

**CITY OF PROTECTION, KANSAS**

Primary Government Financial Statement  
With Independent Auditors' Report

For the Year Ended December 31, 2017

**CITY OF PROTECTION, KANSAS**  
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## INDEPENDENT AUDITORS' REPORT

To the City Council  
**City of Protection, Kansas**  
Protection, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **City of Protection, Kansas**, as of and for the year ended December 31, 2017 and the related notes to the financial statement.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; 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 from material misstatement.

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

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

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

As described in Note 1, the financial statement is prepared by **City of Protection, Kansas** on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of

accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matters 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 **City of Protection, Kansas** as of December 31, 2017, 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 **City of Protection, Kansas** as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

### **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 1.

The 2016 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2016 basic financial statement upon which we rendered an unmodified opinion dated August 8, 2017. The 2016 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/office/chief-financial-officer/municipal-services>. Such 2016 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 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 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 2016 basic financial statement or to the 2016 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 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note 1.

The schedule of operating ratios and schedule of debt coverage ratio, as listed in the table of contents, are presented for analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

August 14, 2018

**CITY OF PROTECTION, KANSAS**  
Summary Statement of Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended December 31, 2017

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
<b>Governmental Type Funds</b>							
<b>General Fund</b>	\$ 104,020	-	341,512	312,401	<b>133,131</b>	9,773	<b>142,904</b>
<b>Special Purpose Funds</b>							
Special Highway Fund	40,142	-	13,332	9,401	<b>44,073</b>	230	<b>44,303</b>
Special Equipment Fund	89,816	-	30,000	24,635	<b>95,181</b>	-	<b>95,181</b>
Special Parks and Recreation Fund	8,679	-	911	-	<b>9,590</b>	-	<b>9,590</b>
Capital Improvement Fund	5,000	-	10,000	-	<b>15,000</b>	-	<b>15,000</b>
<b>Business Funds</b>							
Waterworks System Fund	248,696	-	113,613	116,213	<b>246,096</b>	2,714	<b>248,810</b>
Sewage Disposal Fund	199,028	-	107,125	126,498	<b>179,655</b>	1,138	<b>180,793</b>
Solid Waste Fund	15,553	-	68,906	75,001	<b>9,458</b>	5,641	<b>15,099</b>
Water System Reserve Fund	49,498	-	20,000	-	<b>69,498</b>	-	<b>69,498</b>
Sewer System Reserve Fund	24,917	-	10,000	-	<b>34,917</b>	-	<b>34,917</b>
Storm Sewer Replacement Fund	20,000	-	10,000	-	<b>30,000</b>	-	<b>30,000</b>
<b>Total Primary Government</b>	<b>\$ 805,349</b>	<b>-</b>	<b>725,399</b>	<b>664,149</b>	<b>866,599</b>	<b>19,496</b>	<b>886,095</b>
<b>Composition of Cash</b>					Checking Account	\$	<b>82,367</b>
					Certificates of Deposit		<b>803,561</b>
					Cash on Hand		<b>167</b>
					<b>Total Primary Government</b>	<b>\$</b>	<b>886,095</b>

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

## CITY OF PROTECTION, KANSAS

### Notes to Financial Statement

December 31, 2017

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**City of Protection, Kansas** has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statement is presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

##### **Use of Estimates**

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from those estimates.

##### **Financial Reporting Entity**

The City is a municipal corporation governed by an elected six-member council. This financial statement does not include the related municipal entity shown below. A related municipal entity is an entity established to benefit the City and/or its constituents.

##### **Housing Authority**

The City's Housing Authority operates the City's housing projects. The housing authority can sue and be sued, and can buy, sell, or lease real property. Bond issuances must be approved by the City. Unaudited financial statements can be obtained by contacting the housing authority's office.

The City is the primary government as defined in GASB #61. The City council is elected by the public. The council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

##### **Basis of Presentation – Fund Accounting**

The accounts of the City are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following types of funds comprise the financial activities of the City for the year ended December 31, 2017.

