

CITY OF VICTORIA, KANSAS

Primary Government Financial Statement
With Independent Auditors' Report

For the Year Ended December 31, 2017

CITY OF VICTORIA, KANSAS
Primary Government Financial Statement With Independent Auditors' Report
For the Year Ended December 31, 2017

TABLE OF CONTENTS

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

Regulatory–Required Supplementary Information

Schedule 1 – Summary of Expenditures – Actual and Budget – Regulatory Basis	13
Schedule 2 – Schedule of Receipts and Expenditures – Regulatory Basis Individually presented by fund	

Governmental Type Funds

General Fund

2-1 General Fund	14
------------------------	----

Special Purpose Funds

2-2 Employee Benefits Fund	17
2-3 Special Highway Fund	18
2-4 Special Machinery Fund	19
2-5 Special Park and Recreation Fund	20
2-6 Equipment Reserve Fund	21
2-7 Capital Improvements Fund	22

Bond and Interest Fund

2-8 Bond and Interest Fund	23
----------------------------------	----

Business Funds

2-9 Water Utility Fund	24
2-10 Sewer Utility Fund	25
2-11 Refuse Utility Fund	26

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, 2017 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditors' Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by **City of 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, 2017, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **City of Victoria, Kansas** as of December 31, 2017, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

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

The 2016 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures – actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2016 basic financial statement upon which we rendered an unmodified opinion dated August 21, 2017. The 2016 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such 2016 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 basic financial statement and certain additional procedures,

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 basic financial statement or to the 2016 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball, Chartered

ADAMS, BROWN, BERAN & BALL, CHTD.

Certified Public Accountants

August 20, 2018

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

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds							
General Fund	\$ 285,088	-	587,116	647,979	224,225	21,652	245,877
Special Purpose Funds							
Employee Benefits Fund	8,102	-	118,321	90,538	35,885	-	35,885
Special Highway Fund	8,515	-	32,620	27,086	14,049	1,556	15,605
Special Machinery Fund	78,631	-	-	-	78,631	-	78,631
Special Park and Recreation Fund	10,179	-	-	-	10,179	-	10,179
Equipment Reserve Fund	85,100	-	55,000	28,259	111,841	-	111,841
Capital Improvements Fund	233,562	-	178,000	28,194	383,368	-	383,368
Bond and Interest Fund							
Bond and Interest Fund	18,561	-	43,787	44,480	17,868	-	17,868
Business Funds							
Water Utility Fund	281,751	-	289,813	244,493	327,071	19,750	346,821
Sewer Utility Fund	35,978	-	137,957	141,843	32,092	3,036	35,128
Refuse Utility Fund	39,333	-	119,054	111,047	47,340	2,988	50,328
Total Primary Government	<u>\$ 1,084,800</u>	<u>-</u>	<u>1,561,668</u>	<u>1,363,919</u>	<u>1,282,549</u>	<u>48,982</u>	<u>1,331,531</u>
Composition of Cash					Checking Accounts	\$	1,039,016
					Money Market Account		39,504
					Certificates of Deposit		253,011
					Total Primary Government	<u>\$</u>	<u>1,331,531</u>

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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2017

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, 2017.

Regulatory Basis Fund Types

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

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

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, 2017

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, 2017

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, 2017

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.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City does not use "peak periods". All deposits were legally secured at December 31, 2017.

At December 31, 2017, the City's carrying amount of deposits was \$1,331,531 and the bank balance was \$1,356,280. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$542,538 was covered by federal depository insurance and \$813,742 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The City had no investments at December 31, 2017.

NOTE 4 – INTERFUND TRANSFERS

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

From	To	Regulatory Authority	Amount
General Fund	Capital Improvements Fund	K.S.A. 12-1,118	\$ 178,000
General Fund	Equipment Reserve Fund	K.S.A. 12-1,117	55,000

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.

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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2017

Plan (SEHP), a public entity risk pool currently operating as a common risk management and insurance program for 118,173 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 was not properly bonded for public work contracts exceeding \$100,000 as of December 31, 2017 for the Grant Street project. This is a violation of K.S.A. 60-1111. The contract for the Grant Street project did not contain the mandatory nondiscrimination provisions, which is a violation of K.S.A. 44-1030.

