

CITY OF VICTORIA, KANSAS

Primary Government Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2022

CITY OF VICTORIA, KANSAS
Primary Government Financial Statement With Independent Auditors' Report
For the Year Ended December 31, 2022

TABLE OF CONTENTS

Independent Auditors' Report	1
Summary Statement of Receipts, Expenditures and Unencumbered Cash – Regulatory Basis	4
Notes to Financial Statement	5

Regulatory–Required Supplementary Information

Schedule 1 – Summary of Expenditures – Actual and Budget – Regulatory Basis	14
Schedule 2 – Schedule of Receipts and Expenditures – Regulatory Basis Individually presented by fund	

Regulatory Basis Fund Types

General Fund

2-1 General Fund	15
------------------------	----

Special Purpose Funds

2-2 Employee Benefits Fund	18
2-3 Special Highway Fund	19
2-4 Special Machinery Fund	20
2-5 Special Park and Recreation Fund	21
2-6 Equipment Reserve Fund	22
2-7 Capital Improvements Fund	23
2-8 NEU Award Fund (ARPA).....	24

Bond and Interest Fund

2-9 Bond and Interest Fund	25
----------------------------------	----

Capital Project Fund

2-10 Water Project Fund	26
2-11 Cathedral Street Project Fund	27

Business Funds

2-12 Water Utility Fund	28
2-13 Sewer Utility Fund	29
2-14 Refuse Utility Fund	30
2-15 Water Project Reserve Fund	31

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Victoria, Kansas
Victoria, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **City of Victoria, Kansas**, as of and for the year ended December 31, 2022 and the related notes to the financial statement.

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 and Unmodified Opinions section of our report, the accompanying 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 as of December 31, 2022, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the City as of December 31, 2022, 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.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the City 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.

Responsibilities of Management 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.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 purposes of additional 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 accompanying supplementary 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of the City as of and for the year ended December 31, 2021 (not presented herein), and have issued our report thereon dated September 19, 2022, which contained an unmodified opinion on the basic financial statement. The 2021 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 <https://admin.ks.gov/offices/accountsreports/local-government/municipal-services>. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2022 (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 2021 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 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 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 2021 basic financial statement or to the 2021 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 2021 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2021, on the basis of accounting described in Note 1.



ADAMSBROWN, LLC
Certified Public Accountants
Hays, Kansas

August 21, 2023

CITY OF VICTORIA, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2022

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Regulatory Basis Fund Types							
General Fund	\$ 322,424	4,355	724,871	666,435	385,215	11,126	396,341
Special Purpose Funds							
Employee Benefits Fund	72,699	-	89,295	102,278	59,716	-	59,716
Special Highway Fund	28,593	-	31,948	23,670	36,871	964	37,835
Special Machinery Fund	78,631	-	-	-	78,631	-	78,631
Special Park and Recreation Fund	6,179	-	-	-	6,179	-	6,179
Equipment Reserve Fund	140,267	-	50,000	99,097	91,170	38,639	129,809
Capital Improvements Fund	773,238	-	200,000	140,522	832,716	-	832,716
NEU Award Fund (ARPA)	92,481	-	92,481	114,032	70,930	6,461	77,391
Bond and Interest Fund							
Bond and Interest Fund	115,323	-	98,556	103,751	110,128	-	110,128
Capital Project Fund							
Water Project Fund	(111,059)	-	756,512	718,769	(73,316)	66,016	(7,300)
Cathedral Street Project Fund	-	-	1,040,000	1,040,000	-	244,931	244,931
Business Funds							
Water Utility Fund	610,999	-	365,676	355,836	620,839	45,191	666,030
Sewer Utility Fund	18,795	-	139,182	113,999	43,978	1,909	45,887
Refuse Utility Fund	70,071	-	136,929	129,475	77,525	2,097	79,622
Water Project Reserve Fund	-	-	14,400	-	14,400	-	14,400
Total Primary Government	<u>\$ 2,218,641</u>	<u>4,355</u>	<u>3,739,850</u>	<u>3,607,864</u>	<u>2,354,982</u>	<u>417,334</u>	<u>2,772,316</u>
				Composition of Cash			
					Checking Accounts	\$	2,769,794
					Money Market Account		2,522
					Total Primary Government	\$	<u>2,772,316</u>

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

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Victoria, 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.

