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-1

GENERAL FUND - CONTINUED

	2017 Actual	2018		Variance Over (Under)
		Actual	Budget	
Total Expenditures	<u>243,962</u>	<u>219,103</u>	<u>\$ 222,595</u>	<u>\$ (3,492)</u>
Receipts Over (Under) Expenditures	(37,036)	(624)		
Unencumbered Cash, Beginning	<u>42,133</u>	<u>5,097</u>		
Unencumbered Cash, Ending	<u>\$ 5,097</u>	<u>\$ 4,473</u>		

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-2

LIBRARY FUND

		2018		Variance
	2017			Over
	Actual	Actual	Budget	(Under)
Receipts				
Ad Valorem Tax	\$ 7,214	\$ 7,384	\$ 8,438	\$ (1,054)
Vehicle Tax & Delinquent	1,302	1,990	1,713	277
Total Receipts	8,516	9,374	\$ 10,151	\$ (777)
Expenditures				
Appropriations	8,345	9,262	10,138	(876)
Total Expenditures	8,345	9,262	\$ 10,138	\$ (876)
Receipts Over (Under) Expenditures	171	112		
Unencumbered Cash, Beginning	76	247		
Unencumbered Cash, Ending	\$ 247	\$ 359		

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-3

AIRPORT FUND

		2018		
	2017			Variance
	Actual	Actual	Budget	Over
				(Under)
Receipts				
Ad Valorem Tax	\$ 2,718	\$ 2,011	\$ 2,299	\$ (288)
Vehicle Tax & Delinquent	-	624	532	92
Miscellaneous Income	701	300	650	(350)
Transfer from Electric	1,200	-	-	-
	<u>4,619</u>	<u>2,935</u>	<u>\$ 3,481</u>	<u>\$ (546)</u>
Total Receipts				
Expenditures				
Capital Outlay	7,475	-	8,800	(8,800)
Insurance	1,633	1,715	1,750	(35)
	<u>9,108</u>	<u>1,715</u>	<u>\$ 10,550</u>	<u>\$ (8,835)</u>
Total Expenditures				
Receipts Over (Under) Expenditures	(4,489)	1,220		
Unencumbered Cash, Beginning	<u>5,352</u>	<u>863</u>		
Unencumbered Cash, Ending	<u>\$ 863</u>	<u>\$ 2,083</u>		

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-4

INDUSTRIAL DEVELOPMENT FUND

		2018		Variance
	2017			Over
	Actual	Actual	Budget	(Under)
Receipts				
Ad Valorem Tax	\$ 7,850	\$ 7,618	\$ 8,706	\$ (1,088)
Vehicle Tax & Delinquent	1,488	2,165	1,864	301
Interest	52	-	105	(105)
Total Receipts	<u>9,390</u>	<u>9,783</u>	<u>\$ 10,675</u>	<u>\$ (892)</u>
Expenditures				
Miscellaneous	-	-	1,000	(1,000)
Chamber of Commerce	<u>9,669</u>	<u>9,783</u>	<u>10,000</u>	<u>(217)</u>
Total Expenditures	<u>9,669</u>	<u>9,783</u>	<u>\$ 11,000</u>	<u>\$ (1,217)</u>
Receipts Over (Under) Expenditures	(279)	-		
Unencumbered Cash, Beginning	<u>279</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-5

SPECIAL HIGHWAY FUND

	2017 Actual	2018		Variance Over (Under)
		Actual	Budget	
Receipts				
State of Kansas	\$ 10,530	\$ 10,707	\$ 10,470	\$ 237
Total Receipts	10,530	10,707	\$ 10,470	\$ 237
Expenditures				
Street Repair & Maintenance	8,603	12,651	15,967	(3,316)
Total Expenditures	8,603	12,651	\$ 15,967	\$ (3,316)
Receipts Over (Under) Expenditures	1,927	(1,944)		
Unencumbered Cash, Beginning	2,825	4,752		
Unencumbered Cash, Ending	\$ 4,752	\$ 2,808		

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures
Regulatory Basis**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-6

MCCRISTAL TRUST FUND

	<u>2017 Actual</u>	<u>2018 Actual</u>
Receipts		
Donation	<u>\$ 4,674</u>	<u>\$ 4,804</u>
Total Receipts	<u>4,674</u>	<u>4,804</u>
Expenditures		
Disbursements	<u>7,130</u>	<u>-</u>
Total Expenditures	<u>7,130</u>	<u>-</u>
Receipts Over (Under) Expenditures	(2,456)	4,804
Unencumbered Cash, Beginning	<u>4,471</u>	<u>2,015</u>
Unencumbered Cash, Ending	<u><u>\$ 2,015</u></u>	<u><u>\$ 6,819</u></u>

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-7

ELECTRIC UTILITY FUND

		2018		Variance
	2017			Over
	Actual	Actual	Budget	(Under)
Receipts				
Interest	\$ 474	\$ 1,226	\$ 1,007	\$ 219
Sales	625,609	824,472	792,347	32,125
Miscellaneous	177	3,885	3,885	-
Total Receipts	626,260	829,583	\$ 797,239	\$ 32,344
Expenditures				
Personal Services	80,079	96,690	84,916	11,774
Contractual Services	515,206	548,295	555,952	(7,657)
Commodities	5,388	9,066	14,898	(5,832)
Capital Outlay	-	-	88,347	(88,347)
Transfer to General	50,000	75,000	75,000	-
Transfer to Airport	1,200	-	-	-
Transfer to Electric Reserve	-	-	23,000	(23,000)
Total Expenditures	651,873	729,051	\$ 842,113	\$ (113,062)
Receipts Over (Under) Expenditures	(25,613)	100,532		
Unencumbered Cash, Beginning	66,087	44,874		
Prior Year Canceled Encumbrance	4,400	-		
Unencumbered Cash, Ending	\$ 44,874	\$ 145,406		