##### **Regulatory Basis Fund Types**

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

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

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

## **CITY OF PROTECTION, KANSAS**

### **Notes to Financial Statement**

December 31, 2017

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#### **Basis of Accounting**

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis 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.

#### **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 noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statement. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, and temporary notes are not presented in the financial statement.

#### **Property Tax Calendar**

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. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

#### **Restricted Assets**

Restricted cash balances are reported in various funds that are legally restricted for specified uses such as the payment of debt service and fiscal fees on long-term debt and for expenditures approved in federal and state grant contracts.

#### **Reimbursements**

The City 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 of accounting.



## **CITY OF PROTECTION, KANSAS**

### **Notes to Financial Statement**

December 31, 2017

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#### **NOTE 2 – 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:

- a. Preparation of the budget for the succeeding calendar year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least 10 days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the 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: Special Equipment Fund and Capital Improvement Fund.

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.

#### **NOTE 3 – DEPOSITS AND INVESTMENTS**

**City of Protection, Kansas** follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary statement of receipts, expenditures and unencumbered cash.

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

## CITY OF PROTECTION, KANSAS

### Notes to Financial Statement

December 31, 2017

provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

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

#### Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 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, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2017.

At December 31, 2017, the City's carrying amount of deposits was \$886,095 and the bank balance was \$892,194. 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 and \$642,194 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. The City had no investments at December 31, 2017.

## NOTE 4 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions or maintaining debt service on a routine basis as authorized by Kansas statutes. **City of Protection, Kansas'** interfund transfers and regulatory authority for the year ended December 31, 2017 were as follows:

From	To	Regulatory Authority	Amount
General Fund	Capital Improvement Fund	K.S.A. 12-1,118	\$ 10,000
General Fund	Special Equipment Fund	K.S.A. 12-1,117	15,000
Sewage Disposal Fund	Storm Sewer Replacement Fund	K.S.A. 12-825d	10,000
Sewage Disposal Fund	Special Equipment Fund	K.S.A. 12-1,117	15,000
Sewage Disposal Fund	Sewer System Reserve Fund	K.S.A. 12-631o	10,000
Waterworks System Fund	Water System Reserve Fund	K.S.A. 12-825d	20,000

## CITY OF PROTECTION, KANSAS

### Notes to Financial Statement

December 31, 2017

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#### NOTE 5 – LITIGATION

**City of Protection, Kansas** is a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material financial impact on the affected funds of the City.

#### NOTE 6 – RISK MANAGEMENT

**City of Protection, Kansas** carries commercial insurance for risks of loss, including property, general liability, inland marine, workers' compensation, automobile, linebacker, law enforcement and surety bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 7 – GRANTS AND SHARED REVENUES

**City of Protection, Kansas** participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

#### NOTE 8 – OPERATING LEASES

On June 23, 2014, the City entered into an operating lease for a postage machine. The monthly rental payment is \$121 for the first 12 months and \$158 for the remaining 51 months. Lease expense paid during 2017 was \$1,895. Future scheduled payments to maturity are as follows:

Year	Amount
2018	\$ 1,896
2019	1,422

#### NOTE 9 – DEFERRED COMPENSATION PLAN

**City of Protection, Kansas** sponsors a deferred compensation plan under Internal Revenue Code Section 457(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The City is not required to make any contributions.

#### NOTE 10 – OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, **City of Protection, Kansas** 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.

## **CITY OF PROTECTION, KANSAS**

### **Notes to Financial Statement**

December 31, 2017

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#### **NOTE 11 – COMPENSATED ABSENCES**

##### **Vacation**

**City of Protection, Kansas'** policy regarding vacation is that a full-time employee will accrue 8 to 14 hours per month (based on tenure with the City). Accrued vacation shall not exceed 120 to 240 hours (based on tenure with the City). No vacation may be taken during the first six months of employment. Part-time employees who work at least 20 hours per week shall earn vacation at the rate of 4 hours for each month of employment. Upon termination, an employee shall be compensated for all earned but unused vacation at his/her final rate of pay. The potential liability for vacation at December 31, 2017 was \$4,542. This is not reflected in the financial statement.