Financial Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-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.

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, 2022.

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.

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.

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

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

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2022

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.

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.

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.

If the City is holding a revenue neutral rate hearing, the budget timeline for adoption of the final budget has been adjusted to on or before September 20th. The City did hold a revenue neutral rate hearing this year.

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

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2022

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 Machinery Fund, Equipment Reserve Fund, Capital Improvements Fund and NEU Award Fund (ARPA).

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 Victoria, 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 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, 2022.

At December 31, 2022, the City's carrying amount of deposits was \$2,772,316 and the bank balance was \$2,783,860. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$252,872 was covered by federal depository insurance, and \$2,530,988 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, 2022.

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2022

NOTE 4 – 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 Victoria, Kansas'** interfund transfers and regulatory authority for the year ended December 31, 2022 were as follows:

<u>From</u>	<u>To</u>	<u>Regulatory Authority</u>	<u>Amount</u>
General Fund	Capital Improvements Fund	K.S.A. 12-1,118	\$ 110,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	50,000
Water Utility Fund	Capital Improvements Fund	K.S.A. 12-825d	90,000
Water Utility Fund	Water Project Reserve Fund	K.S.A. 12-825d	14,400

NOTE 5 – CAPITAL PROJECTS

Capital project authorizations with approved change orders compared with expenditures from inception are as follows:

	<u>Project Authorization</u>	<u>Expenditures</u>
Water Project	\$ 4,507,000	4,164,589
Cathedral Street Project	1,000,000	1,236,072

NOTE 6 – LITIGATION

City of Victoria, 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 7 – RISK MANAGEMENT

City of Victoria, Kansas is exposed to various risks of loss related to torts; damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. The City has been unable to obtain health insurance at a cost it considered to be economically justifiable. For this reason, the City joined together with other entities in the State to participate in the State Employee Health Plan (SEHP), a public entity risk pool currently operating as a common risk management and insurance program for 78,925 members. The City pays monthly premiums to the SEHP for its health insurance coverage. The agreement to participate provides that the SEHP will be self-sustaining through member premiums and will not reinsure through commercial companies. Additional premiums may be due if total claims for the pool are different than what has been anticipated by SEHP management.

Settled claims have not exceeded this commercial coverage in any of the three preceding years. There have not been significant reductions in coverage from prior years.

NOTE 8 – GRANTS AND SHARED REVENUES

City of Victoria, 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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2022

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 9 – DEFERRED COMPENSATION PLAN

City of Victoria, 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 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description

City of Victoria, Kansas participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Annual Comprehensive Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 S 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 established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7.15% of covered salary. 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, KPERS 3 and KP&F 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 the Death and Disability Program) and the statutory contribution rate was 8.90% for KPERS and 22.99% for KP&F for the fiscal year ended December 31, 2022. Contributions to the pension plan from the City were \$20,017 for KPERS and \$35,166 for KP&F for the year ended December 31, 2022.

Net Pension Liability

At December 31, 2022, the City's proportionate share of the collective net pension liability reported by KPERS was \$224,391 and \$374,908 for KP&F. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2022

actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. 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 11 – OTHER POST EMPLOYMENT BENEFITS

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

As provided by K.S.A.74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2022.

NOTE 12 – COMPENSATED ABSENCES

Vacation

City of Victoria, Kansas' policy regarding vacation is that an employee must work for a period of 1 year before any vacation is accumulated at which time the employee is then allowed 10 days. After 5 years, 1 day is accumulated for each year of service up to a maximum of 24 (192 hours) days. In 2021, the Council approved to pay out up to 40 hours for regular employees and 48 hours for police employees at year-end for employees who have accumulated over 192 hours. Any hours over 192 that were not paid out at year-end were lost.

Sick Leave

The City's policy regarding sick leave is that an employee can accumulate 120 days of sick leave at 12 days a year. Any accumulation is canceled upon termination of employees with less than five years of service. All full-time employees who have completed 5 years or more of employment will be paid for sick leave on a graduated scale to a maximum of \$2,400 after 26 years of employment.

