

CITY OF VICTORIA, KANSAS

Primary Government Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2021

CITY OF VICTORIA, KANSAS
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For the Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2021 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, 2021, 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, 2021, 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), the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for*

Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, 2020 (not presented herein), and have issued our report thereon dated August 23, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 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/oar/municipal-services>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2021 (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 2020 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 2020 basic financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 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 2020 basic financial statement or to the 2020 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 2020 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, 2020, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ADAMSBROWN, LLC
Certified Public Accountants
Hays, Kansas

September 19, 2022

CITY OF VICTORIA, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2021

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund	\$ 319,460	-	694,151	691,187	322,424	19,774	342,198
Special Purpose Funds							
Employee Benefits Fund	95,722	-	75,975	98,998	72,699	-	72,699
Special Highway Fund	15,716	-	35,220	22,343	28,593	1,146	29,739
Special Machinery Fund	78,631	-	-	-	78,631	-	78,631
Special Park and Recreation Fund	6,179	-	-	-	6,179	-	6,179
Equipment Reserve Fund	93,525	-	75,000	28,258	140,267	-	140,267
Capital Improvements Fund	606,152	-	217,000	49,914	773,238	-	773,238
NEU Award Fund (ARPA)	-	-	92,481	-	92,481	-	92,481
Bond and Interest Fund							
Bond and Interest Fund	9,432	-	105,891	-	115,323	-	115,323
Capital Project Fund							
Water Project Fund	707,979	-	3,535,928	4,354,966	(111,059)	111,105	46
Business Funds							
Water Utility Fund	575,935	-	350,065	315,001	610,999	5,004	616,003
Sewer Utility Fund	26,110	-	138,507	145,822	18,795	1,805	20,600
Refuse Utility Fund	68,991	-	133,545	132,465	70,071	2,076	72,147
Total Primary Government	<u>\$ 2,603,832</u>	<u>-</u>	<u>5,453,763</u>	<u>5,838,954</u>	<u>2,218,641</u>	<u>140,910</u>	<u>2,359,551</u>
Composition of Cash					Checking Accounts	\$	2,358,277
					Money Market Account		<u>1,274</u>
					Total Primary Government	\$	<u>2,359,551</u>

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

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2021

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, 2021.

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, 2021

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 municipality 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 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

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2021

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, 2021.

At December 31, 2021, the City's carrying amount of deposits was \$2,359,551 and the bank balance was \$2,438,280. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$251,274 was covered by federal depository insurance, and \$2,187,006 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, 2021.

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2021

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 Victoria, Kansas'** interfund transfers and regulatory authority for the year ended December 31, 2021 were as follows:

From	To	Regulatory Authority	Amount
General Fund	Capital Improvements Fund	K.S.A. 12-1,118	\$ 217,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	75,000
Water Utility Fund	Bond and Interest Fund	K.S.A. 12-825d	105,000

NOTE 5 – CAPITAL PROJECTS

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

	Project Authorization	Expenditures
Water Project	\$ 4,507,000	3,445,819
Cathedral Street Project	1,000,000	67,666

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; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 44,543 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.

The City 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. Commercial insurance coverage is purchased for claims arising from such matters other than related to employee health benefits. 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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2021

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 9 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Victoria, Kansas did not remit or provide a certificate to the state fiscal agent stating that funds are on deposit and held in trust for the payment of interest and principal at least 20 days prior to maturity of the bonds, which is a violation of K.S.A. 10-130.

NOTE 10 – 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 11 – 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 Comprehensive Annual 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 8.87% for KPERS and 22.80% for KP&F for the fiscal year ended December 31,

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2021

2021. Contributions to the pension plan from the City were \$19,613 for KPERS and \$35,060 for KP&F for the year ended December 31, 2021.

Net Pension Liability

At December 31, 2021, the City's proportionate share of the collective net pension liability reported by KPERS was \$135,895 and \$264,144 for KP&F. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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 12 – 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, 2021.

NOTE 13 – 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.

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2021

NOTE 14 – 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, 2021 as it is providing dedicated funds through a combination of sewer rates and fees charged.

KDHE Water Line Replacement 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 \$465,456. 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, 2021 as it is providing dedicated funds through a combination of sewer rates and fees charged. This loan was paid off in 2021 using General Obligation Bonds Series 2021.