##### **Sick Leave**

The policy regarding sick leave is that a full-time employee is allowed to earn one day of sick leave a month and can accumulate up to 45 days of sick leave, which is cancelled upon the termination of the employee. A part-time employee who works at least 20 hours per week shall receive 4 hours of sick leave for each month of employment. Full-time employees have the option to sell back up to 12.5 days of sick leave when his or her accumulated sick leave reaches 45 days. For part-time employees it shall be when his or her accumulated sick leave reaches 22.5 days. The sick leave policy begins after one month of employment. The potential liability for sick leave at December 31, 2017 was \$5,936. This is not reflected in the financial statement.

##### **Longevity Pay**

Annual longevity pay may be given at the discretion of the governing body.

#### **NOTE 12 – DEBT RESTRICTIONS AND COVENANTS**

##### **KDHE Revolving Loan**

**City of Protection, Kansas** entered into a loan agreement with the Kansas Department of Health and Environment to fund improvements to the sewer in the amount of \$711,030. The City is in compliance with the loan agreement as of December 31, 2017.

#### **NOTE 13 – LONG-TERM DEBT**

**City of Protection, Kansas** has the following types of long-term debt.

##### **KDHE Revolving Loan**

The City entered into a \$711,030 revolving loan agreement on October 11, 2005 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the costs associated with the design and construction of sewer improvements that were necessary to stay within the state requirements.

##### **Capital Leases**

The City has entered into lease agreements with an option to purchase at the expiration of the lease term. The leases contain a fiscal funding clause.

**CITY OF PROTECTION, KANSAS**

Notes to Financial Statement

December 31, 2017

Changes in long-term liabilities for the City for the year ended December 31, 2017, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
<b>Capital Leases</b>									
2016 Ford Police Interceptor	6.45%	12/11/2015	\$ 33,620	2018	\$ 16,777	-	(8,127)	<b>8,650</b>	1,082
Doosan DL200 TC-3 Wheel Loader	2.40%	5/1/2015	127,525	2020	93,008	-	(22,635)	<b>70,373</b>	2,000
<b>Total Capital Leases</b>					109,785	-	(30,762)	<b>79,023</b>	3,082
<b>KDHE Loan</b>									
Kansas Water Pollution Control Revolving Project No. C20 1698 01	2.58%	10/11/2005	711,030	2027	431,023	-	(34,357)	<b>396,666</b>	9,844
<b>Total Contractual Indebtedness</b>					<b>\$ 540,808</b>	<b>-</b>	<b>(65,119)</b>	<b>475,689</b>	<b>12,926</b>

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

		YEAR						
		2018	2019	2020	2021	2022	2023-2027	Total
Principal								
	Capital Leases	\$ 31,500	23,493	24,030	-	-	-	79,023
	KDHE Loan	35,249	36,164	37,104	38,067	39,055	211,027	396,666
Total Principal		66,749	59,657	61,134	38,067	39,055	211,027	475,689
Interest								
	Capital Leases	2,342	1,141	577	-	-	-	4,060
	KDHE Loan	9,038	8,212	7,364	6,494	5,601	13,781	50,490
Total Interest		11,380	9,353	7,941	6,494	5,601	13,781	54,550
Total Principal and Interest		\$ 78,129	69,010	69,075	44,561	44,656	224,808	530,239

**CITY OF PROTECTION, KANSAS**

Regulatory-Required Supplementary Information

**CITY OF PROTECTION, KANSAS**  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended December 31, 2017

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	<b>Expenditures Chargeable to Current Year</b>	Variance Over (Under)
<b>Governmental Type Funds</b>					
<b>General Fund</b>	\$ 414,723	-	414,723	<b>312,401</b>	(102,322)
<b>Special Purpose Funds</b>					
Special Highway Fund	32,356	-	32,356	<b>9,401</b>	(22,955)
Special Parks and Recreation Fund	6,816	-	6,816	-	(6,816)
<b>Business Funds</b>					
Waterworks System Fund	172,600	-	172,600	<b>116,213</b>	(56,387)
Sewage Disposal Fund	197,757	-	197,757	<b>126,498</b>	(71,259)
Solid Waste Fund	82,925	-	82,925	<b>75,001</b>	(7,924)