NOTE 13 – DEBT RESTRICTIONS AND COVENANTS

KDHE Sludge Basin Construction Loan

City of Victoria, Kansas entered into a loan agreement with the Kansas Department of Health and Environment to fund improvements to the sewer treatment plant in the amount of \$1,043,195. The loan agreement requires that the City provide for the repayment of this loan by providing dedicated funds. The City is in compliance with this requirement as of December 31, 2022 as it is providing dedicated funds through a combination of sewer rates and fees charged.

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2022

NOTE 14 – LONG-TERM DEBT

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

General Obligation Bonds

On May 18, 2021, the City issued \$2,966,000 in General Obligation Bonds Series 2021 for the purpose of acquiring, constructing, reconstructing, improving or enlarging the water system.

On May 4, 2022, the City issued \$1,040,000 in General Obligation Bonds Series 2022 for street improvements.

KDHE Revolving Loans

The City entered into a \$1,043,195 revolving loan agreement on September 14, 2002 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the construction of a sludge basin.

Lease Obligations

The City entered into a lease agreement for equipment. The lease contains a fiscal funding clause.

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2022

Changes in long-term liabilities for the City for the year ended December 31, 2022, 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
KDHE Revolving Loan									
Sludge Basin Construction	3.39%	9/14/2002	\$ 1,043,195	9/1/2022	\$ 35,060	-	(35,060)	-	595
Finance Lease									
Fire Truck	3.25%	2/25/2013	238,000	2/25/2023	53,875	-	(26,507)	27,368	1,751
General Obligation Bonds									
Series 2021	1.74%	5/18/2021	2,966,000	6/1/2061	2,966,000	-	(51,846)	2,914,154	51,905
Series 2022	2.00%-3.70%	5/4/2022	1,040,000	9/1/2042	-	1,040,000	-	1,040,000	-
Total Contractual Indebtedness					\$ 3,054,935	1,040,000	(113,413)	3,981,522	54,251

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2022

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

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028-2032</u>	<u>2033-2037</u>	<u>2038-2042</u>	<u>2043-2047</u>	<u>2048-2052</u>	<u>2053-2057</u>	<u>2058-2061</u>	Total
Principal													
Finance Lease													
Fire Truck	\$ 27,368	-	-	-	-	-	-	-	-	-	-	-	27,368
General Obligation Bonds													
Series 2021	52,753	53,539	54,614	55,569	56,542	297,650	324,769	354,209	386,319	421,295	459,555	397,340	2,914,154
Series 2022	30,000	40,000	40,000	45,000	45,000	235,000	275,000	330,000	-	-	-	-	1,040,000
Total Principal	<u>110,121</u>	<u>93,539</u>	<u>94,614</u>	<u>100,569</u>	<u>101,542</u>	<u>532,650</u>	<u>599,769</u>	<u>684,209</u>	<u>386,319</u>	<u>421,295</u>	<u>459,555</u>	<u>397,340</u>	3,981,522
Interest													
Finance Lease													
Fire Truck	890	-	-	-	-	-	-	-	-	-	-	-	890
General Obligation Bonds													
Series 2021	50,998	50,212	49,138	48,182	47,209	221,105	193,986	164,546	132,436	97,460	59,200	17,540	1,132,012
Series 2022	43,036	31,880	30,940	30,000	28,898	126,364	88,320	37,110	-	-	-	-	416,548
Total Interest	<u>94,924</u>	<u>82,092</u>	<u>80,078</u>	<u>78,182</u>	<u>76,107</u>	<u>347,469</u>	<u>282,306</u>	<u>201,656</u>	<u>132,436</u>	<u>97,460</u>	<u>59,200</u>	<u>17,540</u>	1,549,450
Total Principal and Interest	<u>\$ 205,045</u>	<u>175,631</u>	<u>174,692</u>	<u>178,751</u>	<u>177,649</u>	<u>880,119</u>	<u>882,075</u>	<u>885,865</u>	<u>518,755</u>	<u>518,755</u>	<u>518,755</u>	<u>414,880</u>	5,530,972

CITY OF VICTORIA, KANSAS

Regulatory-Required Supplementary Information

CITY OF VICTORIA, KANSAS
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2022