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.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2017

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 with a 0% moratorium for the period January 1, 2017 through September 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 8.46% for KPERS and 19.03% for KP&F for the fiscal year ended December 31, 2017. Contributions to the pension plan from the City were \$17,972 for KPERS and \$26,526 for KP&F for the year ended December 31, 2017.

Net Pension Liability

At December 31, 2017, the City's proportionate share of the collective net pension liability reported by KPERS was \$172,699 and \$263,275 for KP&F. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. 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 these financial statements.

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.

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

CITY OF VICTORIA, KANSAS
Notes to Financial Statement
December 31, 2017

day is accumulated for each year of service up to a maximum of 24 days. The potential liability for vacation at December 31, 2017 was \$22,192. 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, 2017 was \$78,940. The vested amount of sick leave, \$2,880, is reflected in the financial statement. The remainder of sick leave, \$76,060, 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, 2017 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, 2017 as it is providing dedicated funds through a combination of sewer rates and fees charged.

NOTE 14 – 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.

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, 2017

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds									
Series 2009A Refunding	1.5% - 3.9%	10/15/2009	\$ 415,000	12/1/2019	\$ 120,000	-	(40,000)	80,000	4,480
KDHE Revolving Loans									
Sludge Basin Construction	3.39%	9/14/2002	1,043,195	9/1/2022	355,081	-	(59,775)	295,306	10,684
Water Line Replacement	3.42%	7/29/2009	465,456	8/1/2030	318,152	-	(17,626)	300,526	10,732
Capital Lease									
Fire Truck	3.25%	2/25/2013	238,000	2/25/2023	174,335	-	(22,561)	151,774	5,697
Total Contractual Indebtedness					\$ 967,568	-	(139,962)	827,606	31,593

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

	YEAR							
	2018	2019	2020	2021	2022	2023-2027	2028-2030	Total
Principal								
General Obligation Bonds	\$ 40,000	40,000	-	-	-	-	-	80,000
KDHE - Sludge Basin Construction	61,818	63,932	66,117	68,378	35,061	-	-	295,306
KDHE - Water Line Replacement	18,311	19,008	19,732	10,146	10,337	114,715	108,277	300,526
Capital Lease	23,324	24,082	24,865	25,673	26,507	27,323	-	151,774
Total Principal	143,453	147,022	110,714	104,197	71,905	142,038	108,277	827,606
Interest								
General Obligation Bonds	3,060	1,560	-	-	-	-	-	4,620
KDHE - Sludge Basin Construction	8,791	6,834	4,809	2,716	550	-	-	23,700
KDHE - Water Line Replacement	10,131	9,499	8,843	4,167	3,994	29,646	8,532	74,812
Capital Lease	4,934	4,176	3,393	2,585	1,751	890	-	17,729
Total Interest	26,916	22,069	17,045	9,468	6,295	30,536	8,532	120,861
Total Principal and Interest	\$ 170,369	169,091	127,759	113,665	78,200	172,574	116,809	948,467

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, 2017

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	\$ 691,040	-	691,040	647,979	(43,061)
Special Purpose Funds					
Employee Benefits Fund	123,000	-	123,000	90,538	(32,462)
Special Highway Fund	54,228	-	54,228	27,086	(27,142)
Special Park and Recreation Fund	8,179	-	8,179	-	(8,179)
Bond and Interest Fund					
Bond and Interest Fund	59,480	-	59,480	44,480	(15,000)
Business Funds					
Water Utility Fund	311,479	-	311,479	244,493	(66,986)
Sewer Utility Fund	142,000	-	142,000	141,843	(157)
Refuse Utility Fund	124,221	-	124,221	111,047	(13,174)

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 266,715	245,253	248,009	(2,756)
Delinquent	7,818	1,824	-	1,824
Motor Vehicle	31,906	33,789	24,730	9,059
Total Taxes	306,439	280,866	272,739	8,127
Intergovernmental				
Local Sales Tax	77,656	82,167	80,000	2,167
County Wide Sales Tax	107,185	109,038	100,000	9,038
State Aid	-	11,120	-	11,120
Total Intergovernmental	184,841	202,325	180,000	22,325
Licenses and Permits				
Zoning Fees	150	360	100	260
Franchise Fees	67,043	67,389	50,000	17,389
Licenses and Permits	3,895	4,660	3,000	1,660
Total Licenses and Permits	71,088	72,409	53,100	19,309
Fines and Forfeitures				
Fines	2,775	635	1,000	(365)
Use of Money and Property				
Interest	843	814	200	614
Swimming Pool	6,035	5,451	5,000	451
Miscellaneous	9,074	24,616	-	24,616
Total Use of Money and Property	15,952	30,881	5,200	25,681
Total Receipts	581,095	587,116	512,039	75,077
Expenditures				
General Government				
Personal Services	28,552	35,164	30,000	5,164
Commodities	9,744	13,811	15,000	(1,189)
Contractual Services	32,747	29,423	27,000	2,423
Capital Outlay	2,678	-	6,500	(6,500)
Total General Government	\$ 73,721	78,398	78,500	(102)