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures - Actual and Budget Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-8

SEWER UTILITY FUND

		2018		Variance
	2017			Over
	Actual	Actual	Budget	(Under)
Receipts				
Sales	\$ 66,082	\$ 67,711	\$ 80,000	\$ (12,289)
Total Receipts	66,082	67,711	\$ 80,000	\$ (12,289)
Expenditures				
Personal Services	57,021	50,507	59,500	(8,993)
Contractual Services	2,841	1,022	15,700	(14,678)
Commodities	6,384	3,686	6,050	(2,364)
Capital Outlay	-	-	5,202	(5,202)
Total Expenditures	66,246	55,215	\$ 86,452	\$ (31,237)
Receipts Over (Under) Expenditures	(164)	12,496		
Unencumbered Cash, Beginning	6,817	6,653		
Unencumbered Cash, Ending	\$ 6,653	\$ 19,149		

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-9

WATER UTILITY FUND

		2018		
	2017			Variance
	Actual	Actual	Budget	Over (Under)
Receipts				
Sales	\$ 81,757	\$ 83,383	\$ 95,000	\$ (11,617)
Connection Fees	600	975	-	975
	<u>82,357</u>	<u>84,358</u>	<u>\$ 95,000</u>	<u>\$ (10,642)</u>
Total Receipts				
Expenditures				
Personal Services	61,666	44,764	62,000	(17,236)
Contractual Services	9,173	34,387	12,150	22,237
Commodities	7,376	8,893	4,000	4,893
Capital Outlay	-	-	43,572	(43,572)
Transfer to General	21,000	-	-	-
Transfer to Water Reserve	-	-	10,000	(10,000)
	<u>99,215</u>	<u>88,044</u>	<u>\$ 131,722</u>	<u>\$ (43,678)</u>
Total Expenditures				
Receipts Over (Under) Expenditures	(16,858)	(3,686)		
Unencumbered Cash, Beginning	<u>36,909</u>	<u>20,051</u>		
Unencumbered Cash, Ending	<u>\$ 20,051</u>	<u>\$ 16,365</u>		

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-10

SANITATION UTILITY FUND

		2018		
	2017			Variance
	Actual	Actual	Budget	Over (Under)
Receipts				
Collections	\$ 46,813	\$ 49,720	\$ 50,000	\$ (280)
Total Receipts	<u>46,813</u>	<u>49,720</u>	<u>\$ 50,000</u>	<u>\$ (280)</u>
Expenditures				
Contractual Services	45,100	46,060	47,500	(1,440)
Miscellaneous	40	-	-	-
Transfer to General	<u>5,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>50,640</u>	<u>46,060</u>	<u>\$ 47,500</u>	<u>\$ (1,440)</u>
Receipts Over (Under) Expenditures	(3,827)	3,660		
Unencumbered Cash, Beginning	<u>4,856</u>	<u>1,029</u>		
Unencumbered Cash, Ending	<u>\$ 1,029</u>	<u>\$ 4,689</u>		

CITY OF LUCAS, KANSAS

**Schedule of Receipts and Expenditures
Regulatory Basis**

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-11

ELECTRIC RESERVE FUND

	<u>2017 Actual</u>	<u>2018 Actual</u>
Receipts		
Transfer from Electric	<u>\$ -</u>	<u>\$ -</u>
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>47,000</u>	<u>47,000</u>
Unencumbered Cash, Ending	<u><u>\$ 47,000</u></u>	<u><u>\$ 47,000</u></u>

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-12

SEWER RESERVE FUND

	<u>2017 Actual</u>	<u>2018 Actual</u>
Receipts		
Transfer from Sewer	<u>\$ -</u>	<u>\$ -</u>
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>2,000</u>	<u>2,000</u>
Unencumbered Cash, Ending	<u><u>\$ 2,000</u></u>	<u><u>\$ 2,000</u></u>

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-13

WATER RESERVE FUND

	<u>2017 Actual</u>	<u>2018 Actual</u>
Receipts		
Transfer	<u>\$ -</u>	<u>\$ -</u>
Total Receipts	<u>-</u>	<u>-</u>
Expenditures		
Capital Outlay	<u>-</u>	<u>34,000</u>
Total Expenditures	<u>-</u>	<u>34,000</u>
Receipts Over (Under) Expenditures	-	(34,000)
Unencumbered Cash, Beginning	<u>34,000</u>	<u>34,000</u>
Unencumbered Cash, Ending	<u>\$ 34,000</u>	<u>\$ -</u>

CITY OF LUCAS, KANSAS

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended December 31, 2018

(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

Schedule 2-14

AIRPORT IMPROVEMENT FUND

	<u>2017 Actual</u>	<u>2018 Actual</u>
Receipts		
Grant	<u>\$ -</u>	<u>\$ 67,283</u>
Total Receipts	<u>-</u>	<u>67,283</u>
Expenditures		
Capital Outlay	<u>67,283</u>	<u>-</u>
Total Expenditures	<u>67,283</u>	<u>-</u>
Receipts Over (Under) Expenditures	(67,283)	67,283
Unencumbered Cash, Beginning	<u>-</u>	<u>(67,283)</u>
Unencumbered Cash, Ending	<u><u>\$ (67,283)</u></u>	<u><u>\$ -</u></u>