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Regulatory Basis Fund Types					
General Fund	\$ 718,540	-	718,540	666,435	(52,105)
Special Purpose Funds					
Employee Benefits Fund	135,000	-	135,000	102,278	(32,722)
Special Highway Fund	24,540	-	24,540	23,670	(870)
Special Park and Recreation Fund	6,179	-	6,179	-	(6,179)
Bond and Interest Fund					
Bond and Interest Fund	108,751	-	108,751	103,751	(5,000)
Business Funds					
Water Utility Fund	375,000	-	375,000	355,836	(19,164)
Sewer Utility Fund	118,973	-	118,973	113,999	(4,974)
Refuse Utility Fund	147,000	-	147,000	129,475	(17,525)

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 349,806	298,030	300,592	(2,562)
Delinquent	565	3,984	-	3,984
Motor Vehicle	64,849	51,447	39,288	12,159
Total Taxes	415,220	353,461	339,880	13,581
Intergovernmental				
Local Sales Tax	107,220	150,976	80,000	70,976
Compensating Use Tax	68,517	48,186	50,000	(1,814)
Total Intergovernmental	175,737	199,162	130,000	69,162
Licenses and Permits				
Zoning Fees	450	450	100	350
Franchise Fees	70,451	80,124	50,000	30,124
Licenses and Permits	5,733	5,566	3,000	2,566
Total Licenses and Permits	76,634	86,140	53,100	33,040
Fines and Forfeitures				
Fines	565	625	1,000	(375)
Use of Money and Property				
Interest	17,768	55,568	10,000	45,568
Swimming Pool	7,419	7,200	6,500	700
Miscellaneous	808	22,715	-	22,715
Total Use of Money and Property	25,995	85,483	16,500	68,983
Total Receipts	694,151	724,871	540,480	184,391
Expenditures				
General Government				
Personal Services	38,427	36,684	36,000	684
Commodities	15,317	27,598	15,000	12,598
Contractual Services	25,381	42,880	27,000	15,880
Capital Outlay	6,075	959	9,000	(8,041)
Total General Government	\$ 85,200	108,121	87,000	21,121

CITY OF VICTORIA, KANSAS

General Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2022

(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
Police Department				
Personal Services	\$ 160,814	158,463	167,000	(8,537)
Commodities	9,011	20,275	12,000	8,275
Contractual Services	19,444	19,041	18,000	1,041
Capital Outlay	4,916	-	10,000	(10,000)
Total Police Department	<u>194,185</u>	<u>197,779</u>	<u>207,000</u>	<u>(9,221)</u>
Fire Department				
Personal Services	13,980	15,781	18,000	(2,219)
Commodities	3,751	11,815	8,000	3,815
Contractual Services	5,294	5,401	5,000	401
Capital Outlay	-	22,392	5,000	17,392
Total Fire Department	<u>23,025</u>	<u>55,389</u>	<u>36,000</u>	<u>19,389</u>
Park Department				
Personal Services	22,014	17,553	25,000	(7,447)
Commodities	3,040	6,777	4,000	2,777
Contractual Services	2,328	3,015	1,500	1,515
Capital Outlay	1,317	1,500	3,000	(1,500)
Total Park Department	<u>28,699</u>	<u>28,845</u>	<u>33,500</u>	<u>(4,655)</u>
Street Department				
Personal Services	403	19,000	19,000	-
Commodities	60	1,623	6,000	(4,377)
Contractual Services	5,260	17,340	5,000	12,340
Capital Outlay	1,560	20,177	10,000	10,177
Total Street Department	<u>7,283</u>	<u>58,140</u>	<u>40,000</u>	<u>18,140</u>
Street Lighting				
Contractual Services	18,019	19,907	22,000	(2,093)
Pool Department				
Personal Services	23,448	22,295	20,000	2,295
Commodities	4,243	6,247	8,000	(1,753)
Contractual Services	2,564	966	2,500	(1,534)
Capital Outlay	4,999	219	2,000	(1,781)
Total Pool Department	<u>\$ 35,254</u>	<u>29,727</u>	<u>32,500</u>	<u>(2,773)</u>

