

TOWN OF VICTORIA, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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**TOWN OF VICTORIA, VIRGINIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

To the Honorable Members of the Town Council  
Town of Victoria  
Victoria, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Victoria, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Victoria, Virginia, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis budgetary comparison information, and schedules of pension funding on pages 4-9, 60, and 61-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Town of Victoria, Virginia's basic financial statements. The combining and individual fund financial statements and schedules, supporting schedules, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, supporting schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, supporting schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

*Other Information (continued)*

The statistical information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2016, on our consideration of the Town of Victoria, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Victoria, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia  
May 3, 2016

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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To the Honorable Members of the Town Council  
To the Citizens of the Town of Victoria  
Town of Victoria, Virginia

As management of Town of Victoria, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. Please read it in conjunction with the Town's basic financial statements, which follow this section.

### Financial Highlights

#### Government-wide Financial Statements

- < The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,173,913 (net position).

#### Fund Financial Statements

The Governmental Funds, on a current financial resource basis, reported revenues and other financing sources in excess of expenditures and other financing uses of \$(6,760) (Exhibit 5).

- < As of the close of the current fiscal year, the Town's funds reported an ending fund balance of \$688,115, a decrease of \$6,760 in comparison with the prior year.
- < The combined long-term obligations increased \$309,102 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

1. Government-wide financial statements,
2. Fund financial statements, and
3. Notes to financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The Government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Overview of the Financial Statements (Continued)

#### Government-wide financial statements (Continued)

The statement of net position presents information on all of the Town's assets and deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, police protection, sanitation, cultural events, recreation, and community development.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Victoria, Virginia, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds - Governmental funds are used to account for essentially the same functions or services reported as governmental activities in the government-wide financial statements. Whereas the government-wide financial statements are prepared on the accrual basis of accounting, the governmental fund financial statements are prepared on the modified accrual basis of accounting. The focus of modified accrual reporting is on near-term inflows and outflows of financial resources and the balance of financial resources available at the end of the fiscal year. Since the governmental funds focus is narrower than that of the government-wide financial statements a reconciliation between the two methods is provided at the bottom of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The Town has two major governmental funds - the General Fund and the Capital Projects Fund.

Proprietary funds - Proprietary funds consist of enterprise funds. Enterprise funds are established to account for the delivery of goods and services to the general public and use the accrual basis of accounting, similar to private sector business.

The Water Fund, Sewer Fund and Water and Sewer Escrow Fund provide a centralized source for water/sewer services to Town residents. The Town also operates two cemeteries.

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$7,173,912 at the close of the most recent fiscal year. The following table summarizes the Town's Statement of Net Position:

Town of Victoria, Virginia's Net Position

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 767,852	\$ 735,895	\$ 688,188	\$ 480,136	\$ 1,456,040	\$ 1,216,031
Capital assets	1,641,655	1,686,831	7,254,201	6,927,998	8,895,856	8,614,829
Total assets	<u>\$ 2,409,507</u>	<u>\$ 2,422,726</u>	<u>\$ 7,942,389</u>	<u>\$ 7,408,134</u>	<u>\$ 10,351,896</u>	<u>\$ 9,830,860</u>
Deferred outflows of resources	\$ 15,673	\$ -	\$ 23,050	\$ -	\$ 38,723	\$ -
Current liabilities	\$ 7,432	\$ 8,984	\$ 231,153	\$ 53,364	\$ 238,585	\$ 62,348
Long-term liabilities outstanding	147,465	169,821	2,725,556	2,394,098	2,873,021	2,563,919
Total liabilities	<u>\$ 154,897</u>	<u>\$ 178,805</u>	<u>\$ 2,956,709</u>	<u>\$ 2,447,462</u>	<u>\$ 3,111,606</u>	<u>\$ 2,626,267</u>
Deferred inflows of resources	\$ 43,795	\$ 2,146	\$ 61,305	\$ -	\$ 105,100	\$ 2,146
Net position:						
Net investment in capital assets	\$ 1,507,995	\$ 1,538,869	\$ 4,554,541	\$ 4,559,985	\$ 6,062,536	\$ 6,098,854
Restricted	-	-	-	-	-	-
Unrestricted	718,493	702,906	392,884	400,687	1,111,377	1,103,593
Total net position	<u>\$ 2,226,488</u>	<u>\$ 2,241,775</u>	<u>\$ 4,947,425</u>	<u>\$ 4,960,672</u>	<u>\$ 7,173,913</u>	<u>\$ 7,202,447</u>

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Government-wide Financial Analysis (Continued)**

During the current fiscal year, the Town's net position decreased by \$28,276. The following table summarizes the Town's Statement of Activities:

Town of Victoria, Virginia's Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 132,573	\$ 113,978	\$ 1,111,132	\$ 1,295,081	\$ 1,243,705	\$ 1,409,059
Operating grants and contributions	53,288	71,078	-	-	53,288	71,078
Capital grants and contributions	10,009	43,315	138,732	-	148,741	43,315
General revenues:						
General property taxes	168,810	174,155	-	-	168,810	174,155
Other local taxes	249,844	252,320	-	-	249,844	252,320
Grants and other contributions not restricted	97,534	97,535	-	-	97,534	97,535
Other general revenues	33,107	33,194	15,536	9,847	48,643	43,041
Transfers	(43,355)	47,649	43,355	(47,649)	-	-
<b>Total revenues</b>	<b>\$ 701,810</b>	<b>\$ 833,224</b>	<b>\$ 1,308,755</b>	<b>\$ 1,257,279</b>	<b>\$ 2,010,565</b>	<b>\$ 2,090,503</b>
Expenses:						
General government						
administration	\$ 108,917	\$ 138,259	\$ -	\$ -	\$ 108,917	\$ 138,259
Public safety	328,124	341,089	-	-	328,124	341,089
Public works	142,323	123,202	1,321,848	1,196,532	1,464,171	1,319,734
Parks, recreation, and cultural	134,075	80,396	-	-	134,075	80,396
Community development	94	34,996	-	-	94	34,996
Interest and other fiscal charges	3,459	13,838	-	-	3,459	13,838
<b>Total expenses</b>	<b>\$ 716,992</b>	<b>\$ 731,780</b>	<b>\$ 1,321,848</b>	<b>\$ 1,196,532</b>	<b>\$ 2,038,840</b>	<b>\$ 1,928,312</b>
<b>Change in net position</b>	<b>\$ (15,182)</b>	<b>\$ 101,444</b>	<b>\$ (13,093)</b>	<b>\$ 60,747</b>	<b>\$ (28,275)</b>	<b>\$ 162,191</b>
Beginning of year, as restated	2,241,670	2,140,331	4,960,518	4,899,925	7,202,188	7,040,256
<b>End of year</b>	<b>\$ 2,226,488</b>	<b>\$ 2,241,775</b>	<b>\$ 4,947,425</b>	<b>\$ 4,960,672</b>	<b>\$ 7,173,913</b>	<b>\$ 7,202,447</b>

Because prior year information related to pensions was not available, the 2014 numbers have not been restated to reflect GASB 68 calculations. Therefore, beginning net position for 2015 as displayed above does not agree to ending net position for 2014.



## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Financial Analysis of the Town's Funds

As noted earlier, the Town used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of available resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported fund balances of \$688,115, a decrease of \$6,760 in comparison with the prior year. Approximately 75% of the reported fund balance constitutes unassigned General Fund balance, which is available for spending at the Town's discretion.

Proprietary Funds - The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position at the end of the year amounted to \$392,884. Total net position decreased \$13,093. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

### General Fund Budgetary Highlights

The final amended expenditures budget was the same as the original budget.

During the year, budgetary estimates were less than revenues and other financing sources by \$70,607. Expenditures and other uses were less than budgetary estimates by \$22,691, resulting in a positive variance of \$93,298.

### Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2015 amounts to \$1,641,655 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

Additional information on the Town's capital assets can be found in the notes of this report.

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt and notes outstanding of \$2,833,320. Of this amount, \$2,797,580 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents notes payables.

During the current fiscal year, the Town's total debt increased by \$317,345.

Additional information on the Town's long-term debt can be found in Note 7 of this report.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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### Economic Factors and Next Year's Budgets and Rates

< Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the Town's budget for the 2016 fiscal year.

The fiscal year 2016 budget increased by approximately 4% and none of the tax rates changed.

### Requests for Information

This financial report is designed to provide a general overview of Town of Victoria, Virginia's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Manager, P.O. Box V, Victoria, Virginia 23974.