NOTE 15 – SUBSEQUENT EVENT

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

NOTE 16 – LONG-TERM DEBT

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

Temporary Notes

On July 1, 2019, the City issued \$2,775,000 in General Obligation Temporary Notes Series 2019 for acquiring, constructing, reconstructing, improving or enlarging the water system.

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.

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.

The City entered into a \$465,456 revolving loan agreement on July 29, 2009 with the Kansas Department of Health and Environment acting on behalf of the State of Kansas to finance the water line replacement project.

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, 2021

Changes in long-term liabilities for the City for the year ended December 31, 2021, 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
Temporary Notes									
Series 2019 General Obligation	1.75%	7/1/2019	\$ 2,775,000	7/1/2021	\$ 2,775,000	-	(2,775,000)	-	21,583
KDHE Revolving Loans									
Sludge Basin Construction	3.39%	9/14/2002	1,043,195	9/1/2022	103,438	-	(68,378)	35,060	2,716
Water Line Replacement	3.42%	7/29/2009	465,456	8/1/2030	243,519	-	(243,519)	-	7,379
Capital Lease									
Fire Truck	3.25%	2/25/2013	238,000	2/25/2023	79,548	-	(25,673)	53,875	2,585
General Obligation Bonds									
Series 2021	1.74%	5/18/2021	2,966,000	6/1/2061	-	2,966,000	-	2,966,000	-
Total Contractual Indebtedness					\$ <u>3,201,505</u>	<u>2,966,000</u>	<u>(3,112,570)</u>	<u>3,054,935</u>	<u>34,263</u>

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2021

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

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027-2031</u>	<u>2032-2036</u>	<u>2037-2041</u>	<u>2042-2046</u>	<u>2047-2051</u>	<u>2052-2056</u>	<u>2057-2061</u>	<u>Total</u>
Principal													
Revolving Loan													
KDHE - Sludge Basin Construction \$	35,060	-	-	-	-	-	-	-	-	-	-	-	35,060
Capital Lease													
2011 Alexis Top Mount Pumper	26,507	27,368	-	-	-	-	-	-	-	-	-	-	53,875
General Obligation Bonds													
Series 2021	<u>51,846</u>	<u>52,753</u>	<u>53,539</u>	<u>54,614</u>	<u>55,569</u>	<u>292,644</u>	<u>319,069</u>	<u>348,117</u>	<u>379,675</u>	<u>414,095</u>	<u>451,606</u>	<u>492,473</u>	2,966,000
Total Principal	<u>113,413</u>	<u>80,121</u>	<u>53,539</u>	<u>54,614</u>	<u>55,569</u>	<u>292,644</u>	<u>319,069</u>	<u>348,117</u>	<u>379,675</u>	<u>414,095</u>	<u>451,606</u>	<u>492,473</u>	3,054,935
Interest													
Revolving Loan													
KDHE - Sludge Basin Construction	551	-	-	-	-	-	-	-	-	-	-	-	551
Capital Lease													
2011 Alexis Top Mount Pumper	1,751	890	-	-	-	-	-	-	-	-	-	-	2,641
General Obligation Bonds													
Series 2021	<u>51,905</u>	<u>50,998</u>	<u>50,212</u>	<u>49,138</u>	<u>48,182</u>	<u>226,111</u>	<u>199,686</u>	<u>170,638</u>	<u>139,080</u>	<u>104,661</u>	<u>67,149</u>	<u>26,159</u>	1,183,919
Total Interest	<u>54,207</u>	<u>51,888</u>	<u>50,212</u>	<u>49,138</u>	<u>48,182</u>	<u>226,111</u>	<u>199,686</u>	<u>170,638</u>	<u>139,080</u>	<u>104,661</u>	<u>67,149</u>	<u>26,159</u>	1,187,111
Total Principal and Interest	<u>\$ 167,620</u>	<u>132,009</u>	<u>103,751</u>	<u>103,752</u>	<u>103,751</u>	<u>518,755</u>	<u>518,755</u>	<u>518,755</u>	<u>518,755</u>	<u>518,756</u>	<u>518,755</u>	<u>518,632</u>	4,242,046

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, 2021

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds					
General Fund	\$ 769,580	-	769,580	691,187	(78,393)
Special Purpose Funds					
Employee Benefits Fund	145,000	-	145,000	98,998	(46,002)
Special Highway Fund	33,176	-	33,176	22,343	(10,833)
Special Park and Recreation Fund	6,179	-	6,179	-	(6,179)
Bond and Interest Fund					
Bond and Interest Fund	3,911	-	3,911	-	(3,911)
Business Funds					
Water Utility Fund	504,478	-	504,478	315,001	(189,477)
Sewer Utility Fund	154,673	-	154,673	145,822	(8,851)
Refuse Utility Fund	147,000	-	147,000	132,465	(14,535)