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over Under (Under)
		Actual	Budget	
Planning Commission				
Personal Services	\$ 2,124	1,146	3,000	(1,854)
Commodities	-	11	-	11
Contractual Services	1,641	446	500	(54)
Total Planning Commission	3,765	1,603	3,500	(1,897)
Victoria Health Facility				
Contractual Services	2,757	2,547	-	2,547
Herzogfest	-	1,500	1,500	-
Industrial Development	1,000	-	1,000	(1,000)
Senior Companion	-	2,514	4,040	(1,526)
Local School Support	-	363	500	(137)
Transfers Out	292,000	160,000	250,000	(90,000)
Total Expenditures	691,187	666,435	718,540	(52,105)
Receipts Over (Under) Expenditures	2,964	58,436		
Unencumbered Cash - Beginning	319,460	322,424		
Prior Year Cancelled Encumbrances	-	4,355		
Unencumbered Cash - Ending	\$ 322,424	385,215		

CITY OF VICTORIA, KANSAS
Employee Benefits Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 60,544	79,442	80,126	(684)
Delinquent	223	909	-	909
Motor Vehicle	15,208	8,944	6,800	2,144
Total Receipts	75,975	89,295	<u>86,926</u>	<u>2,369</u>
Expenditures				
Personal Services	98,998	102,278	<u>135,000</u>	<u>(32,722)</u>
Receipts Over (Under) Expenditures	(23,023)	(12,983)		
Unencumbered Cash - Beginning	95,722	72,699		
Unencumbered Cash - Ending	\$ <u>72,699</u>	<u>59,716</u>		

CITY OF VICTORIA, KANSAS
Special Highway Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
State Gasoline Tax	\$ 35,220	31,948	16,000	15,948
Expenditures				
Personal Services	16,513	12,266	12,000	266
Commodities	3,402	3,730	6,000	(2,270)
Contractual Services	2,048	6,605	5,000	1,605
Capital Outlay	380	1,069	1,540	(471)
Total Expenditures	22,343	23,670	24,540	(870)
Receipts Over (Under) Expenditures	12,877	8,278		
Unencumbered Cash - Beginning	15,716	28,593		
Unencumbered Cash - Ending	\$ 28,593	36,871		

CITY OF VICTORIA, KANSAS
Special Machinery Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Receipts	\$ -	-
Expenditures	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	<u>78,631</u>	<u>78,631</u>
Unencumbered Cash - Ending	\$ <u><u>78,631</u></u>	<u><u>78,631</u></u>

CITY OF VICTORIA, KANSAS
Special Park and Recreation Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts	\$ -	-	<u>-</u>	<u>-</u>
Expenditures				
Contractual Services	-	-	<u>6,179</u>	<u>(6,179)</u>
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	<u>6,179</u>	<u>6,179</u>		
Unencumbered Cash - Ending	\$ <u>6,179</u>	<u>6,179</u>		

CITY OF VICTORIA, KANSAS
Equipment Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 75,000	50,000
Expenditures		
Capital Outlay	28,258	99,097
Receipts Over (Under) Expenditures	46,742	(49,097)
Unencumbered Cash - Beginning	93,525	140,267
Unencumbered Cash - Ending	\$ <u>140,267</u>	<u>91,170</u>

CITY OF VICTORIA, KANSAS
Capital Improvements Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 217,000	200,000
Expenditures		
Capital Outlay	49,914	140,522
Receipts Over (Under) Expenditures	167,086	59,478
Unencumbered Cash - Beginning	606,152	773,238
Unencumbered Cash - Ending	\$ <u>773,238</u>	<u>832,716</u>

CITY OF VICTORIA, KANSAS
NEU Award Fund (ARPA)
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year Actual
Receipts		
Federal Aid	\$ 92,481	92,481
Expenditures		
ARPA Disbursements	-	114,032
Receipts Over (Under) Expenditures	92,481	(21,551)
Unencumbered Cash - Beginning	-	92,481
Unencumbered Cash - Ending	\$ 92,481	70,930

CITY OF VICTORIA, KANSAS
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ -	98,472	99,319	(847)
Delinquent	67	84	-	84
Motor Vehicle	824	-	-	-
Transfers In	105,000	-	-	-
Total Receipts	105,891	98,556	<u>99,319</u>	<u>(763)</u>
Expenditures				
Principal	-	51,846	51,846	-
Interest	-	51,905	51,905	-
Cash Basis Reserve	-	-	5,000	(5,000)
Total Expenditures	-	103,751	<u>108,751</u>	<u>(5,000)</u>
Receipts Over (Under) Expenditures	105,891	(5,195)		
Unencumbered Cash - Beginning	9,432	115,323		
Unencumbered Cash - Ending	\$ <u>115,323</u>	<u>110,128</u>		