**CITY OF PROTECTION, KANSAS**  
**General Fund**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

			Current Year		
	Prior Year Actual	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)	
<b>Receipts</b>					
Taxes and Shared Revenues					
Ad Valorem Property	\$ 133,148	<b>133,120</b>	142,593	(9,473)	
Delinquent	2,167	<b>6,645</b>	5,000	1,645	
Motor Vehicle	29,958	<b>30,741</b>	37,375	(6,634)	
16/20M Tax	2,215	<b>2,407</b>	2,412	(5)	
Recreational Vehicle	232	<b>153</b>	233	(80)	
Rental Excise Tax	40	<b>12</b>	63	(51)	
Commercial Vehicle	1,025	<b>1,510</b>	346	1,164	
Watercraft Tax	72	<b>85</b>	1	84	
Local Sales Tax	73,766	<b>74,061</b>	90,000	(15,939)	
Local Alcohol Tax	1,071	<b>911</b>	1,596	(685)	
Federal Aid	-	<b>15,612</b>	-	15,612	
State Aid	-	<b>1,858</b>	-	1,858	
Licenses, Permits and Fees	425	<b>1,310</b>	1,000	310	
Franchise Fees	34,695	<b>37,185</b>	37,000	185	
Swimming Pool	9,839	<b>9,346</b>	3,000	6,346	
Fines	3,368	<b>5,567</b>	1,000	4,567	
Rent	-	-	50	(50)	
Crop Sales	-	<b>2,593</b>	2,000	593	
Miscellaneous	4,505	<b>8,857</b>	-	8,857	
Donations	-	<b>6,322</b>	-	6,322	
Interest	4,518	<b>4,559</b>	4,500	59	
Transfers In	-	-	5,000	(5,000)	
Neighborhood Revitalization Rebate	(1,858)	<b>(1,342)</b>	(1,065)	(277)	
<b>Total Receipts</b>	<u>299,186</u>	<u><b>341,512</b></u>	<u><u>332,104</u></u>	<u><u>9,408</u></u>	
<b>Expenditures</b>					
General Administrative	82,346	<b>49,217</b>	95,723	(46,506)	
Employee Benefits	36,522	<b>42,370</b>	29,000	13,370	
Public Safety	69,023	<b>81,319</b>	75,000	6,319	
Parks and Recreation	49,671	<b>51,401</b>	75,000	(23,599)	
Street Department	74,459	<b>63,094</b>	95,000	(31,906)	
Transfers Out	-	<b>25,000</b>	25,000	-	
Building Demolition	13,278	-	20,000	(20,000)	
<b>Total Expenditures</b>	<u>325,299</u>	<u><b>312,401</b></u>	<u><u>414,723</u></u>	<u><u>(102,322)</u></u>	
<b>Receipts Over (Under) Expenditures</b>	(26,113)	<b>29,111</b>			
<b>Unencumbered Cash - Beginning</b>	<u>130,133</u>	<u><b>104,020</b></u>			
<b>Unencumbered Cash - Ending</b>	\$ <u><u>104,020</u></u>	<u><u><b>133,131</b></u></u>			



**CITY OF PROTECTION, KANSAS**  
**Special Highway Fund**

Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenues				
State Gasoline Tax	\$ 13,587	<b>13,332</b>	13,680	(348)
<b>Expenditures</b>				
Commodities	346	<b>1,392</b>	32,356	(30,964)
Contractual	976	<b>8,009</b>	-	8,009
<b>Total Expenditures</b>	1,322	<b>9,401</b>	32,356	(22,955)
<b>Receipts Over (Under) Expenditures</b>	12,265	<b>3,931</b>		
<b>Unencumbered Cash - Beginning</b>	27,877	<b>40,142</b>		
<b>Unencumbered Cash - Ending</b>	\$ 40,142	<b>44,073</b>		