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

			Current Year		Variance
	Prior Year Actual	Actual	Budget		Over Over (Under)
Receipts					
Taxes					
Ad Valorem	\$ 336,698	349,806	362,885		(13,079)
Delinquent	2,256	565	-		565
Motor Vehicle	38,803	64,849	37,115		27,734
Total Taxes	<u>377,757</u>	<u>415,220</u>	<u>400,000</u>		<u>15,220</u>
Intergovernmental					
Local Sales Tax	82,977	107,220	80,000		27,220
County Wide Sales Tax	20,031	68,517	50,000		18,517
Total Intergovernmental	<u>103,008</u>	<u>175,737</u>	<u>130,000</u>		<u>45,737</u>
Licenses and Permits					
Zoning Fees	300	450	100		350
Franchise Fees	64,535	70,451	50,000		20,451
Licenses and Permits	4,843	5,733	3,000		2,733
Total Licenses and Permits	<u>69,678</u>	<u>76,634</u>	<u>53,100</u>		<u>23,534</u>
Fines and Forfeitures					
Fines	665	565	1,000		(435)
Use of Money and Property					
Interest	20,775	17,768	10,000		7,768
Swimming Pool	6,717	7,419	6,500		919
Miscellaneous	10,024	808	3,911		(3,103)
Total Use of Money and Property	<u>37,516</u>	<u>25,995</u>	<u>20,411</u>		<u>5,584</u>
Total Receipts	<u>588,624</u>	<u>694,151</u>	<u><u>604,511</u></u>		<u><u>89,640</u></u>
Expenditures					
General Government					
Personal Services	34,765	38,427	34,000		4,427
Commodities	13,439	15,317	15,000		317
Contractual Services	32,288	25,381	27,000		(1,619)
Capital Outlay	4,436	6,075	6,500		(425)
Total General Government	<u>\$ 84,928</u>	<u>85,200</u>	<u>82,500</u>		<u>2,700</u>

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

			Current Year		Variance
	Prior Year Actual	Actual	Budget	Over (Under)	
Police Department					
Personal Services	\$ 165,945	160,814	162,000	(1,186)	
Commodities	10,712	9,011	12,000	(2,989)	
Contractual Services	13,614	19,444	18,000	1,444	
Capital Outlay	14,812	4,916	7,000	(2,084)	
Total Police Department	<u>205,083</u>	<u>194,185</u>	<u>199,000</u>	<u>(4,815)</u>	
Fire Department					
Personal Services	13,460	13,980	18,000	(4,020)	
Commodities	5,258	3,751	8,000	(4,249)	
Contractual Services	6,454	5,294	5,000	294	
Capital Outlay	1,001	-	5,000	(5,000)	
Total Fire Department	<u>26,173</u>	<u>23,025</u>	<u>36,000</u>	<u>(12,975)</u>	
Park Department					
Personal Services	22,180	22,014	25,000	(2,986)	
Commodities	2,576	3,040	4,000	(960)	
Contractual Services	3,881	2,328	1,500	828	
Capital Outlay	750	1,317	3,000	(1,683)	
Total Park Department	<u>29,387</u>	<u>28,699</u>	<u>33,500</u>	<u>(4,801)</u>	
Street Department					
Personal Services	5,305	403	19,000	(18,597)	
Commodities	127	60	6,000	(5,940)	
Contractual Services	3,960	5,260	15,000	(9,740)	
Capital Outlay	2,870	1,560	15,000	(13,440)	
Total Street Department	<u>12,262</u>	<u>7,283</u>	<u>55,000</u>	<u>(47,717)</u>	
Street Lighting					
Contractual Services	18,209	18,019	22,000	(3,981)	
Pool Department					
Personal Services	19,100	23,448	22,000	1,448	
Commodities	2,491	4,243	8,000	(3,757)	
Contractual Services	1,293	2,564	2,500	64	
Capital Outlay	1,207	4,999	6,540	(1,541)	
Total Pool Department	<u>\$ 24,091</u>	<u>35,254</u>	<u>39,040</u>	<u>(3,786)</u>	