CITY OF VICTORIA, KANSAS
Water Project Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year Actual
Receipts		
GO Bond Proceeds	\$ 2,966,000	-
USDA Grant Proceeds	568,284	756,512
Interest	1,644	-
Total Receipts	3,535,928	756,512
Expenditures		
Capital Outlay	1,321,458	718,769
Interest	21,583	-
Temp Note Principal	2,775,000	-
KDHE Loan Principal	236,925	-
Total Expenditures	4,354,966	718,769
Receipts Over (Under) Expenditures	(819,038)	37,743
Unencumbered Cash - Beginning	707,979	(111,059)
Unencumbered Cash - Ending	\$ <u>(111,059)</u>	<u>(73,316)</u>

CITY OF VICTORIA, KANSAS
Cathedral Street Project Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year Actual
Receipts		
GO Bond Proceeds	\$ -	1,040,000
Expenditures		
Capital Outlay	-	1,000,000
Underwriter's Discount	-	12,116
Cost of Issuance	-	27,884
Total Expenditures	-	1,040,000
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

CITY OF VICTORIA, KANSAS
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Water Sales	\$ 330,972	347,284	316,500	30,784
Water Protection Fees	13,524	13,500	18,000	(4,500)
Late Charges	3,995	4,536	5,000	(464)
Interest	-	-	300	(300)
Miscellaneous	1,574	356	-	356
Total Receipts	<u>350,065</u>	<u>365,676</u>	<u>339,800</u>	<u>25,876</u>
Expenditures				
Personal Services	125,496	128,531	140,000	(11,469)
Commodities	43,997	47,893	75,000	(27,107)
Contractual Services	25,780	33,515	100,000	(66,485)
Capital Outlay	-	41,497	60,000	(18,503)
Revolving Loan Payments	14,728	-	-	-
Transfers Out	105,000	104,400	-	104,400
Total Expenditures	<u>315,001</u>	<u>355,836</u>	<u>375,000</u>	<u>(19,164)</u>
Receipts Over (Under) Expenditures	35,064	9,840		
Unencumbered Cash - Beginning	<u>575,935</u>	<u>610,999</u>		
Unencumbered Cash - Ending	\$ <u>610,999</u>	<u>620,839</u>		

CITY OF VICTORIA, KANSAS
Sewer Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2022
(With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sewer Service Charges	\$ 138,507	139,182	140,000	(818)
Expenditures				
Personal Services	51,935	52,931	51,173	1,758
Commodities	12,552	16,915	14,690	2,225
Contractual Services	7,349	7,428	6,000	1,428
Capital Outlay	2,676	1,070	11,500	(10,430)
Revolving Loan Payments	71,310	35,655	35,610	45
Total Expenditures	145,822	113,999	118,973	(4,974)
Receipts Over (Under) Expenditures	(7,315)	25,183		
Unencumbered Cash - Beginning	26,110	18,795		
Unencumbered Cash - Ending	\$ 18,795	43,978		

CITY OF VICTORIA, KANSAS
Refuse Utility Fund
 Schedule of Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Refuse Charges	\$ 133,545	136,929	125,000	11,929
Expenditures				
Personal Services	67,225	66,791	77,000	(10,209)
Commodities	4,022	6,201	15,000	(8,799)
Contractual Services	61,218	56,483	55,000	1,483
Total Expenditures	132,465	129,475	147,000	(17,525)
Receipts Over (Under) Expenditures	1,080	7,454		
Unencumbered Cash - Beginning	68,991	70,071		
Unencumbered Cash - Ending	\$ 70,071	77,525		

CITY OF VICTORIA, KANSAS
Water Project Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2022
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2021)

	Prior Year Actual	Current Year Actual
Receipts		
Transfer In	\$ -	14,400
Expenditures	-	-
Receipts Over (Under) Expenditures	-	14,400
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	14,400