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

	Prior Year Actual	Current Year		Variance Over Under
		Actual	Budget	(Under)
Police Department				
Personal Services	\$ 135,657	148,227	135,000	13,227
Commodities	9,509	12,244	12,000	244
Contractual Services	13,243	16,106	18,000	(1,894)
Capital Outlay	3,751	2,706	7,000	(4,294)
Total Police Department	162,160	179,283	172,000	7,283
Fire Department				
Personal Services	13,520	14,020	18,000	(3,980)
Commodities	7,549	10,533	8,000	2,533
Contractual Services	9,563	15,327	5,000	10,327
Capital Outlay	6,184	12,526	5,000	7,526
Total Fire Department	36,816	52,406	36,000	16,406
Park Department				
Personal Services	29,546	28,450	25,000	3,450
Commodities	5,519	4,250	4,000	250
Contractual Services	2,204	2,299	1,500	799
Capital Outlay	1,066	-	3,000	(3,000)
Total Park Department	38,335	34,999	33,500	1,499
Street Department				
Personal Services	1,239	3,781	19,000	(15,219)
Commodities	262	853	6,000	(5,147)
Contractual Services	7,019	337	15,000	(14,663)
Capital Outlay	14,863	-	15,000	(15,000)
Total Street Department	23,383	4,971	55,000	(50,029)
Street Lighting				
Contractual Services	18,266	18,324	22,000	(3,676)
Pool Department				
Personal Services	22,503	19,055	18,000	1,055
Commodities	6,158	4,197	8,000	(3,803)
Contractual Services	4,786	1,792	2,500	(708)
Capital Outlay	8,014	4,266	2,000	2,266
Total Pool Department	\$ 41,461	29,310	30,500	(1,190)

CITY OF VICTORIA, KANSAS

General Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2017

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Planning Commission				
Personal Services	\$ 1,908	2,787	2,500	287
Contractual Services	333	282	500	(218)
Total Planning Commission	2,241	3,069	3,000	69
Victoria Health Facility				
Contractual Services	1,330	7,629	-	7,629
Water Resource Search	-	-	25,000	(25,000)
Herzogfest	1,500	1,500	1,500	-
Industrial Development	1,000	1,000	1,000	-
Senior Companion	4,086	4,040	4,040	-
Local School Support	-	50	1,000	(950)
Transfers Out	190,000	233,000	228,000	5,000
Total Expenditures	594,299	647,979	691,040	(43,061)
Receipts Over (Under) Expenditures	(13,204)	(60,863)		
Unencumbered Cash - Beginning	298,292	285,088		
Unencumbered Cash - Ending	\$ 285,088	224,225		

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 83,233	107,249	108,456	(1,207)
Delinquent	2,496	482	-	482
Motor Vehicle	12,107	10,590	7,718	2,872
Total Receipts	97,836	118,321	<u>116,174</u>	<u>2,147</u>
Expenditures				
Personal Services	117,861	90,538	<u>123,000</u>	<u>(32,462)</u>
Receipts Over (Under) Expenditures	(20,025)	27,783		
Unencumbered Cash - Beginning	28,127	8,102		
Unencumbered Cash - Ending	\$ <u>8,102</u>	<u>35,885</u>		

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

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Receipts				
Intergovernmental				
State Gasoline Tax	\$ 32,518	32,620	<u>31,790</u>	<u>830</u>
Expenditures				
Personal Services	21,480	21,142	12,000	9,142
Commodities	4,789	2,800	7,000	(4,200)
Contractual Services	4,240	2,944	5,000	(2,056)
Capital Outlay	<u>17,792</u>	<u>200</u>	<u>30,228</u>	<u>(30,028)</u>
Total Expenditures	<u>48,301</u>	<u>27,086</u>	<u>54,228</u>	<u>(27,142)</u>
Receipts Over (Under) Expenditures	(15,783)	5,534		
Unencumbered Cash - Beginning	<u>24,298</u>	<u>8,515</u>		
Unencumbered Cash - Ending	\$ <u>8,515</u>	<u>14,049</u>		