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Planning Commission				
Personal Services	\$ 351	2,124	3,000	(876)
Contractual Services	229	1,641	500	1,141
Total Planning Commission	580	3,765	3,500	265
Victoria Health Facility				
Contractual Services	728	2,757	-	2,757
Herzogfest	-	-	1,500	(1,500)
Industrial Development	-	1,000	1,000	-
Senior Companion	-	-	4,040	(4,040)
Local School Support	-	-	500	(500)
Transfers Out	170,000	292,000	292,000	-
Total Expenditures	571,441	691,187	<u>769,580</u>	<u>(78,393)</u>
Receipts Over (Under) Expenditures	17,183	2,964		
Unencumbered Cash - Beginning	302,277	319,460		
Unencumbered Cash - Ending	\$ <u>319,460</u>	<u>322,424</u>		

CITY OF VICTORIA, KANSAS
Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 75,710	60,544	62,805	(2,261)
Delinquent	757	223	-	223
Motor Vehicle	15,350	15,208	8,547	6,661
Total Receipts	91,817	75,975	<u>71,352</u>	<u>4,623</u>
Expenditures				
Personal Services	95,297	98,998	<u>145,000</u>	<u>(46,002)</u>
Receipts Over (Under) Expenditures	(3,480)	(23,023)		
Unencumbered Cash - Beginning	99,202	95,722		
Unencumbered Cash - Ending	\$ <u>95,722</u>	<u>72,699</u>		

CITY OF VICTORIA, KANSAS
Special Highway Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Receipts				
Intergovernmental				
State Gasoline Tax	\$ 31,640	35,220	<u>26,920</u>	<u>8,300</u>
Expenditures				
Personal Services	15,437	16,513	22,000	(5,487)
Commodities	3,285	3,402	6,000	(2,598)
Contractual Services	5,593	2,048	5,000	(2,952)
Capital Outlay	-	380	176	204
Total Expenditures	<u>24,315</u>	<u>22,343</u>	<u>33,176</u>	<u>(10,833)</u>
Receipts Over (Under) Expenditures	7,325	12,877		
Unencumbered Cash - Beginning	<u>8,391</u>	<u>15,716</u>		
Unencumbered Cash - Ending	\$ <u>15,716</u>	<u>28,593</u>		

CITY OF VICTORIA, KANSAS
Special Machinery Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

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

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, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

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

CITY OF VICTORIA, KANSAS
Equipment Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 30,000	75,000
Expenditures		
Capital Outlay	54,509	28,258
Receipts Over (Under) Expenditures	(24,509)	46,742
Unencumbered Cash - Beginning	118,034	93,525
Unencumbered Cash - Ending	\$ <u>93,525</u>	<u>140,267</u>

CITY OF VICTORIA, KANSAS
Capital Improvements Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 140,000	217,000
Expenditures		
Capital Outlay	7,417	49,914
Receipts Over (Under) Expenditures	132,583	167,086
Unencumbered Cash - Beginning	473,569	606,152
Unencumbered Cash - Ending	\$ 606,152	773,238

CITY OF VICTORIA, KANSAS
CARES Grant Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Federal Aid	\$ 66,765	-
Expenditures		
CARES Disbursements	66,765	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	-

CITY OF VICTORIA, KANSAS
NEU Award Fund (ARPA)
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
Federal Aid	\$ -	92,481
Expenditures	-	-
Receipts Over (Under) Expenditures	-	92,481
Unencumbered Cash - Beginning	-	-
Unencumbered Cash - Ending	\$ -	92,481

CITY OF VICTORIA, KANSAS
Bond and Interest Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year		Variance Over Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Delinquent	\$ 276	67	-	67
Motor Vehicle	3,632	824	-	824
Transfers In	-	105,000	-	105,000
Total Receipts	3,908	105,891	-	105,891
Expenditures				
Cash Basis Reserve	-	-	3,911	(3,911)
Receipts Over (Under) Expenditures	3,908	105,891		
Unencumbered Cash - Beginning	5,524	9,432		
Unencumbered Cash - Ending	\$ 9,432	115,323		

CITY OF VICTORIA, KANSAS
Water Project Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2021
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year Actual
Receipts		
GO Bond Proceeds	\$ -	2,966,000
USDA Grant Proceeds	-	568,284
Interest	20,775	1,644
Total Receipts	<u>20,775</u>	<u>3,535,928</u>
Expenditures		
Capital Outlay	1,842,351	1,321,458
Interest	48,563	21,583
Temp Note Principal	-	2,775,000
KDHE Loan Principal	-	236,925
Total Expenditures	<u>1,890,914</u>	<u>4,354,966</u>
Receipts Over (Under) Expenditures	(1,870,139)	(819,038)
Unencumbered Cash - Beginning	<u>2,578,118</u>	<u>707,979</u>
Unencumbered Cash - Ending	\$ <u><u>707,979</u></u>	<u><u>(111,059)</u></u>

