

CITY OF VICTORIA, KANSAS

Primary Government Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2018

CITY OF VICTORIA, KANSAS
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For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

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

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, 2018 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **City of Victoria, Kansas** as of December 31, 2018, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **City of Victoria, Kansas** as of December 31, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures – actual and budget and individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement; however, are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of **City of Victoria, Kansas** as of and for the year ended December 31, 2017 (not presented herein), and have issued our report thereon dated August 20, 2018, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget for the year ended December 31, 2018 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2017 comparative information is the responsibility of management and was

derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole for the year ended December 31, 2017, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

August 19, 2019

CITY OF VICTORIA, KANSAS
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended December 31, 2018

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	\$ 224,225	-	552,103	565,674	210,654	21,882	232,536
Special Purpose Funds							
Employee Benefits Fund	35,885	-	129,626	81,158	84,353	-	84,353
Special Highway Fund	14,049	-	32,800	32,929	13,920	1,829	15,749
Special Machinery Fund	78,631	-	-	-	78,631	-	78,631
Special Park and Recreation Fund	10,179	-	-	-	10,179	-	10,179
Equipment Reserve Fund	111,841	-	41,209	28,258	124,792	-	124,792
Capital Improvements Fund	383,368	-	131,000	31,263	483,105	20,313	503,418
Bond and Interest Fund							
Bond and Interest Fund	17,868	-	43,180	43,060	17,988	-	17,988
Business Funds							
Water Utility Fund	327,071	-	334,131	279,661	381,541	15,483	397,024
Sewer Utility Fund	32,092	-	135,121	133,644	33,569	2,935	36,504
Refuse Utility Fund	47,340	-	116,824	117,485	46,679	3,131	49,810
Total Primary Government	<u>\$ 1,282,549</u>	<u>-</u>	<u>1,515,994</u>	<u>1,313,132</u>	<u>1,485,411</u>	<u>65,573</u>	<u>1,550,984</u>
Composition of Cash					Checking Accounts	\$	1,367,133
					Money Market Account		84,374
					Certificates of Deposit		99,477
					Total Primary Government	\$	1,550,984

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

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2018

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.

Use of Estimates

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

Financial Reporting Entity

The City is a municipal corporation governed by an elected 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.

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

Basis of Presentation – Fund Accounting

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

The following types of funds comprise the financial activities of the City for the year ended December 31, 2018.

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.

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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2018

Basis of Accounting

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the regulatory basis of accounting.

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

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

Property Tax Calendar

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major tax distributions are made in the months of December through July. Lien dates for personal property are in March and August and lien dates for real property are in September. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received.

Restricted Assets

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

Reimbursements

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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2018

NOTE 2 – BUDGETARY INFORMATION

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

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

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

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

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds, trust funds, and the following special purpose funds: Special Machinery Fund, Equipment Reserve Fund, and Capital Improvements Fund.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

City of 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

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2018

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, 2018.

At December 31, 2018, the City's carrying amount of deposits was \$1,550,984 and the bank balance was \$1,564,403. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$683,873 was covered by federal depository insurance, \$880,530 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, 2018.

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, 2018 were as follows:

From	To	Regulatory Authority	Amount
General Fund	Capital Improvements Fund	K.S.A. 12-1,118	\$ 131,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	41,209

NOTE 5 – 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.

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2018

NOTE 6 – 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 87,500 covered lives. 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 carries commercial insurance for all other risks of loss, including property, general liability, inland marine, automobile, data compromise, workers compensation, computer and data processing, umbrella, linebacker and law enforcement. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – GRANTS AND SHARED REVENUES

City of 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 required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 8 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

City of Victoria, Kansas did not remit its interest and principal due on bond issues at least 20 days before their maturity, which is a violation of K.S.A. 10-130.

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 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.

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2018

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 8.39% for KPERS and 20.09% for KP&F for the fiscal year ended December 31, 2018. Contributions to the pension plan from the City were \$18,539 for KPERS and \$28,833 for KP&F for the year ended December 31, 2018.

Net Pension Liability

At December 31, 2018, the City's proportionate share of the collective net pension liability reported by KPERS was \$171,826 and \$265,241 for KP&F. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The City's proportion of the net pension liability was based on the ratio of the City's contributions to KPERS, relative to the total employer and non-employer contributions of the Local subgroup within KPERS. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

NOTE 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, 2018.

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2018

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 days. The potential liability for vacation at December 31, 2018 was \$22,914. This is reflected in the financial statement.

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. The potential liability for sick leave at December 31, 2018 was \$81,013. The vested amount of sick leave, \$2,880, is reflected in the financial statement. The remainder of sick leave, \$78,133, is not reflected in the financial statement.