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

	Prior Year Actual	Current Year Actual
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, 2017
(With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	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, 2017
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2016)

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 50,000	55,000
Expenditures		
Capital Outlay	77,665	28,259
Receipts Over (Under) Expenditures	(27,665)	26,741
Unencumbered Cash - Beginning	112,765	85,100
Unencumbered Cash - Ending	\$ 85,100	111,841

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

	Prior Year Actual	Current Year Actual
Receipts		
Transfers In	\$ 140,000	178,000
Expenditures		
Capital Outlay	120,965	28,194
Receipts Over (Under) Expenditures	19,035	149,806
Unencumbered Cash - Beginning	214,527	233,562
Unencumbered Cash - Ending	\$ <u>233,562</u>	<u>383,368</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, 2017

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Taxes				
Ad Valorem	\$ 40,438	38,312	38,740	(428)
Delinquent	1,151	236	-	236
Motor Vehicle	5,629	5,149	3,748	1,401
Use of Money and Property	33	90	-	90
Total Receipts	47,251	43,787	42,488	1,299
Expenditures				
Principal	40,000	40,000	40,000	-
Interest	5,760	4,480	4,480	-
Cash Basis Reserve	-	-	15,000	(15,000)
Total Expenditures	45,760	44,480	59,480	(15,000)
Receipts Over (Under) Expenditures	1,491	(693)		
Unencumbered Cash - Beginning	17,070	18,561		
Unencumbered Cash - Ending	\$ 18,561	17,868		

CITY OF VICTORIA, KANSAS

Water Utility Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2020

(With Comparative Actual Totals for the Prior Year Ended December 31, 2019)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Water Sales	\$ 209,764	262,553	201,500	61,053
Water Protection Fees	18,209	17,706	17,000	706
Water Taps	-	-	500	(500)
Late Charges	4,593	5,152	3,000	2,152
Interest	325	357	300	57
Miscellaneous	2,233	4,045	1,000	3,045
Total Receipts	<u>235,124</u>	<u>289,813</u>	<u>223,300</u>	<u>66,513</u>
Expenditures				
Personal Services	78,030	104,055	92,000	12,055
Commodities	44,265	48,618	70,000	(21,382)
Contractual Services	41,538	53,265	60,000	(6,735)
Capital Outlay	-	9,099	60,000	(50,901)
Revolving Loan Payments	29,456	29,456	29,479	(23)
Total Expenditures	<u>193,289</u>	<u>244,493</u>	<u>311,479</u>	<u>(66,986)</u>
Receipts Over (Under) Expenditures	41,835	45,320		
Unencumbered Cash - Beginning	<u>239,916</u>	<u>281,751</u>		
Unencumbered Cash - Ending	<u>\$ 281,751</u>	<u>327,071</u>		

CITY OF VICTORIA, KANSAS

Sewer Utility Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Sewer Service Charges	\$ 141,272	137,957	142,000	(4,043)
Expenditures				
Personal Services	44,674	50,247	50,000	247
Commodities	11,625	14,548	14,690	(142)
Contractual Services	4,211	5,738	6,000	(262)
Capital Outlay	15,000	-	-	-
Revolving Loan Payments	71,310	71,310	71,310	-
Total Expenditures	146,820	141,843	142,000	(157)
Receipts Over (Under) Expenditures	(5,548)	(3,886)		
Unencumbered Cash - Beginning	41,526	35,978		
Unencumbered Cash - Ending	\$ 35,978	32,092		

CITY OF VICTORIA, KANSAS

Refuse Utility Fund

Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended December 31, 2017

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

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Receipts				
Refuse Charges	\$ 120,787	119,054	110,000	9,054
Expenditures				
Personal Services	52,160	59,798	60,000	(202)
Commodities	3,629	3,623	14,082	(10,459)
Contractual Services	43,968	47,626	50,139	(2,513)
Total Expenditures	99,757	111,047	124,221	(13,174)
Receipts Over (Under) Expenditures	21,030	8,007		
Unencumbered Cash - Beginning	18,303	39,333		
Unencumbered Cash - Ending	\$ 39,333	47,340		