*BASIC FINANCIAL STATEMENTS*

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*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

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Town of Victoria, Virginia  
Statement of Net Position  
June 30, 2015

	Primary Government			Component Unit <u>IDA</u>
	Governmental	Business-type	Total	
	<u>Activities</u>	<u>Activities</u>		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 657,080	\$ 313,859	\$ 970,939	\$ 96,359
Receivables (net of allowance for uncollectibles):				
Taxes receivable	33,285	-	33,285	-
Accounts receivable	24,305	99,255	123,560	-
Property held for resale	-	-	-	151,287
Due from other governmental units	15,643	219,867	235,510	-
Net pension asset	37,539	55,207	92,746	
Capital assets (net of accumulated depreciation):				
Land	269,489	4,000	273,489	-
Buildings and system	384,218	6,967,058	7,351,276	-
Machinery and equipment	2,160	130,687	132,847	-
Infrastructure	921,183	-	921,183	-
Construction in progress	64,605	152,456	217,061	-
Total assets	<u>\$ 2,409,507</u>	<u>\$ 7,942,389</u>	<u>\$ 10,351,896</u>	<u>\$ 247,646</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension contributions subsequent to measurement date	\$ 15,673	\$ 23,050	\$ 38,723	\$ -
Total deferred outflow of resources	<u>\$ 15,673</u>	<u>\$ 23,050</u>	<u>\$ 38,723</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,432	\$ 195,132	\$ 202,564	\$ -
Customers' deposits	-	36,021	36,021	-
Long-term liabilities:				
Due within one year	16,278	107,129	123,407	-
Due in more than one year	131,187	2,618,427	2,749,614	-
Total liabilities	<u>\$ 154,897</u>	<u>\$ 2,956,709</u>	<u>\$ 3,111,606</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 2,112	\$ -	\$ 2,112	\$ -
Items related to measurement of net pension liability	41,683	61,305	102,988	-
Total deferred inflows of resources	<u>\$ 43,795</u>	<u>\$ 61,305</u>	<u>\$ 105,100</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 1,507,995	\$ 4,554,541	\$ 6,062,536	\$ -
Unrestricted (deficit)	718,493	392,884	1,111,377	247,646
Total net position	<u>\$ 2,226,488</u>	<u>\$ 4,947,425</u>	<u>\$ 7,173,913</u>	<u>\$ 247,646</u>

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

Town of Victoria, Virginia  
Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Component Unit IDA
<b>PRIMARY GOVERNMENT:</b>							
Governmental activities:							
General government administration	\$ 108,917	\$ -	\$ -	\$ 10,009	\$ (98,908)	\$ -	\$ (98,908)
Public safety	328,124	23,153	53,288	-	(251,683)	-	(251,683)
Public works	142,323	95,262	-	-	(47,061)	-	(47,061)
Parks, recreation, and cultural	134,075	-	-	-	(134,075)	-	(134,075)
Community development	94	14,158	-	-	14,064	-	14,064
Interest on long-term obligations	3,459	-	-	-	(3,459)	-	(3,459)
Total governmental activities	\$ 716,992	\$ 132,573	\$ 53,288	\$ 10,009	\$ (521,122)	\$ -	\$ (521,122)
Business-type activities:							
Lakeview Cemetery	7,567	780	-	-	-	(6,787)	(6,787)
Sewer	556,676	462,333	-	-	-	(94,343)	(94,343)
Water	757,605	648,019	-	138,732	29,146	29,146	29,146
Total business-type activities	\$ 1,321,848	\$ 1,111,132	\$ -	\$ 138,732	\$ (71,984)	\$ (71,984)	\$ (71,984)
Total primary government	\$ 2,038,840	\$ 1,243,705	\$ 53,288	\$ 148,741	\$ (521,122)	\$ (593,106)	\$ (593,106)
<b>COMPONENT UNIT:</b>							
IDA	\$ 4,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,066)
Total component unit	\$ 4,066	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,066)
<b>General revenues:</b>							
General property taxes					\$ 168,810	\$ -	\$ 168,810
Other local taxes:							
Local sales and use taxes					33,775	-	33,775
Consumers' utility taxes					35,048	-	35,048
Motor vehicle licenses					36,033	-	36,033
Bank stock taxes					35,901	-	35,901
Meals taxes					67,199	-	67,199
Business license taxes					33,572	-	33,572
Other local taxes					8,316	-	8,316
Unrestricted revenues from use of money and property					7,769	8,319	16,088
Miscellaneous					25,338	7,217	32,555
Grants and contributions not restricted to specific programs					97,534	-	97,534
Transfers					(43,355)	43,355	-
Total general revenues and transfers					\$ 505,940	\$ 58,891	\$ 564,831
Change in net position					\$ (15,182)	\$ (13,093)	\$ (28,275)
Net position - beginning, as restated					2,241,670	4,960,518	7,202,188
Net position - ending					\$ 2,226,488	\$ 4,947,425	\$ 7,173,913

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



*FUND FINANCIAL STATEMENTS*

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Town of Victoria, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 485,933	\$ 7,717	\$ 163,430	\$ 657,080
Receivables (net of allowance for uncollectibles):				
Taxes receivable	33,285	-	-	33,285
Accounts receivable	24,305	-	-	24,305
Due from other governmental units	15,643	-	-	15,643
Total assets	<u>\$ 559,166</u>	<u>\$ 7,717</u>	<u>\$ 163,430</u>	<u>\$ 730,313</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 7,173	\$ -	\$ 259	\$ 7,432
Total liabilities	<u>\$ 7,173</u>	<u>\$ -</u>	<u>\$ 259</u>	<u>\$ 7,432</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	\$ 34,766	\$ -	\$ -	\$ 34,766
Total deferred inflows of resources	<u>\$ 34,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,766</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ -	\$ -	\$ 163,283	\$ 163,283
Restricted	-	-	(112)	(112)
Committed	-	7,717	-	7,717
Unassigned	517,227	-	-	517,227
Total fund balances	<u>\$ 517,227</u>	<u>\$ 7,717</u>	<u>\$ 163,171</u>	<u>\$ 688,115</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 559,166</u>	<u>\$ 7,717</u>	<u>\$ 163,430</u>	<u>\$ 730,313</u>

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

Town of Victoria, Virginia  
 Reconciliation of the Balance Sheet of Governmental Funds  
 to the Statement of Net Position  
 June 30, 2015

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Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	688,115
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 2,759,307	
Accumulated depreciation	<u>(1,117,652)</u>	1,641,655
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		37,539
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue	\$ 32,654	
Items related to measurement of net pension liability	<u>(41,683)</u>	(9,029)
Pension contributions subsequent to the measurement date will be a reduction to/increase in the net pension liability/asset in the next fiscal year and, therefore, are not reported in the funds.		
		15,673
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Notes payable	\$ (35,740)	
General obligation bond	(97,920)	
Compensated absences	<u>(13,805)</u>	(147,465)
Net position of governmental activities		<u><u>\$ 2,226,488</u></u>

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

Town of Victoria, Virginia  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 166,046	\$ -	\$ -	\$ 166,046
Other local taxes	249,844	-	-	249,844
Permits, privilege fees, and regulatory licenses	975	-	-	975
Fines and forfeitures	22,178	-	-	22,178
Revenue from the use of money and property	7,769	-	-	7,769
Charges for services	109,360	-	60	109,420
Miscellaneous	25,288	-	50	25,338
Recovered costs	21,802	-	-	21,802
Intergovernmental:				
Commonwealth	150,822	-	-	150,822
Federal	10,009	-	-	10,009
Total revenues	<u>\$ 764,093</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 764,203</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 80,949	\$ -	\$ -	\$ 80,949
Public safety	335,152	-	-	335,152
Public works	136,768	-	-	136,768
Parks, recreation, and cultural	89,500	-	-	89,500
Community development	94	-	-	94
Nondepartmental	47,261	-	-	47,261
Capital projects	20,123	-	-	20,123
Debt service:				
Principal retirement	14,302	-	-	14,302
Interest and other fiscal charges	3,459	-	-	3,459
Total expenditures	<u>\$ 727,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 727,608</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 36,485</u>	<u>\$ -</u>	<u>\$ 110</u>	<u>\$ 36,595</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (43,355)	\$ -	\$ -	\$ (43,355)
Total other financing sources (uses)	<u>\$ (43,355)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,355)</u>
Net change in fund balances	\$ (6,870)	\$ -	\$ 110	\$ (6,760)
Fund balances - beginning	524,097	7,717	163,061	694,875
Fund balances - ending	<u>\$ 517,227</u>	<u>\$ 7,717</u>	<u>\$ 163,171</u>	<u>\$ 688,115</u>

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

Town of Victoria, Virginia  
 Reconciliation of Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2015

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ (6,760)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 49,122	
Depreciation expense	<u>(94,298)</u>	(45,176)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase (decrease) in property taxes	2,764	
Increase (decrease) in deferred inflows of resources related to the measurement of the next pension liability (asset)	<u>(41,683)</u>	(38,919)

The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, discounts, and similar terms when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Principal payments on notes payable and general obligation bond		14,302
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease (increase) in net pension liability	55,051	
Decrease (increase) in deferred outflows of resources related to pension payments subsequent to the measurement date	(1,734)	
Decrease (increase) in compensated absences	<u>8,054</u>	61,371

Change in net position of governmental activities		<u><u>\$ (15,182)</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Victoria, Virginia  
Statement of Net Position  
Proprietary Funds  
June 30, 2015