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, 2018 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, 2018 as it is providing dedicated funds through a combination of sewer rates and fees charged.

NOTE 14 – SUBSEQUENT EVENT

On May 20, 2019, **City of Victoria, Kansas** passed Resolution No. 293 authorizing improvements to the City public water supply system. The total estimated costs of the new improvements and retirement of KDHE Loan Project No. 2612 are \$4,507,000. A portion of the costs will be payable from the proceeds of general obligation bonds of the City in the amount of \$2,966,000. The remaining balance of the costs will be paid from expected USDA grant proceeds in the amount of \$1,441,000 and \$100,000 from available funds of the City.

NOTE 15 – LONG-TERM DEBT

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

General Obligation Bonds

On October 15, 2009, the City issued general obligation refunding bonds of \$415,000 (par value) with interest rates of 1.5 - 3.9% to advance refund term bonds. The Series A refunding bonds mature on December 1, 2019, and are callable on December 1, 2014 or thereafter.

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2018

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 \$238,000 lease agreement for a fire truck on February 25, 2013. The lease contains a fiscal funding clause.

CITY OF VICTORIA, KANSAS

Notes to Financial Statement

December 31, 2018

Changes in long-term liabilities for the City for the year ended December 31, 2018, 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
General Obligation Bonds									
Series 2009A Refunding	1.5% - 3.9%	10/15/2009	\$ 415,000	12/1/2019	\$ 80,000	-	(40,000)	40,000	3,060
KDHE Revolving Loans									
Sludge Basin Construction	3.39%	9/14/2002	1,043,195	9/1/2022	295,306	-	(61,818)	233,488	8,791
Water Line Replacement	3.42%	7/29/2009	465,456	8/1/2030	300,526	-	(18,297)	282,229	10,123
Capital Lease									
Fire Truck	3.25%	2/25/2013	238,000	2/25/2023	151,774	-	(23,366)	128,408	4,892
Total Contractual Indebtedness					\$ 827,606	-	(143,481)	684,125	26,866

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

	YEAR							
	2019	2020	2021	2022	2023	2024-2028	2029-2030	Total
Principal								
General Obligation Bonds	\$ 40,000	-	-	-	-	-	-	40,000
KDHE - Sludge Basin Construction	63,932	66,117	68,378	35,061	-	-	-	233,488
KDHE - Water Line Replacement	19,008	19,732	20,482	21,262	22,071	123,612	56,062	282,229
Capital Lease	24,082	24,865	25,673	26,507	27,281	-	-	128,408
Total Principal	147,022	110,714	114,533	82,830	49,352	123,612	56,062	684,125
Interest								
General Obligation Bonds	1,560	-	-	-	-	-	-	1,560
KDHE - Sludge Basin Construction	6,834	4,809	2,716	550	-	-	-	14,909
KDHE - Water Line Replacement	9,499	8,843	8,161	7,454	6,720	21,575	2,428	64,680
Capital Lease	4,176	3,393	2,585	1,751	890	-	-	12,795
Total Interest	22,069	17,045	13,462	9,755	7,610	21,575	2,428	93,944
Total Principal and Interest	\$ 169,091	127,759	127,995	92,585	56,962	145,187	58,490	778,069

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, 2018

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	\$ 644,040	-	644,040	565,674	(78,366)
Special Purpose Funds					
Employee Benefits Fund	127,000	-	127,000	81,158	(45,842)
Special Highway Fund	39,915	-	39,915	32,929	(6,986)
Special Park and Recreation Fund	8,179	-	8,179	-	(8,179)
Bond and Interest Fund					
Bond and Interest Fund	58,060	-	58,060	43,060	(15,000)
Business Funds					
Water Utility Fund	491,479	-	491,479	279,661	(211,818)
Sewer Utility Fund	166,999	-	166,999	133,644	(33,355)
Refuse Utility Fund	134,221	-	134,221	117,485	(16,736)

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Taxes				
Ad Valorem	\$ 245,253	244,345	247,453	(3,108)
Delinquent	1,824	1,354	-	1,354
Motor Vehicle	33,789	34,143	23,100	11,043
Total Taxes	280,866	279,842	270,553	9,289
Intergovernmental				
Local Sales Tax	82,167	82,229	75,000	7,229
County Wide Sales Tax	109,038	99,945	100,000	(55)
State Aid	11,120	-	-	-
Total Intergovernmental	202,325	182,174	175,000	7,174
Licenses and Permits				
Zoning Fees	360	-	100	(100)
Franchise Fees	67,389	68,396	50,000	18,396
Licenses and Permits	4,660	3,357	3,000	357
Total Licenses and Permits	72,409	71,753	53,100	18,653
Fines and Forfeitures				
Fines	635	770	1,000	(230)
Use of Money and Property				
Interest	814	2,058	200	1,858
Swimming Pool	5,451	6,485	5,000	1,485
Miscellaneous	24,616	9,021	-	9,021
Total Use of Money and Property	30,881	17,564	5,200	12,364
Total Receipts	587,116	552,103	504,853	47,250
Expenditures				
General Government				
Personal Services	35,164	33,369	30,000	3,369
Commodities	13,811	8,257	15,000	(6,743)
Contractual Services	29,423	27,102	27,000	102
Capital Outlay	-	3,919	6,500	(2,581)
Total General Government	\$ 78,398	72,647	78,500	(5,853)