**CITY OF PROTECTION, KANSAS**  
**Special Equipment Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
<b>Receipts</b>		
Transfers In	\$ 10,000	<b>30,000</b>
<b>Expenditures</b>		
Capital Outlay	24,636	<b>24,635</b>
<b>Receipts Over (Under) Expenditures</b>	(14,636)	<b>5,365</b>
<b>Unencumbered Cash - Beginning</b>	104,452	<b>89,816</b>
<b>Unencumbered Cash - Ending</b>	\$ 89,816	<b>95,181</b>

**CITY OF PROTECTION, KANSAS**  
**Special Parks and Recreation Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Taxes and Shared Revenues				
Local Alcohol Tax	\$ 1,071	911	1,596	(685)
<b>Expenditures</b>				
Commodities	-	-	6,816	(6,816)
<b>Receipts Over (Under) Expenditures</b>	1,071	911		
<b>Unencumbered Cash - Beginning</b>	7,608	8,679		
<b>Unencumbered Cash - Ending</b>	\$ 8,679	9,590		

**CITY OF PROTECTION, KANSAS**  
**Capital Improvement Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
<b>Receipts</b>		
Transfers In	\$ -	10,000
<b>Expenditures</b>	-	-
<b>Receipts Over (Under) Expenditures</b>	-	10,000
<b>Unencumbered Cash - Beginning</b>	5,000	5,000
<b>Unencumbered Cash - Ending</b>	\$ 5,000	15,000

**CITY OF PROTECTION, KANSAS**  
**Waterworks System Fund**

Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
<b>Receipts</b>				
Customer Sales	\$ 113,842	<b>113,613</b>	125,000	(11,387)
<b>Expenditures</b>				
Personal Services	26,703	<b>28,145</b>	39,600	(11,455)
Contractual Services	32,449	<b>40,372</b>	38,000	2,372
Commodities	21,843	<b>27,696</b>	20,000	7,696
Capital Outlay	-	-	35,000	(35,000)
Transfers Out	10,000	<b>20,000</b>	40,000	(20,000)
<b>Total Expenditures</b>	90,995	<b>116,213</b>	172,600	(56,387)
<b>Receipts Over (Under) Expenditures</b>	22,847	<b>(2,600)</b>		
<b>Unencumbered Cash - Beginning</b>	225,849	<b>248,696</b>		
<b>Unencumbered Cash - Ending</b>	\$ 248,696	<b>246,096</b>		

**CITY OF PROTECTION, KANSAS**  
**Sewage Disposal Fund**

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended December 31, 2017

(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
<b>Receipts</b>				
Taxes and Shared Revenues				
Local Sales Tax	\$ 36,332	<b>36,478</b>	75,000	(38,522)
Customer Sales	76,521	<b>70,647</b>	40,000	30,647
<b>Total Receipts</b>	112,853	<b>107,125</b>	115,000	(7,875)
<b>Expenditures</b>				
Personal Services	19,190	<b>19,528</b>	34,500	(14,972)
Contractual Services	20,301	<b>24,633</b>	40,000	(15,367)
Commodities	3,641	<b>2,080</b>	18,000	(15,920)
KDHE - Principal Payments	33,487	<b>34,357</b>	34,357	-
KDHE - Interest Payments	10,629	<b>9,844</b>	9,844	-
KDHE - Service Fees	1,140	<b>1,056</b>	1,056	-
Capital Outlay	-	-	5,000	(5,000)
Transfers Out	30,000	<b>35,000</b>	55,000	(20,000)
<b>Total Expenditures</b>	118,388	<b>126,498</b>	197,757	(71,259)
<b>Receipts Over (Under) Expenditures</b>	(5,535)	<b>(19,373)</b>		
<b>Unencumbered Cash - Beginning</b>	204,563	<b>199,028</b>		
<b>Unencumbered Cash - Ending</b>	\$ 199,028	<b>179,655</b>		