CITY OF VICTORIA, KANSAS
Water Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Water Sales	\$ 327,881	330,972	316,500	14,472
Water Protection Fees	18,272	13,524	18,000	(4,476)
Late Charges	4,516	3,995	5,000	(1,005)
Interest	7	-	300	(300)
Miscellaneous	235	1,574	-	1,574
Total Receipts	<u>350,911</u>	<u>350,065</u>	<u>339,800</u>	<u>10,265</u>
Expenditures				
Personal Services	125,027	125,496	140,000	(14,504)
Commodities	40,922	43,997	75,000	(31,003)
Contractual Services	18,667	25,780	200,000	(174,220)
Capital Outlay	225	-	60,000	(60,000)
Revolving Loan Payments	29,456	14,728	29,478	(14,750)
Transfers Out	-	105,000	-	105,000
Total Expenditures	<u>214,297</u>	<u>315,001</u>	<u>504,478</u>	<u>(189,477)</u>
Receipts Over (Under) Expenditures	136,614	35,064		
Unencumbered Cash - Beginning	<u>436,332</u>	<u>575,935</u>		
Unencumbered Cash - Ending	\$ <u><u>575,935</u></u>	<u><u>610,999</u></u>		

CITY OF VICTORIA, KANSAS
Sewer Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Receipts				
Sewer Service Charges	\$ 138,013	138,507	140,000	(1,493)
Expenditures				
Personal Services	47,677	51,935	51,173	762
Commodities	12,161	12,552	14,690	(2,138)
Contractual Services	5,613	7,349	6,000	1,349
Capital Outlay	-	2,676	11,500	(8,824)
Revolving Loan Payments	71,310	71,310	71,310	-
Total Expenditures	136,761	145,822	154,673	(8,851)
Receipts Over (Under) Expenditures	1,252	(7,315)		
Unencumbered Cash - Beginning	22,672	26,110		
Unencumbered Cash - Ending	\$ 26,110	18,795		

CITY OF VICTORIA, KANSAS
Refuse Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2021
(With Comparative Actual Totals for the Prior Year Ended December 31, 2020)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Over Over (Under)
Receipts				
Refuse Charges	\$ 122,135	133,545	<u>125,000</u>	<u>8,545</u>
Expenditures				
Personal Services	62,726	67,225	77,000	(9,775)
Commodities	3,127	4,022	15,000	(10,978)
Contractual Services	<u>43,312</u>	<u>61,218</u>	<u>55,000</u>	<u>6,218</u>
Total Expenditures	<u>109,165</u>	<u>132,465</u>	<u>147,000</u>	<u>(14,535)</u>
Receipts Over (Under) Expenditures	12,970	1,080		
Unencumbered Cash - Beginning	<u>53,835</u>	<u>68,991</u>		
Unencumbered Cash - Ending	\$ <u>68,991</u>	<u>70,071</u>		

CITY OF VICTORIA, KANSAS

Single Audit Information

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide* and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **City of Victoria, Kansas**, as of and for the year ended December 31, 2021, and the related notes to the financial statement, and have issued our report thereon dated September 19, 2022. The report on the audited financial statement was adverse because it was not presented in conformity with accounting principles generally accepted in the United States of America; however, it was unqualified as presented on a prescribed basis of accounting that demonstrates compliance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **City of Victoria, Kansas's** internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **City of Victoria, Kansas's** internal control. Accordingly, we do not express an opinion on the effectiveness of **City of Victoria, Kansas's** internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **City of Victoria, Kansas's** financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Victoria, Kansas' Response to Findings

City of Victoria, Kansas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. **City of Victoria, Kansas'** response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Adams Brown, LLC". The signature is written in a cursive, flowing style.

ADAMSBROWN, LLC
Certified Public Accountants
Hays, Kansas

September 19, 2022

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited **City of Victoria, Kansas'** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **City of Victoria, Kansas'** major federal programs for the year ended December 31, 2021. **City of Victoria, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, **City of Victoria, Kansas** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of **City of Victoria, Kansas** and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of **City of Victoria, Kansas'** compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to **City of Victoria, Kansas'** federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on **City of Victoria, Kansas'** compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about **City of Victoria, Kansas'** compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 **City of Victoria, Kansas'** compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of **City of Victoria, Kansas'** internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of **City of Victoria, Kansas'** internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in

internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Adams Brown, LLC". The signature is written in a cursive, flowing style.