	Enterprise Funds					Total
	Oakwood Cemetery	Lakeview Cemetery	Sewer	Water	Water and Sewer Escrow	
	Fund	Fund	Fund	Fund	Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 2,711	\$ 130,874	\$ 29,375	\$ 132,222	\$ 18,677	\$ 313,859
Accounts receivables, net of allowances for uncollectibles	-	-	41,349	57,906	-	99,255
Due from other governmental units	-	-	-	219,867	-	219,867
Total current assets	<u>\$ 2,711</u>	<u>\$ 130,874</u>	<u>\$ 70,724</u>	<u>\$ 409,995</u>	<u>\$ 18,677</u>	<u>\$ 632,981</u>
Noncurrent assets:						
Net pension asset	\$ -	\$ -	\$ 24,004	\$ 31,203	\$ -	\$ 55,207
Capital assets (net of accumulated depreciation):						
Land	-	-	4,000	-	-	4,000
Building and system	-	-	3,076,450	3,890,608	-	6,967,058
Machinery and equipment	-	-	9,273	121,414	-	130,687
Construction in progress	-	-	-	152,456	-	152,456
Total capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,089,723</u>	<u>\$ 4,164,478</u>	<u>\$ -</u>	<u>\$ 7,254,201</u>
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,113,727</u>	<u>\$ 4,195,681</u>	<u>\$ -</u>	<u>\$ 7,309,408</u>
Total assets	<u>\$ 2,711</u>	<u>\$ 130,874</u>	<u>\$ 3,184,451</u>	<u>\$ 4,605,676</u>	<u>\$ 18,677</u>	<u>\$ 7,942,389</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension contributions subsequent to measurement date	\$ -	\$ -	\$ 10,022	\$ 13,028	\$ -	\$ 23,050
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,022</u>	<u>\$ 13,028</u>	<u>\$ -</u>	<u>\$ 23,050</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ -	\$ (23)	\$ 9,935	\$ 185,219	\$ 1	\$ 195,132
Customers' deposits	-	-	-	36,021	-	36,021
Compensated absences - current portion	-	-	725	1,867	-	2,592
Bonds payable - current portion	-	-	52,920	51,617	-	104,537
Total current liabilities	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 63,580</u>	<u>\$ 274,724</u>	<u>\$ 1</u>	<u>\$ 338,282</u>
Noncurrent liabilities:						
Bonds payable - net of current portion	\$ -	\$ -	\$ 404,040	\$ 2,191,083	\$ -	\$ 2,595,123
Compensated absences - net of current portion	-	-	6,500	16,804	-	23,304
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,540</u>	<u>\$ 2,207,887</u>	<u>\$ -</u>	<u>\$ 2,618,427</u>
Total liabilities	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 474,120</u>	<u>\$ 2,482,611</u>	<u>\$ 1</u>	<u>\$ 2,956,709</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Items related to measurement of net pension asset	\$ -	\$ -	\$ 26,655	\$ 34,650	\$ -	\$ 61,305
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,655</u>	<u>\$ 34,650</u>	<u>\$ -</u>	<u>\$ 61,305</u>
<b>NET POSITION</b>						
Net investment in capital assets	\$ -	\$ -	\$ 2,632,763	\$ 1,921,778	\$ -	\$ 4,554,541
Unrestricted	2,711	130,897	60,935	179,665	18,676	392,884
Total net position	<u>\$ 2,711</u>	<u>\$ 130,897</u>	<u>\$ 2,693,698</u>	<u>\$ 2,101,443</u>	<u>\$ 18,676</u>	<u>\$ 4,947,425</u>

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

Town of Victoria, Virginia  
Statement of Revenue, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2015

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
<b>OPERATING REVENUES</b>						
Charges for services:						
Water revenues	\$ -	\$ -	\$ -	\$ 631,567	\$ -	\$ 631,567
Sewer revenues	-	-	450,703	-	-	450,703
Sale of cemetery plots	-	780	-	-	-	780
Other charges for services	-	-	11,630	16,452	-	28,082
Miscellaneous	-	-	-	7,217	-	7,217
Total operating revenues	\$ -	\$ 780	\$ 462,333	\$ 655,236	\$ -	\$ 1,118,349
<b>OPERATING EXPENSES</b>						
Personnel services	\$ -	\$ -	\$ 144,969	\$ 208,594	\$ -	\$ 353,563
Fringe benefits	-	-	38,874	66,167	-	105,041
Insurance	-	-	15,828	9,827	-	25,655
Supplies	-	-	38,408	84,251	-	122,659
Other miscellaneous expenses	-	7,567	165,764	247,698	-	421,029
Depreciation	-	-	142,561	135,201	-	277,762
Total operating expenses	\$ -	\$ 7,567	\$ 546,404	\$ 751,738	\$ -	\$ 1,305,709
Operating income (loss)	\$ -	\$ (6,787)	\$ (84,071)	\$ (96,502)	\$ -	\$ (187,360)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	\$ 704	\$ 6,477	\$ 282	\$ 856	\$ -	\$ 8,319
USDA grant	-	-	-	138,732	-	138,732
Interest expense	-	-	(10,272)	(5,867)	-	(16,139)
Total nonoperating revenues (expenses)	\$ 704	\$ 6,477	\$ (9,990)	\$ 133,721	\$ -	\$ 130,912
Income (loss) before transfers	\$ 704	\$ (310)	\$ (94,061)	\$ 37,219	\$ -	\$ (56,448)
Transfers in	-	-	14,634	28,721	-	43,355
Change in net position	\$ 704	\$ (310)	\$ (79,427)	\$ 65,940	\$ -	\$ (13,093)
Total net position - beginning, as restated	2,007	131,207	2,773,125	2,035,503	18,676	4,960,518
Total net position - ending	\$ 2,711	\$ 130,897	\$ 2,693,698	\$ 2,101,443	\$ 18,676	\$ 4,947,425

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



Town of Victoria, Virginia  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2015

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ -	\$ 780	\$ 463,639	\$ 438,873	\$ -	\$ 903,292
Payments to suppliers	-	(7,567)	(218,810)	(165,637)	-	(392,014)
Payments to and for employees	-	-	(191,999)	(283,900)	-	(475,899)
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ (6,787)</u>	<u>\$ 52,830</u>	<u>\$ (10,664)</u>	<u>\$ -</u>	<u>\$ 35,379</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds	\$ -	\$ -	\$ 14,634	\$ 28,721	\$ -	\$ 43,355
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,634</u>	<u>\$ 28,721</u>	<u>\$ -</u>	<u>\$ 43,355</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Additions to utility plant	\$ -	\$ -	\$ -	\$ (475,094)	\$ -	\$ (475,094)
Additions to capital assets	-	-	(11,591)	(117,280)	-	(128,871)
Principal payments on bonds and notes	-	-	(52,080)	(32,180)	-	(84,260)
Proceeds from indebtedness	-	-	-	415,907	-	415,907
Interest expense	-	-	(10,272)	(5,867)	-	(16,139)
Net cash provided by (used for) capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (73,943)</u>	<u>\$ (214,514)</u>	<u>\$ -</u>	<u>\$ (288,457)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividend income	\$ 704	\$ 6,477	\$ 282	\$ 856	\$ -	\$ 8,319
Other	-	-	-	138,732	-	138,732
Net cash provided by (used for) investing activities	<u>\$ 704</u>	<u>\$ 6,477</u>	<u>\$ 282</u>	<u>\$ 139,588</u>	<u>\$ -</u>	<u>\$ 147,051</u>
Net increase (decrease) in cash and cash equivalents	\$ 704	\$ (310)	\$ (6,197)	\$ (56,869)	\$ -	\$ (62,672)
Cash and cash equivalents - beginning	2,007	131,184	35,572	189,091	18,677	376,531
Cash and cash equivalents - ending	<u>\$ 2,711</u>	<u>\$ 130,874</u>	<u>\$ 29,375</u>	<u>\$ 132,222</u>	<u>\$ 18,677</u>	<u>\$ 313,859</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ -	\$ (6,787)	\$ (84,071)	\$ (96,502)	\$ -	\$ (187,360)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	\$ -	\$ -	\$ 142,561	\$ 135,201	\$ -	\$ 277,762
(Increase) decrease in accounts receivable	-	-	1,306	(216,823)	-	(215,517)
(Increase) decrease in net pension liability/asset	-	-	(35,201)	(45,761)	-	(80,962)
(Increase) decrease in deferred outflows of resources	-	-	1,109	1,442	-	2,551
Increase (decrease) in customer deposits	-	-	-	460	-	460
Increase (decrease) in accounts payable and accrued liabilities	-	-	1,190	176,139	-	177,329
Increase (decrease) in deferred inflows of resources	-	-	26,655	34,650	-	61,305
Increase (decrease) in compensated absences	-	-	(719)	530	-	(189)
Total adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,901</u>	<u>\$ 85,838</u>	<u>\$ -</u>	<u>\$ 222,739</u>
Net cash provided by (used for) operating activities	<u>\$ -</u>	<u>\$ (6,787)</u>	<u>\$ 52,830</u>	<u>\$ (10,664)</u>	<u>\$ -</u>	<u>\$ 35,379</u>

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

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TOWN OF VICTORIA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2015

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*Note 1—Summary of Significant Accounting Policies:*

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Town of Victoria, Virginia (the "Town") is governed by an elected seven member Council. The Town provides a full range of services for its citizens. These services include police and fire protection, sanitation services, and utilities.

The financial statements of Town of Victoria, Virginia have been prepared in conformity with the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

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Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Budgetary Comparison Schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including a requirement to report the government's original budget with the comparison of final budget and actual results.

**A. Financial Reporting Entity**

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Victoria (the primary government) and its component unit. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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**B. Individual Component Unit Disclosures**

*Blended Component Unit* - The Town has no blended component units at June 30, 2015.