**CITY OF PROTECTION, KANSAS**  
**Solid Waste Fund**  
 Schedule of Receipts and Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
<b>Receipts</b>				
Customer Sales	\$ 69,647	<b>68,906</b>	70,000	(1,094)
<b>Expenditures</b>				
Contractual Services	75,021	<b>73,747</b>	76,925	(3,178)
Commodities	-	<b>1,254</b>	1,000	254
Transfers Out	-	-	5,000	(5,000)
<b>Total Expenditures</b>	75,021	<b>75,001</b>	82,925	(7,924)
<b>Receipts Over (Under) Expenditures</b>	(5,374)	<b>(6,095)</b>		
<b>Unencumbered Cash - Beginning</b>	20,927	<b>15,553</b>		
<b>Unencumbered Cash - Ending</b>	\$ 15,553	<b>9,458</b>		

**CITY OF PROTECTION, KANSAS**  
**Water System Reserve Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
<b>Receipts</b>		
Transfers In	\$ 10,000	<b>20,000</b>
<b>Expenditures</b>	-	-
<b>Receipts Over (Under) Expenditures</b>	10,000	<b>20,000</b>
<b>Unencumbered Cash - Beginning</b>	39,498	<b>49,498</b>
<b>Unencumbered Cash - Ending</b>	<u>\$ 49,498</u>	<u><b>69,498</b></u>



**CITY OF PROTECTION, KANSAS**  
**Sewer System Reserve Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
<b>Receipts</b>		
Transfers In	\$ 10,000	10,000
<b>Expenditures</b>	-	-
<b>Receipts Over (Under) Expenditures</b>	10,000	10,000
<b>Unencumbered Cash - Beginning</b>	14,917	24,917
<b>Unencumbered Cash - Ending</b>	\$ 24,917	34,917

**CITY OF PROTECTION, KANSAS**  
**Storm Sewer Replacement Fund**  
 Schedule of Receipts and Expenditures  
 Regulatory Basis  
 For the Year Ended December 31, 2017  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
<b>Receipts</b>		
Transfers In	\$ 10,000	10,000
<b>Expenditures</b>	-	-
<b>Receipts Over (Under) Expenditures</b>	10,000	10,000
<b>Unencumbered Cash - Beginning</b>	10,000	20,000
<b>Unencumbered Cash - Ending</b>	\$ 20,000	30,000

**CITY OF PROTECTION, KANSAS**

Supplementary Information

**CITY OF PROTECTION, KANSAS**  
Schedule of Operating Ratios  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<b><u>Operating Ratios</u></b>					
	<u>Total Revenues</u>	<u>Total Expenditures Less Transfers</u>	<u>2017</u>	<u>Total Revenues</u>	<u>Total Expenditures Less Transfers</u>	<u>2016</u>
Sewage Disposal Fund	\$ 107,125	\$ 91,498	<b>1.17</b>	\$ 112,853	\$ 88,388	1.28
Solid Waste Fund	68,906	75,001	<b>0.92</b>	69,647	75,021	0.93
Waterworks System Fund	113,613	96,213	<b>1.18</b>	113,842	80,995	1.41

See independent auditors' report.

**CITY OF PROTECTION, KANSAS**  
Schedule of Debt Coverage Ratio  
For the Year Ended December 31, 2017  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	<u><b>Debt Coverage Ratio</b></u>	
	<u><b>2017</b></u>	<u>2016</u>
<b>Sewage Disposal Fund</b>		
Total Revenues	\$ <b>107,125</b>	112,853
Non-Debt Operating Expenses	<u><b>46,241</b></u>	<u>43,132</u>
Net Operating Revenues	\$ <u><b>60,884</b></u>	<u>69,721</u>
Debt Service Expenses	\$ <u><b>45,257</b></u>	<u>45,256</u>
Debt Coverage Ratio	<u><b>1.35</b></u>	<u>1.54</u>

See independent auditors' report.