ADAMSBROWN, LLC

Certified Public Accountants
Hays, Kansas

September 19, 2022

CITY OF VICTORIA, KANSAS
Schedule of Expenditures of Federal Awards
December 31, 2021

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Direct Aid			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ <u>1,321,457</u>

Note - There were no awards made to subrecipients for the year ended December 31, 2021.

See accompanying notes to schedule of expenditures of federal awards.

CITY OF VICTORIA, KANSAS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **City of Victoria, Kansas**, and is presented on the basis of accounting that demonstrates compliance with the regulatory basis of accounting of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – INDIRECT COST RATE

The City has elected not to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

NOTE 3 – U.S. DEPARTMENT OF AGRICULTURE

City of Victoria, Kansas has received a direct loan from the U.S. Department of Agriculture. **City of Victoria, Kansas** received no additional loans during the year. The balance of the loan outstanding at December 31, 2021 consists of:

<u>Federal Assistance Listing Number</u>	<u>Program Name</u>	<u>Outstanding Balance at December 31, 2021</u>
10.760	Water and Waste Disposal Systems for Rural Communities	\$ 2,966,000

CITY OF VICTORIA, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statement was prepared in accordance with a special purpose framework that is not in compliance with GAAP.

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|---------------|-----|---------------|---------------|
| • Material weakness identified? | <u> X </u> | Yes | <u> </u> | No |
| • Significant deficiency identified? | <u> </u> | Yes | <u> X </u> | None reported |
| • Noncompliance material to financial statements noted? | <u> </u> | Yes | <u> X </u> | No |

FEDERAL AWARDS

Internal control over major programs:

- | | | | | |
|--------------------------------------|---------------|-----|--------------|---------------|
| • Material weakness identified? | <u> </u> | Yes | <u> X </u> | No |
| • Significant deficiency identified? | <u> </u> | Yes | <u> X </u> | None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance?

<u> </u>	Yes	<u> X </u>	No
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Identification of major program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

<u> </u>	Yes	<u> X </u>	No
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CITY OF VICTORIA, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2021-001 – Segregation of Duties

Criteria or specific requirement

Internal controls should be in place to ensure that employees do not have incompatible duties.

Condition

Proper segregation of duties does not exist in the accounting system.

Context

We determined, through inquiry and documentation of the City's internal controls, that there is a failure to properly segregate duties for the financial reporting process.

Cause

The City is unable to hire additional personnel due to its size.

Effect

Management may not become aware of problems or irregularities in a timely manner.

Recommendation

Procedures should be established and implemented to segregate duties in the receipts and expenditures cycles and strengthen internal controls. Also, involvement of the Council can mitigate the risk of errors or fraud. The Council should remain involved in the financial affairs of the Council to provide oversight and independent review functions.

Views of responsible officials

See Corrective Action Plan.

2021-002 – Accounts Payable

Criteria or specific requirement

Amounts due to vendors or suppliers for goods and services received before year end, but not yet paid for, should be booked as accounts payable.

Condition

Invoices were not recorded as accounts payable at year end.

Context

During audit procedures, material invoices were identified that should have been recorded as accounts payable.

Cause

Invoices were not properly reviewed for the date of the goods or services provided.

Effect

Expenses and liabilities were understated.

CITY OF VICTORIA, KANSAS
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2021

Recommendation

We recommend that the City review its controls in order to ensure that all accounts payable are properly recorded.

Views of responsible officials

See Corrective Action Plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESSES

2020-001 – Segregation of Duties

Condition

Proper segregation of duties does not exist in the accounting system.

Corrective Actions

The City implements segregation of duties wherever possible, given its size.

Status

Repeat Finding. See 2021-001.

2020-002 – Encumbrances and Accounts Payable

Condition

Material encumbrances were not recorded by the City.

Corrective Actions

A review of invoices and the minutes will be implemented at year end to ensure that all accounts payable and encumbrances are properly accounted for. This review will begin at year end for 2022.

Status

Repeat Finding. See 2021-002.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No material findings or questioned costs are required to be disclosed under the Uniform Guidance.