*Discretely Presented Component Units* - The Industrial Development Authority of Victoria is included because the Authority's primary use of funds is to provide Economic Development in the Town, and the Authority's members are appointed by Town Council. The Authority does not issue a separate financial report.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditures. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the General Fund and Capital Projects Fund as major governmental funds.

a. General Fund

The General Fund is the primary operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

b. Special Revenue Funds

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Special Revenue Funds consist of the following funds: Centennial, Rails to Trails, Progressive Citizens and Roundhouse Campgrounds.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

c. Capital Projects Fund

The Capital Projects Fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments. This fund is reported as a major fund.

d. Permanent Funds

Permanent Funds account for and report resources that are restricted such that only earnings may be used for purposes that support the reporting government's programs (i.e., for the benefit of the government or its citizens). The Town's Permanent Funds consist of the following funds: Oakwood Cemetery Perpetual Care and Lakeview Cemetery Perpetual Care.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

a. Enterprise Funds

Enterprise funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water Fund, Sewer Fund, Water and Sewer Escrow Fund, Oakwood Cemetery Fund and Lakeview Cemetery Fund.

D. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

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E. Investments

Investments are reported at fair value which approximates market; no investments are valued at cost. Investments maturing in three months or less of the date acquired are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

Investments for the Town, as well as for its component unit are reported at fair value.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$101 at June 30, 2015 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	<u>Real Property</u>	<u>Personal Property</u>
Levy	January 1	January 1
Due Date	December 5	December 5
Lien Date	January 1	January 1

The Town bills and collects its own property taxes.

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

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G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, equipment, and infrastructure with an initial individual cost of more than \$5,000 (with the exception of land values) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded as estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was incurred during fiscal year 2015.

Property, plant, equipment, and infrastructure of the Town are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Building and Systems	10-40
Machinery and equipment	5-10
Infrastructure	20-40

H. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to received sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

I. Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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J. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

K. Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Town's Retirement Plan and the additions to/deductions from the Town's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Note 1—Summary of Significant Accounting Policies: (Continued)

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O. Fund Equity

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are only reported in the general fund. Governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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*Note 1—Summary of Significant Accounting Policies: (Continued)*

O. Fund Equity (Continued)

When fund balance resources are available for a specific purpose in more than one classification, it is the Town’s policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	<u>General</u>	<u>Other Governmental</u>	<u>Capital Projects</u>	<u>Total</u>
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ 163,283	\$ -	\$ 163,283
Restricted:				
Roadhouse campgrounds	\$ -	\$ (112)	\$ -	\$ (112)
Committed:				
Capital projects	\$ -	\$ -	\$ 7,717	\$ 7,717
Unassigned	\$ 517,227	\$ -	\$ -	\$ 517,227
Total fund balances	<u>\$ 517,227</u>	<u>\$ 163,171</u>	<u>\$ 7,717</u>	<u>\$ 688,115</u>

*Note 1—Summary of Significant Accounting Policies: (Continued)*

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P. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town only has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

Q. Adoption of Accounting Principles:

*Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68:*

The Town implemented the financial reporting provisions of the above Statements for the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and required supplementary information requirements about pensions are also addressed. The requirements will improve financial reporting by improving accounting and financial reporting by state and local governments for pensions. The implementation of these Statements resulted in the following restatement of net position, reference Note 15.

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2015

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*Note 2—Stewardship, Compliance, and Accounting:*

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The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1st, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30, every year.

Expenditures and Appropriations

Expenditures did not exceed appropriations for the year ended June 30, 2015.

*Note 3—Deposits and Investments:*

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Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

Statutes authorize the Town to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, banker’s acceptances, repurchase agreements and the State Treasurer’s Local Government Investment Pool (LGIP).

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2015

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*Note 4—Due to/from Other Governments:*

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At June 30, 2015, the Town has receivables from other governments as follows:

	<u>Primary Government</u>
<u>County of Lunenburg:</u>	
Local sales tax	\$ 5,073
<u>Commonwealth of Virginia:</u>	
Department of motor vehicles	2,177
Communications taxes	8,393
<u>Federal Government:</u>	
USDA rural development	<u>219,867</u>
Total	<u>\$ 235,510</u>

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2015

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2015:

Primary Government:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 269,489	\$ -	\$ -	\$ 269,489
Construction in progress	48,982	15,623	-	64,605
Total capital assets not subject to depreciation	<u>\$ 318,471</u>	<u>\$ 15,623</u>	<u>\$ -</u>	<u>\$ 334,094</u>
Capital assets subject to depreciation:				
Building and system	\$ 848,881	\$ -	\$ -	\$ 848,881
Machinery and equipment	385,651	-	-	385,651
Infrastructure	1,157,182	33,499	-	1,190,681
Total capital assets subject to depreciation	<u>\$ 2,391,714</u>	<u>\$ 33,499</u>	<u>\$ -</u>	<u>\$ 2,425,213</u>
Accumulated depreciation:				
Building and system	\$ 441,592	\$ 23,071	\$ -	\$ 464,663
Machinery and equipment	371,798	11,693	-	383,491
Infrastructure	209,964	59,534	-	269,498
Total accumulated depreciation	<u>\$ 1,023,354</u>	<u>\$ 94,298</u>	<u>\$ -</u>	<u>\$ 1,117,652</u>
Total capital assets subject to depreciation, net	<u>\$ 1,368,360</u>	<u>\$ (60,799)</u>	<u>\$ -</u>	<u>\$ 1,307,561</u>
Governmental activities capital assets, net	<u><u>\$ 1,686,831</u></u>	<u><u>\$ (45,176)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,641,655</u></u>

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 5—Capital Assets: (Continued)*

A summary of proprietary fund capital assets at June 30, 2015 follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	1,464,878	535,669	1,848,091	152,456
Total capital assets not subject to depreciation	<u>\$ 1,468,878</u>	<u>\$ 535,669</u>	<u>\$ 1,848,091</u>	<u>\$ 156,456</u>
Capital assets subject to depreciation:				
Building and system	\$ 8,158,498	\$ 1,787,516	\$ -	\$ 9,946,014
Machinery and equipment	106,907	128,871	-	235,778
Total capital assets subject to depreciation	<u>\$ 8,265,405</u>	<u>\$ 1,916,387</u>	<u>\$ -</u>	<u>\$ 10,181,792</u>
Accumulated depreciation:				
Building and system	\$ 2,727,150	\$ 251,806	\$ -	\$ 2,978,956
Machinery and equipment	79,135	25,956	-	105,091
Total accumulated depreciation	<u>\$ 2,806,285</u>	<u>\$ 277,762</u>	<u>\$ -</u>	<u>\$ 3,084,047</u>
Total capital assets subject to depreciation, net	<u>\$ 5,459,120</u>	<u>\$ 1,638,625</u>	<u>\$ -</u>	<u>\$ 7,097,745</u>
Business-type activities capital assets, net	<u>\$ 6,927,998</u>	<u>\$ 2,174,294</u>	<u>\$ 1,848,091</u>	<u>\$ 7,254,201</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 38,003
Public safety	2,160
Public works	9,533
Parks, recreation, and culture	44,602
Total depreciation expense-governmental activities	<u>\$ 94,298</u>
Business-type activities:	
Water and Sewer	\$ 277,762
Total depreciation expense-business-type activities	<u>\$ 277,762</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 6—Interfund Transfers:*

Interfund transfers for the Fund Financial Statements for the year ended June 30, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 43,355
Sewer Fund	14,634	-
Water Fund	28,721	-
Total	<u>\$ 43,355</u>	<u>\$ 43,355</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

*Note 7—Long-Term Obligations:*

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2015:

	Balance July 1, 2014	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2015	Amounts Due Within One Year
Governmental Activities:					
Notes Payable	\$ 38,882	\$ -	\$ 3,142	\$ 35,740	\$ 3,557
General Obligation Bond	109,080	-	11,160	97,920	11,340
Compensated absences	21,859	2,186	10,240	13,805	1,381
Total Governmental Activities	<u>\$ 169,821</u>	<u>\$ 2,186</u>	<u>\$ 24,542</u>	<u>\$ 147,465</u>	<u>\$ 16,278</u>
Business-type Activities:					
General Obligation Bond	\$ 2,368,013	\$ 415,907	\$ 84,260	\$ 2,699,660	\$ 83,160
Compensated absences	26,085	2,419	2,608	25,896	2,592
Total Business-type Activities	<u>\$ 2,394,098</u>	<u>\$ 418,326</u>	<u>\$ 86,868</u>	<u>\$ 2,725,556</u>	<u>\$ 85,752</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2015

*Note 7—Long-Term Obligations: (Continued)*

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Governmental Activities			
	Notes Payable		General Obligation Bond	
	Principal	Interest	Principal	Interest
2016	3,557	1,200	11,340	1,969
2017	3,685	1,072	11,580	1,733
2018	3,818	939	11,820	1,492
2019	3,956	801	12,060	1,246
2020	4,099	659	12,360	995
2021	4,246	511	12,600	738
2022	4,400	358	12,900	475
2023	4,558	199	13,260	206
2024	3,421	42	-	-
Totals	<u>\$ 35,740</u>	<u>\$ 5,781</u>	<u>\$ 97,920</u>	<u>\$ 8,854</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2015