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	
Police Department				
Personal Services	\$ 148,227	149,944	135,000	14,944
Commodities	12,244	10,164	12,000	(1,836)
Contractual Services	16,106	17,445	18,000	(555)
Capital Outlay	2,706	985	7,000	(6,015)
Total Police Department	179,283	178,538	172,000	6,538
Fire Department				
Personal Services	14,020	16,080	18,000	(1,920)
Commodities	10,533	2,737	8,000	(5,263)
Contractual Services	15,327	8,691	5,000	3,691
Capital Outlay	12,526	-	5,000	(5,000)
Total Fire Department	52,406	27,508	36,000	(8,492)
Park Department				
Personal Services	28,450	26,477	25,000	1,477
Commodities	4,250	2,707	4,000	(1,293)
Contractual Services	2,299	3,371	1,500	1,871
Capital Outlay	-	1,000	3,000	(2,000)
Total Park Department	34,999	33,555	33,500	55
Street Department				
Personal Services	3,781	-	19,000	(19,000)
Commodities	853	-	6,000	(6,000)
Contractual Services	337	-	15,000	(15,000)
Capital Outlay	-	-	15,000	(15,000)
Total Street Department	4,971	-	55,000	(55,000)
Street Lighting				
Contractual Services	18,324	17,558	22,000	(4,442)
Pool Department				
Personal Services	19,055	20,084	18,000	2,084
Commodities	4,197	3,140	8,000	(4,860)
Contractual Services	1,792	2,569	2,500	69
Capital Outlay	4,266	3,773	2,000	1,773
Total Pool Department	\$ 29,310	29,566	30,500	(934)

CITY OF VICTORIA, KANSAS
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Planning Commission				
Personal Services	\$ 2,787	2,660	2,500	160
Contractual Services	282	245	500	(255)
Total Planning Commission	3,069	2,905	3,000	(95)
Victoria Health Facility				
Contractual Services	7,629	289	-	289
Water Resource Search	-	15,568	25,000	(9,432)
Herzogfest	1,500	1,500	1,500	-
Industrial Development	1,000	1,000	1,000	-
Senior Companion	4,040	4,040	4,040	-
Local School Support	50	-	1,000	(1,000)
KDHE Loan Interest	-	8,791	-	8,791
Transfers Out	233,000	172,209	181,000	(8,791)
Total Expenditures	647,979	565,674	<u>644,040</u>	<u>(78,366)</u>
Receipts Over (Under) Expenditures	(60,863)	(13,571)		
Unencumbered Cash - Beginning	285,088	224,225		
Unencumbered Cash - Ending	\$ <u>224,225</u>	<u>210,654</u>		

CITY OF VICTORIA, KANSAS
Employee Benefits Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 107,249	114,168	115,621	(1,453)
Delinquent	482	606	-	606
Motor Vehicle	10,590	14,852	10,103	4,749
Total Receipts	118,321	129,626	<u>125,724</u>	<u>3,902</u>
Expenditures				
Personal Services	90,538	81,158	<u>127,000</u>	<u>(45,842)</u>
Receipts Over (Under) Expenditures	27,783	48,468		
Unencumbered Cash - Beginning	8,102	35,885		
Unencumbered Cash - Ending	\$ <u>35,885</u>	<u>84,353</u>		

CITY OF VICTORIA, KANSAS
Special Highway Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Intergovernmental				
State Gasoline Tax	\$ 32,620	32,800	<u>32,630</u>	<u>170</u>
Expenditures				
Personal Services	21,142	21,035	12,000	9,035
Commodities	2,800	2,779	7,000	(4,221)
Contractual Services	2,944	6,973	5,000	1,973
Capital Outlay	<u>200</u>	<u>2,142</u>	<u>15,915</u>	<u>(13,773)</u>
Total Expenditures	<u>27,086</u>	<u>32,929</u>	<u><u>39,915</u></u>	<u><u>(6,986)</u></u>
Receipts Over (Under) Expenditures	5,534	(129)		
Unencumbered Cash - Beginning	<u>8,515</u>	<u>14,049</u>		
Unencumbered Cash - Ending	\$ <u><u>14,049</u></u>	<u><u>13,920</u></u>		