*Note 7—Long-Term Obligations: (Continued)*

Year Ending June 30,	Business-type Activities	
	General Obligation Bonds	
	Principal	Interest
2016	104,537	77,347
2017	107,980	73,934
2018	111,423	70,483
2019	114,867	66,997
2020	118,750	63,474
2021	122,193	59,905
2022	126,076	56,296
2023	130,400	52,640
2024	34,843	49,445
2025	36,526	47,762
2026	38,209	46,079
2027	39,893	44,395
2028	41,576	42,712
2029	43,259	41,029
2030	44,942	39,346
2031	46,626	37,663
2032	48,309	35,979
2033	49,992	34,296
2034	51,675	32,613
2035	53,358	30,930
2036	55,042	29,246
2037	56,725	27,563
2038	58,408	25,880
2039	60,091	24,197
2040	61,775	22,513
2041	63,458	20,830
2042	65,141	19,147
2043	66,824	17,464
2044	68,508	15,780
2045	70,191	14,097
2046	71,874	12,414
2047	73,557	10,731
2048	75,241	9,047
2049	76,924	7,364
2050	78,607	5,681
2051	80,290	3,998
2052	81,974	2,314
2053	69,596	643
Totals	<u>\$ 2,699,660</u>	<u>\$ 1,272,234</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 7—Long-Term Obligations: (Continued)*

Details of long-term obligations:

Primary Government Obligations:

Amortization Schedule for VML/VACo  
GO Refinance Bond, \$999,000 and  
Rural Development G/O Bond

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance Governmental Activities</u>	<u>Amount Due Within One Year</u>
Governmental Activities:						
Note Payable	3.548%	02/18/14	2/18/2024	\$ 40,000	\$ 35,740	\$ 3,557
General Obligation Bond, split between Governmental and Business-type activities	2.07%	01/16/13	2/1/2023	999,000	97,920	11,340
Compensated absences					13,805	1,381
Total Long-Term Obligations - Governmental Activities					<u>\$ 147,465</u>	<u>\$ 16,278</u>
					<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
Business-type Activities:						
General Obligation Bond	2.07%	01/16/13	2/1/2023	\$ 999,000	\$ 718,080	\$ 83,160
General Obligation Bond, not fully drawn down yet	2.75%	06/19/13	6/19/2053	1,984,000	1,981,580	21,377
Compensated Absences					25,896	2,592
Total Long-Term Obligations - Business-type Activities					<u>\$ 2,725,556</u>	<u>\$ 107,129</u>
Total Primary Government Long-Term Obligations					<u>\$ 2,873,021</u>	<u>\$ 123,407</u>

*Note 8—Unearned and Deferred/Unavailable Revenue:*

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. The Town reports unearned and deferred/unavailable revenue totaling \$34,766 at June 30, 2015 which is comprised of the following:

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 8—Unearned and Deferred/Unavailable Revenue (Continued):*

	Government-wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable property tax revenue representing uncollected property tax billings that are not available for the funding of current expenditures	\$ -	\$ 32,654
Prepaid property taxes due in December 2015 but paid in advance by taxpayers	2,112	2,112
	<u>2,112</u>	<u>34,766</u>

*Note 9—Litigation:*

At June 30, 2015, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

*Note 10—Risk Management:*

The Town 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 Town participates with other localities in a public entity risk pool for their coverage of worker's compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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**Note 11—Pension Plan:**

**Plan Description**

All full-time, salaried permanent employees of the Town are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees - Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

<b>RETIREMENT PLAN PROVISIONS</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p><b>About Plan 1</b> Plan 1 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p><b>About Plan 2</b> Plan 2 is a defined benefit plan. The retirement benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p><b>About the Hybrid Retirement Plan</b> The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see “Eligible Members”)</p> <ul style="list-style-type: none"> <li>• The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.</li> <li>• The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.</li> </ul>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
		<ul style="list-style-type: none"> <li>• In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.</li> </ul>
<p><b>Eligible Members</b> Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p> <p><b>Hybrid Opt-In Election</b> Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan’s effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p>	<p><b>Eligible Members</b> Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees*</li> <li>• Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan’s effective date for opt-in members was July 1, 2014.</li> </ul> <p><b>*Non-Eligible Members</b> Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> <li>• Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.</li> </ul>



**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members (Cont.) Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Creditable Service</b> Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p><b>Creditable Service</b> Same as Plan 1.</p>	<p><b>Creditable Service</b> <u><b>Defined Benefit Component:</b></u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member’s total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u><b>Defined Contributions Component:</b></u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Vesting</b> Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p><b>Vesting</b> Same as Plan 1.</p>	<p><b>Vesting</b> <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p> <p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Vesting (Cont.)</p>	<p>Vesting (Cont.)</p>	<p>Vesting (Cont.) <u>Defined Contributions Component: (Cont.)</u> Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> <li>• After two years, a member is 50% vested and may withdraw 50% of employer contributions.</li> <li>• After three years, a member is 75% vested and may withdraw 75% of employer contributions.</li> <li>• After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.</li> </ul> <p>Distribution is not required by law until age 70½.</p>
<p><b>Calculating the Benefit</b> The Basic Benefit is calculated based on a formula using the member’s average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p>	<p><b>Calculating the Benefit</b> See definition under Plan 1.</p>	<p><b>Calculating the Benefit</b> <u>Defined Benefit Component:</u> See definition under Plan 1</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p>Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit (Cont.)</p>	<p>Calculating the Benefit (Cont.) <u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>
<p>Average Final Compensation A member’s average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member’s average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier <u>Defined Benefit Component:</u> VRS: The retirement multiplier for the defined benefit component is 1.00%.</p> <p>For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

<b>RETIREMENT PLAN PROVISIONS (CONTINUED)</b>		
<b>PLAN 1</b>	<b>PLAN 2</b>	<b>HYBRID RETIREMENT PLAN</b>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age <u>Defined Benefit Component:</u> VRS: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Reduced Retirement Eligibility (Cont.)</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p> <p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p>The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p> <p><u>Eligibility:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement</p> <p><u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p> <p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> <li>• The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.</li> <li>• The member retires on disability.</li> <li>• The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).</li> <li>• The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.</li> <li>• The member dies in service and the member’s survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.</li> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>



**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>	<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p><b>Disability Coverage</b> Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.</p>
<p><b>Purchase of Prior Service</b> Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p><b>Purchase of Prior Service</b> Same as Plan 1.</p>	<p><b>Purchase of Prior Service</b> <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> <li>• The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation.</li> <li>• Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost.</li> </ul> <p><u>Defined Contribution Component:</u> Not applicable.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2014-annual-report.pdf> or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

**Employees Covered by Benefit Terms**

As of the June 30, 2013 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	10
Inactive members:	
Vested inactive members	2
Non-vested inactive members	5
Inactive members active elsewhere in VRS	<u>6</u>
Total inactive members	23
Active members	<u>18</u>
Total covered employees	<u><u>41</u></u>

**Contributions**

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Town’s contractually required contribution rate for the year ended June 30, 2015 was 7.79% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Town were \$38,723 and \$403,088 for the years ended June 30, 2015 and June 30, 2014, respectively.

**Note 11—Pension Plan: (Continued)**

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**Net Pension Liability (Asset)**

The Town's net pension liability (asset) was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

**Actuarial Assumptions - General Employees**

The total pension liability for General Employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

**Largest 10 - Non-LEOS:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**All Others (Non 10 Largest) - Non-LEOS:**

**Pre-Retirement:**

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

**Post-Retirement:**

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

**Post-Disablement:**

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

**Note 11—Pension Plan: (Continued)**

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**Actuarial Assumptions - General Employees (Continued)**

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) - Non-LEOS:

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Actuarial Assumptions - Public Safety Employees**

The total pension liability for Public Safety employees in the Town's Retirement Plan was based on an actuarial valuation as of June 30, 2013, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

\* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

**Note 11—Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees (Continued)**

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) - Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - LEOS:

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

**Note 11—Pension Plan: (Continued)****Long-Term Expected Rate of Return**

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

\* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

**Note 11—Pension Plan: (Continued)****Discount Rate**

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Town Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2013	\$ 1,516,015	\$ 1,472,748	\$ 43,267
Changes for the year:			
Service cost	\$ 58,550	\$ -	\$ 58,550
Interest	102,867	-	102,867
Differences between expected and actual experience	-	-	-
Contributions - employer	-	43,008	(43,008)
Contributions - employee	-	24,762	(24,762)
Net investment income	-	230,901	(230,901)
Benefit payments, including refunds of employee contributions	(92,986)	(92,986)	-
Administrative expenses	-	(1,253)	1,253
Other changes	-	12	(12)
Net changes	\$ 68,431	\$ 204,444	\$ (136,013)
Balances at June 30, 2014	\$ 1,584,446	\$ 1,677,192	\$ (92,746)

**Note 11—Pension Plan: (Continued)**

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability of the Town using the discount rate of 7.00%, as well as what the Town’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	(6.00%)	(7.00%)	(8.00%)
County/City/Town/ABC	115,684	(92,746)	(265,370)
Net Pension Liability (Asset)			

***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

For the year ended June 30, 2015, the Town recognized pension expense of \$(9,983). At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience \$	-	\$ 102,988
Employer contributions subsequent to the measurement date	38,723	-
Total	\$ 38,723	\$ 102,988



**Note 11—Pension Plan: (Continued)**

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***Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)***

\$38,723 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability (Asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

2016	\$	(25,747)
2017		(25,747)
2018		(25,747)
2019		(25,747)
Thereafter		-

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2015

*Note 12–Surety Bonds:*

VML Insurance Programs:	
Town employees - blanket bond	\$ 300,000

*Note 13–Commitments and Contingencies:*

The following construction contracts were outstanding at June 30, 2015:

Fund	Project	Contractor	Amount Of Contract	Contract Outstanding at June 30, 2015
Water	Permanent Generator	Master Electrical Services	\$ 195,985	\$ 43,529

*Note 14– Upcoming Pronouncements:*

Statement No. 72, *Fair Value Measurement and Application*, amends the definitions of fair value used throughout GASB literature to be consistent with the definition and principles provided in FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68 and amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. No formal study or estimate of the impact of this standard has been performed.

*Note 14— Upcoming Pronouncements: (Continued)*

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Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. No formal study or estimate of the impact of this standard has been performed.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017. No formal study or estimate of the impact of this standard has been performed.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, objective is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. No formal study or estimate of the impact of this standard has been performed.

Statement No. 77, *Tax Abatement Disclosures*, will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. No formal study or estimate of the impact of this standard has been performed.

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2015

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*Note 15— Restatement of Beginning Net Position:*

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The following adjustments were made to beginning net position:

	Primary Government	
	Governmental Activities	Business-type Activities
Net position as previously reported	\$ 2,241,775	\$ 4,960,672
Implementation of GASB 68:		
Deferred outflows of resources	17,407	25,601
Net pension liability	(17,512)	(25,755)
Totals as restated	\$ <u>2,241,670</u>	\$ <u>4,960,518</u>

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*REQUIRED SUPPLEMENTARY INFORMATION*

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Town of Victoria, Virginia  
General Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
General property taxes	\$ 205,000	\$ 207,000	\$ 166,046	\$ (40,954)
Other local taxes	281,450	281,150	249,844	(31,306)
Permits, privilege fees, and regulatory licenses	900	1,300	975	(325)
Fines and forfeitures	10,000	10,000	22,178	12,178
Revenue from the use of money and property	1,000	1,000	7,769	6,769
Charges for services	95,600	103,544	109,360	5,816
Miscellaneous	12,600	10,500	25,288	14,788
Recovered costs	22,000	23,095	21,802	(1,293)
Intergovernmental:				
Commonwealth	52,288	52,288	150,822	98,534
Federal	-	3,609	10,009	6,400
Total revenues	\$ 680,838	\$ 693,486	\$ 764,093	\$ 70,607
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 100,618	\$ 97,294	\$ 80,949	\$ 16,345
Public safety	364,123	344,337	335,152	9,185
Public works	124,915	157,892	136,768	21,124
Parks, recreation, and cultural	26,600	90,794	89,500	1,294
Community development	2,000	2,000	94	1,906
Nondepartmental	62,582	57,982	47,261	10,721
Capital projects	-	-	20,123	(20,123)
Debt service:				
Principal retirement	-	-	14,302	(14,302)
Interest and other fiscal charges	-	-	3,459	(3,459)
Total expenditures	\$ 680,838	\$ 750,299	\$ 727,608	\$ 22,691
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (56,813)	\$ 36,485	\$ 93,298
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ -	\$ (43,355)	\$ (43,355)	\$ -
Total other financing sources (uses)	\$ -	\$ (43,355)	\$ (43,355)	\$ -
Net change in fund balances	\$ -	\$ (100,168)	\$ (6,870)	\$ 93,298
Fund balances - beginning	-	100,168	524,097	423,929
Fund balances - ending	\$ -	\$ -	\$ 517,227	\$ 517,227

Town of Victoria, Virginia  
 Schedule of Components of and Changes in Net Pension Liability (Asset) and Related Ratios  
 For the Year Ended June 30, 2015

	2014
Total pension liability	
Service cost	\$ 58,550
Interest	102,867
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Benefit payments, including refunds of employee contributions	(92,986)
Net change in total pension liability	\$ 68,431
Total pension liability - beginning	1,516,015
Total pension liability - ending (a)	\$ 1,584,446
Plan fiduciary net position	
Contributions - employer	\$ 43,008
Contributions - employee	24,762
Net investment income	230,901
Benefit payments, including refunds of employee contributions	(92,986)
Administrative expense	(1,253)
Other	12
Net change in plan fiduciary net position	\$ 204,444
Plan fiduciary net position - beginning	1,472,748
Plan fiduciary net position - ending (b)	\$ 1,677,192
Political subdivision's net pension liability (asset) - ending (a) - (b)	\$ (92,746)
Plan fiduciary net position as a percentage of the total pension liability	105.85%
Covered-employee payroll	\$ 495,061
Political subdivision's net pension liability (asset) as a percentage of covered-employee payroll	-18.73%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.



Town of Victoria, Virginia  
 Schedule of Employer Contributions  
 For the Year Ended June 30, 2015

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Employee Payroll (4)	Contributions as a % of Covered Employee Payroll (5)
2015	\$ 38,723	\$ 38,723	\$ -	\$ 496,381	7.79%

Schedule is intended to show information for 10 years. Since 2015 is the first year for this presentation, no other data is available. However, additional years will be included as they become available.

Town of Victoria, Virginia  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2015

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**Changes of benefit terms** - There have been no significant changes to the System benefit provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. The liabilities presented do not reflect the hybrid plan since it covers new members joining the System after the valuation date of June 30, 2013 and the impact on the liabilities as of the measurement date of June 30, 2014 are minimal.

**Changes of assumptions** - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

**Largest 10 - Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**Largest 10 - LEOS:**

- Update mortality table
- Decrease in male rates of disability

**All Others (Non 10 Largest) - Non-LEOS:**

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

**All Others (Non 10 Largest) - LEOS:**

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

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Town of Victoria, Virginia  
 Capital Projects Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2015

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	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Total revenues	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ -	\$ -
Net change in fund balances	\$ -	\$ -	\$ -	\$ -
Fund balances - beginning	-	-	7,717	7,717
Fund balances - ending	\$ -	\$ -	\$ 7,717	\$ 7,717

Town of Victoria, Virginia  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2015

	Special Revenue	Permanent Funds		
	Roundhouse Campgrounds <u>Fund</u>	Oakwood Cemetery Perpetual Care <u>Fund</u>	Lakeview Cemetery Perpetual Care <u>Fund</u>	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 147	\$ 26,354	\$ 136,929	\$ 163,430
Total assets	\$ 147	\$ 26,354	\$ 136,929	\$ 163,430
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 259	\$ -	\$ -	\$ 259
Total liabilities	\$ 259	\$ -	\$ -	\$ 259
Fund balances:				
Nonspendable	\$ -	\$ 26,354	\$ 136,929	\$ 163,283
Restricted	(112)	-	-	\$ (112)
Total fund balances	\$ (112)	\$ 26,354	\$ 136,929	\$ 163,171
Total liabilities and fund balances	\$ 147	\$ 26,354	\$ 136,929	\$ 163,430



Town of Victoria, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2015

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	<u>Special Revenue</u>	<u>Permanent Funds</u>		Total Nonmajor Governmental <u>Funds</u>
	Roundhouse Campgrounds <u>Fund</u>	Oakwood Cemetery Perpetual Care <u>Fund</u>	Lakeview Cemetery Perpetual Care <u>Fund</u>	
<b>REVENUES</b>				
Charges for services	\$ -	\$ -	\$ 60	\$ 60
Miscellaneous	50	-	-	50
Total revenues	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 110</u>
 Excess (deficiency) of revenues over (under) expenditures	 \$ 50	 \$ -	 \$ 60	 \$ 110
 Net change in fund balances	 \$ 50	 \$ -	 \$ 60	 \$ 110
Fund balances - beginning	(162)	26,354	136,869	163,061
Fund balances - ending	<u>\$ (112)</u>	<u>\$ 26,354</u>	<u>\$ 136,929</u>	<u>\$ 163,171</u>

Town of Victoria, Virginia  
 Nonmajor Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
 For the Year Ended June 30, 2015

	Roundhouse Campgrounds Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 50	\$ 50
Total revenues	\$ -	\$ -	\$ 50	\$ 50
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 50	\$ 50
Net change in fund balances	\$ -	\$ -	\$ 50	\$ 50
Fund balances - beginning	-	-	(162)	(162)
Fund balances - ending	\$ -	\$ -	\$ (112)	\$ (112)

*DISCRETELY PRESENTED COMPONENT UNIT  
INDUSTRIAL DEVELOPMENT AUTHORITY*

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Town of Victoria  
Statement of Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2015

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 96,359
Property held for resale	<u>151,287</u>
Total assets	<u>\$ 247,646</u>

**NET POSITION**

Unrestricted	<u>\$ 247,646</u>
Total net position	<u><u>\$ 247,646</u></u>

Town of Victoria  
Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2015

---

## OPERATING REVENUES

## Charges for services:

Lease revenue	\$ 15,000
Total operating revenues	\$ 15,000

## OPERATING EXPENSES

Other charges	\$ 4,066
Total operating expenses	\$ 4,066

Operating income (loss)	\$ 10,934
-------------------------	-----------

## NONOPERATING REVENUES (EXPENSES)

Investment income	\$ 346
Total nonoperating revenues (expenses)	\$ 346
Change in net position	\$ 11,280

Total net position - beginning	236,366
Total net position - ending	\$ 247,646

Town of Victoria  
Statement of Cash Flows  
Discretely Presented Component Unit - Industrial Development Authority  
For the Year Ended June 30, 2015

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## CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 15,000
Payments for operating activities	(4,066)
Net cash provided by (used for) operating activities	\$ 10,934

## CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 346
Net cash provided by (used for) investing activities	\$ 346

Net increase (decrease) in cash and cash equivalents	\$ 11,280
--	-----------

Cash and cash equivalents - beginning	85,079
Cash and cash equivalents - ending	\$ 96,359

Reconciliation of operating income (loss) to net cash  
provided (used) by operating activities:

Operating income (loss)	\$ 10,934
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## *SUPPORTING SCHEDULES*

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Town of Victoria, Virginia  
**Schedule of Revenues - Budget and Actual  
 Governmental Funds**  
 For the Year Ended June 30, 2015

Schedule 1  
 Page 1 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Current property taxes	\$ 205,000	\$ 202,000	\$ 156,510	\$ (45,490)
Delinquent property taxes	-	-	2,605	2,605
Penalty and interest	-	3,000	4,211	1,211
DMV stop payments	-	2,000	2,720	720
Total general property taxes	<u>\$ 205,000</u>	<u>\$ 207,000</u>	<u>\$ 166,046</u>	<u>\$ (40,954)</u>
Other local taxes:				
Local sales and use taxes	\$ 31,500	\$ 31,500	\$ 33,775	\$ 2,275
Consumers' utility taxes	90,000	90,000	35,048	(54,952)
Consumption tax	3,750	3,750	8,316	4,566
Meals tax	61,600	61,600	67,199	5,599
Business license taxes	30,800	30,500	33,572	3,072
Motor vehicle licenses	30,800	30,800	36,033	5,233
Bank stock taxes	33,000	33,000	35,901	2,901
Total other local taxes	<u>\$ 281,450</u>	<u>\$ 281,150</u>	<u>\$ 249,844</u>	<u>\$ (31,306)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 900	\$ 1,300	\$ 975	\$ (325)
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,000	\$ 10,000	\$ 22,178	\$ 12,178
Revenue from use of money and property:				
Revenue from use of money	\$ 1,000	\$ 1,000	\$ 7,769	\$ 6,769
Total revenue from use of money and property	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 7,769</u>	<u>\$ 6,769</u>
Charges for services:				
Charges for refuse collection	\$ 95,600	\$ 95,600	\$ 95,262	\$ (338)
Public pool	-	7,944	14,098	6,154
Total charges for services	<u>\$ 95,600</u>	<u>\$ 103,544</u>	<u>\$ 109,360</u>	<u>\$ 5,816</u>
Miscellaneous				
	<u>\$ 12,600</u>	<u>\$ 10,500</u>	<u>\$ 25,288</u>	<u>\$ 14,788</u>
Recovered costs:				
Department of Motor Vehicles	\$ 22,000	\$ 22,000	\$ 20,690	\$ (1,310)
Litter grant - Lunenburg County	-	1,095	1,112	17
Total recovered costs	<u>\$ 22,000</u>	<u>\$ 23,095</u>	<u>\$ 21,802</u>	<u>\$ (1,293)</u>
Total revenue from local sources	<u>\$ 628,550</u>	<u>\$ 637,589</u>	<u>\$ 603,262</u>	<u>\$ (34,327)</u>
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Mobile home titling tax	\$ -	\$ -	\$ 450	\$ 450
Communications tax	-	-	51,131	51,131
Personal property tax relief funds	-	-	45,953	45,953
Total noncategorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,534</u>	<u>\$ 97,534</u>

Town of Victoria, Virginia  
**Schedule of Revenues - Budget and Actual  
 Governmental Funds**  
 For the Year Ended June 30, 2015

Schedule 1  
 Page 2 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 10,000	\$ 10,000	\$ 11,000	\$ 1,000
Local law enforcement block grant	42,288	42,288	42,288	-
Total other categorical aid	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 53,288</u>	<u>\$ 1,000</u>
Total categorical aid	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 53,288</u>	<u>\$ 1,000</u>
Total revenue from the Commonwealth	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 150,822</u>	<u>\$ 98,534</u>
Revenue from the federal government:				
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 6,400	\$ 6,400
Justice assistance grant	-	3,609	3,609	-
Total categorical aid	<u>\$ -</u>	<u>\$ 3,609</u>	<u>\$ 10,009</u>	<u>\$ 6,400</u>
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 3,609</u>	<u>\$ 10,009</u>	<u>\$ 6,400</u>
Total General Fund	<u>\$ 680,838</u>	<u>\$ 693,486</u>	<u>\$ 764,093</u>	<u>\$ 70,607</u>
<b>Special Revenue Funds:</b>				
<b>Roundhouse Campgrounds Fund:</b>				
Revenue from local sources:				
Miscellaneous:	\$ -	\$ -	\$ 50	\$ 50
Total Special Revenue Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>
<b>Capital Projects Fund:</b>				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ 15,000	\$ -	\$ (15,000)
Total revenue from use of money and property	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ (15,000)</u>
<b>Permanent Funds:</b>				
<b>Lakeview Cemetery Perpetual Care Fund:</b>				
Revenue from local sources:				
Charges for services:				
Sale of cemetery lots	\$ -	\$ -	\$ 60	\$ 60
Total Lakeview Cemetery Perpetual Care Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>
Total Permanent Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60</u>	<u>\$ 60</u>
Total Primary Government	<u>\$ 680,838</u>	<u>\$ 693,486</u>	<u>\$ 764,203</u>	<u>\$ 70,717</u>

Town of Victoria, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2015

Schedule 2  
 Page 1 of 2

<u>Fund, Function, Element and Activity</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund:</b>				
General government administration:				
Legislative:				
Town council	\$ 8,598	\$ 8,598	\$ 7,609	\$ 989
General and financial administration:				
Town manager	\$ 83,437	\$ 80,113	\$ 67,225	\$ 12,888
Legal services	2,583	2,583	1,740	843
Independent auditor	6,000	6,000	4,375	1,625
Total general and financial administration	<u>\$ 92,020</u>	<u>\$ 88,696</u>	<u>\$ 73,340</u>	<u>\$ 15,356</u>
Total general government administration	<u>\$ 100,618</u>	<u>\$ 97,294</u>	<u>\$ 80,949</u>	<u>\$ 16,345</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 265,623	\$ 245,837	\$ 234,554	\$ 11,283
Total law enforcement and traffic control	<u>265,623</u>	<u>245,837</u>	<u>234,554</u>	<u>11,283</u>
Fire and rescue services:				
Volunteer fire and rescue departments	\$ 98,500	\$ 98,500	\$ 100,598	\$ (2,098)
Total public safety	<u>\$ 364,123</u>	<u>\$ 344,337</u>	<u>\$ 335,152</u>	<u>\$ 9,185</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 13,422	\$ 21,264	\$ 7,902	\$ 13,362
Streetlights	25,539	25,539	25,538	1
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 38,961</u>	<u>\$ 46,803</u>	<u>\$ 33,440</u>	<u>\$ 13,363</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 60,161	\$ 80,133	\$ 80,128	\$ 5
Maintenance of general buildings and grounds:				
Municipal building	\$ 25,793	\$ 30,956	\$ 23,200	\$ 7,756
Total public works	<u>\$ 124,915</u>	<u>\$ 157,892</u>	<u>\$ 136,768</u>	<u>\$ 21,124</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Caboose fund	\$ -	\$ 1,400	\$ 665	\$ 735
Public pool	-	18,180	18,179	1
Park and recreation	17,200	61,814	61,810	4
Total parks and recreation	<u>17,200</u>	<u>81,394</u>	<u>80,654</u>	<u>740</u>
Library:				
Library	\$ 9,400	\$ 9,400	\$ 8,846	\$ 554
Total parks, recreation, and cultural	<u>\$ 26,600</u>	<u>\$ 90,794</u>	<u>\$ 89,500</u>	<u>\$ 1,294</u>
Community development:				
Planning and community development:				
Condemned property removal	\$ 2,000	\$ 2,000	\$ 94	\$ 1,906

Town of Victoria, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2015

<u>Fund, Function, Element and Activity</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Nondepartmental:				
Public transportation	\$ -	\$ 6,548	\$ 6,547	\$ 1
Department of motor vehicles	1,400	4,415	4,414	1
Contingencies and miscellaneous	61,182	47,019	36,300	10,719
Total nondepartmental	<u>\$ 62,582</u>	<u>\$ 57,982</u>	<u>\$ 47,261</u>	<u>\$ 10,721</u>
Capital projects:				
Streetscape project	\$ -	\$ -	\$ 15,623	\$ (15,623)
Trail project	-	-	4,500	(4,500)
Total capital projects	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,123</u>	<u>\$ (20,123)</u>
Debt service:				
Principal retirement	\$ -	\$ -	\$ 14,302	\$ (14,302)
Interest and other fiscal charges	-	-	3,459	(3,459)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,761</u>	<u>\$ (17,761)</u>
Total General Fund	<u>\$ 680,838</u>	<u>\$ 750,299</u>	<u>\$ 727,608</u>	<u>\$ 22,691</u>
Total Primary Government	<u>\$ 680,838</u>	<u>\$ 750,299</u>	<u>\$ 727,608</u>	<u>\$ 22,691</u>