CITY OF VICTORIA, KANSAS
Special Machinery Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	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, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts	\$ -	-	-	-
Expenditures				
Capital Outlay	-	-	8,179	(8,179)
Receipts Over (Under) Expenditures	-	-		
Unencumbered Cash - Beginning	10,179	10,179		
Unencumbered Cash - Ending	\$ 10,179	10,179		

CITY OF VICTORIA, KANSAS
Equipment Reserve Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 55,000	41,209
Expenditures		
Capital Outlay	28,259	28,258
Receipts Over (Under) Expenditures	26,741	12,951
Unencumbered Cash - Beginning	85,100	111,841
Unencumbered Cash - Ending	\$ 111,841	124,792

CITY OF VICTORIA, KANSAS
Capital Improvements Fund
 Schedule of Receipts and Expenditures
 Regulatory Basis
 For the Year Ended December 31, 2018
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 178,000	131,000
Expenditures		
Capital Outlay	28,194	31,263
Receipts Over (Under) Expenditures	149,806	99,737
Unencumbered Cash - Beginning	233,562	383,368
Unencumbered Cash - Ending	\$ <u>383,368</u>	<u>483,105</u>

CITY OF VICTORIA, KANSAS

Bond and Interest Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2018

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 38,312	37,409	37,881	(472)
Delinquent	236	211	-	211
Motor Vehicle	5,149	5,331	3,610	1,721
Use of Money and Property	90	229	-	229
Total Receipts	43,787	43,180	41,491	1,689
Expenditures				
Principal	40,000	40,000	40,000	-
Interest	4,480	3,060	3,060	-
Cash Basis Reserve	-	-	15,000	(15,000)
Total Expenditures	44,480	43,060	58,060	(15,000)
Receipts Over (Under) Expenditures	(693)	120		
Unencumbered Cash - Beginning	18,561	17,868		
Unencumbered Cash - Ending	\$ 17,868	17,988		

CITY OF VICTORIA, KANSAS

Water Utility Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2018

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Water Sales	\$ 262,553	307,799	381,500	(73,701)
Water Protection Fees	17,706	18,025	17,000	1,025
Water Taps	-	-	500	(500)
Late Charges	5,152	5,593	3,000	2,593
Interest	357	705	300	405
Miscellaneous	4,045	2,009	1,000	1,009
Total Receipts	<u>289,813</u>	<u>334,131</u>	<u>403,300</u>	<u>(69,169)</u>
Expenditures				
Personal Services	104,055	128,822	92,000	36,822
Commodities	48,618	47,617	70,000	(22,383)
Contractual Services	53,265	36,717	240,000	(203,283)
Capital Outlay	9,099	37,049	60,000	(22,951)
Revolving Loan Payments	29,456	29,456	29,479	(23)
Total Expenditures	<u>244,493</u>	<u>279,661</u>	<u>491,479</u>	<u>(211,818)</u>
Receipts Over (Under) Expenditures	45,320	54,470		
Unencumbered Cash - Beginning	<u>281,751</u>	<u>327,071</u>		
Unencumbered Cash - Ending	\$ <u>327,071</u>	<u>381,541</u>		

CITY OF VICTORIA, KANSAS
Sewer Utility Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended December 31, 2018
(With Comparative Actual Totals for the Prior Year Ended December 31, 2017)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sewer Service Charges	\$ 137,957	135,121	142,000	(6,879)
Expenditures				
Personal Services	50,247	52,506	50,000	2,506
Commodities	14,548	13,459	14,690	(1,231)
Contractual Services	5,738	5,161	6,000	(839)
Capital Outlay	-	-	25,000	(25,000)
Revolving Loan Payments	71,310	62,518	71,309	(8,791)
Total Expenditures	141,843	133,644	166,999	(33,355)
Receipts Over (Under) Expenditures	(3,886)	1,477		
Unencumbered Cash - Beginning	35,978	32,092		
Unencumbered Cash - Ending	\$ 32,092	33,569		

CITY OF VICTORIA, KANSAS

Refuse Utility Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2018

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Refuse Charges	\$ 119,054	116,824	120,000	(3,176)
Expenditures				
Personal Services	59,798	64,244	70,000	(5,756)
Commodities	3,623	3,853	14,082	(10,229)
Contractual Services	47,626	49,388	50,139	(751)
Total Expenditures	111,047	117,485	134,221	(16,736)
Receipts Over (Under) Expenditures	8,007	(661)		
Unencumbered Cash - Beginning	39,333	47,340		
Unencumbered Cash - Ending	\$ 47,340	46,679		