*STATISTICAL INFORMATION*

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Table 1

Town of Victoria, Virginia  
Government-Wide Expenses by Function  
Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Obligations	Business-type Activities	Total
2006	\$ 122,885	\$ 255,875	\$ 135,569	\$ 41,922	\$ 7,500	\$ 77,457	\$ 3,305	\$ 1,000,812	\$ 1,645,325
2007	138,642	306,828	126,916	27,649	4,145	149,126	3,600	1,069,787	1,826,693
2008	134,735	369,854	206,266	41,540	47,318	117,109	5,614	977,280	1,899,716
2009	232,310	343,652	114,336	41,753	46,927	-	3,624	1,084,268	1,866,870
2010	166,336	342,000	113,502	43,930	73,631	-	7,036	1,175,023	1,921,458
2011	158,345	347,213	196,324	54,427	13,832	-	4,514	1,013,176	1,787,831
2012	185,036	316,728	124,282	59,046	16,571	-	2,472	1,142,893	1,847,028
2013	201,928	284,246	211,675	55,507	34,303	-	3,492	1,266,259	2,057,410
2014	138,259	341,089	123,202	80,396	34,996	-	13,838	1,196,532	1,928,312
2015	108,917	328,125	142,322	134,076	94	-	3,459	1,321,848	2,038,841

Table 2

Town of Victoria, Virginia  
Government-Wide Revenues  
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2006	\$ 1,070,854	\$ 198,805	\$ 79,204	\$ 106,985	\$ 225,896	\$ 51,594	\$ 142,983	\$ 45,837	\$ 1,922,158	
2007	1,151,469	253,299	-	114,894	219,381	33,945	152,944	48,143	1,974,075	
2008	1,290,283	479,591	-	115,925	236,145	33,015	20,712	45,953	2,221,624	
2009	1,228,173	214,821	-	139,559	235,455	52,576	28,122	45,953	1,944,659	
2010	1,215,185	91,370	-	143,073	208,225	51,378	46,644	99,639	1,855,514	
2011	1,256,348	681,379	100,000	153,938	227,950	93,234	21,019	99,374	2,633,242	
2012	1,251,023	286,697	107,928	103,179	221,573	58,523	37,209	98,288	2,164,420	
2013	1,229,909	56,912	522,625	202,285	224,784	18,224	25,976	98,452	2,379,167	
2014	1,409,059	71,078	43,315	174,155	252,320	18,978	24,063	97,535	2,090,503	
2015	1,243,705	53,288	148,741	168,810	249,844	16,088	32,555	97,534	2,010,565	

Table 3

Town of Victoria, Virginia  
 General Governmental Expenditures by Function (1)  
 Last Ten Fiscal Years

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2006	\$ 133,253	\$ 263,788	\$ 228,523	\$ 40,312	\$ 7,500	\$ 77,457	\$ 18,664	\$ 769,497
2007	149,652	333,863	173,524	3,654	7,500	149,126	26,352	843,671
2008	149,576	383,096	177,935	2,203	-	117,109	49,412	879,331
2009	124,356	326,307	214,110	2,416	9,555	139,936	46,553	863,233
2010	129,180	329,117	153,692	55,815	37,392	56,322	45,745	807,263
2011	132,910	332,199	166,288	11,500	119,748	48,905	35,707	847,257
2012	160,250	307,623	149,587	16,119	17,571	54,645	14,792	720,587
2013	165,283	285,985	195,078	12,580	28,983	46,142	128,555	862,606
2014	83,462	335,307	113,204	37,469	29,370	46,876	28,530	674,218
2015	80,949	335,152	136,768	89,500	94	47,261	17,761	707,485

(1) Includes General, Capital Projects and Special Revenue funds of the Primary Government.  
 Does not include capital projects expenditures.

Town of Victoria, Virginia  
General Governmental Revenues by Source (1)  
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2006	\$ 111,223	\$ 225,896	\$ -	\$ 7,160	\$ 11,274	\$ 99,023	\$ 16,940	\$ 11,753	\$ 190,182	\$ 673,451
2007	107,662	219,381	-	8,391	19,081	93,024	41,380	25,616	117,228	631,763
2008	109,907	236,145	-	12,937	19,231	92,751	12,268	18,140	121,792	623,171
2009	146,956	235,455	272	5,793	24,669	96,619	28,122	16,076	260,774	814,736
2010	134,862	208,225	1,450	12,882	23,378	95,016	41,106	17,108	191,009	725,036
2011	137,909	227,950	925	18,787	2,234	95,133	19,519	19,135	305,894	827,486
2012	136,692	221,573	1,370	18,697	28,207	96,929	23,290	19,614	296,771	843,143
2013	176,627	224,784	900	9,896	12,203	98,512	13,027	18,994	673,382	1,228,325
2014	172,222	252,320	1,575	11,343	9,219	101,060	23,975	26,112	211,928	809,754
2015	166,046	249,844	975	22,178	7,769	109,420	25,338	21,802	160,831	764,203

(1) Includes General and Special Revenue funds of the Primary Government. Excludes Capital Projects fund.

Table 5

Town of Victoria, Virginia  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1,2)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1)	Percent of Delinquent Taxes to Tax Levy
2006	\$ 146,936	\$ 127,147	86.53%	\$ 27,724	\$ 154,871	105.40%	\$ 29,308	19.95%
2007	148,127	134,608	90.87%	19,007	153,615	103.70%	29,424	19.86%
2008	148,808	133,046	89.41%	18,533	151,579	101.86%	31,801	21.37%
2009	186,231	162,625	87.32%	23,271	185,896	99.82%	32,770	17.60%
2010	178,819	167,300	93.56%	6,476	173,776	97.18%	33,261	18.60%
2011	178,952	169,650	94.80%	7,815	177,465	99.17%	42,976	24.02%
2012	180,028	169,089	93.92%	8,885	177,974	98.86%	35,294	19.60%
2013	211,526	202,418	95.69%	11,865	214,283	101.30%	35,403	16.74%
2014	212,905	201,568	94.68%	9,137	210,705	98.97%	31,960	15.01%
2015	213,377	202,463	94.89%	2,605	205,068	96.11%	33,285	15.60%

(1) Exclusive of penalties and interest, includes PPTRA.

(2) Does not include land redemptions.

Table 6

Town of Victoria, Virginia  
Assessed Value of Taxable Property  
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property (3)	Machinery and Tools	Mobile Homes	Public Utility (2)		Total
					Real Estate	Personal Property	
2006	\$ 53,468,800	\$ 8,618,104	\$ 100,705	\$ 283,500	\$ 2,417,304	\$ -	\$ 64,888,413
2007	53,686,100	8,792,670	60,180	271,700	1,954,829	-	64,765,479
2008	54,284,455	8,752,214	112,600	271,700	1,981,736	-	65,402,705
2009	65,094,700	8,950,289	112,600	234,600	2,565,952	-	76,958,141
2010	65,589,329	8,245,367	271,570	239,700	2,412,222	-	76,758,188
2011	66,127,600	8,271,551	228,780	225,800	2,419,274	-	77,273,005
2012	66,812,300	8,158,265	326,215	237,800	2,683,394	-	78,217,974
2013	65,796,000	8,248,173	243,308	229,500	2,644,492	-	77,161,473
2014	65,798,100	8,479,084	294,433	256,000	2,883,731	-	77,711,348
2015	66,166,000	8,881,271	306,451	261,700	2,906,836	-	78,522,258

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property is assessed at 100% of fair market value.

Table 7

Town of Victoria, Virginia  
Property Tax Rates (1)  
Last Ten Fiscal Years

Fiscal Year	Real Estate	Personal Property	Machinery and Tools	Mobile Homes	Public Utility	
					Real Estate	Personal Property
2006	\$ 0.11	\$ 0.98	\$ 0.75	\$ 0.11	\$ 0.11	\$ 0.98
2007	0.11	0.98	0.75	0.11	0.11	0.98
2008	0.11	0.98	0.75	0.11	0.11	0.98
2009	0.14	0.98	0.75	0.14	0.14	0.98
2010	0.14	0.98	0.75	0.14	0.14	0.98
2011	0.14	0.98	0.75	0.14	0.14	0.98
2012	0.14	0.98	0.75	0.14	0.14	0.98
2013	0.18	0.98	0.75	0.18	0.18	0.98
2014	0.18	0.98	0.75	0.18	0.18	0.98
2015	0.18	0.98	0.75	0.18	0.18	0.98

(1) Per \$100 of assessed value.

Table 8

Town of Victoria, Virginia  
Ratio of Net General Bonded Debt to  
Assessed Value and Net Bonded Debt Per Capita  
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (2)	Gross & Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2006	1,821	\$ 64,888,413	\$ 592,078	0.91%	\$ 325
2007	1,821	64,765,479	631,568	0.98%	347
2008	1,821	65,402,705	558,051	0.85%	306
2009	1,821	76,958,141	484,147	0.63%	266
2010	1,725	76,758,188	593,293	0.77%	344
2011	1,725	77,273,005	359,221	0.46%	208
2012	1,725	78,217,974	321,196	0.41%	186
2013	1,725	77,161,473	1,313,891	1.70%	762
2014	1,725	77,711,348	2,477,093	3.19%	1,436
2015	1,725	78,522,258	2,797,580	3.56%	1,622

(1) Weldon Cooper Center for Public Service at the University of Virginia.

(2) From Table 6.

(3) Includes all long-term general obligation bonded debt.

Excludes revenue bonds, capital leases, and compensated absences.



Town of Victoria, Virginia  
 Computation of Legal Debt Margin  
 Year Ended June 30, 2015

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Total assessed value of real property (1).	\$	69,072,836
Debt limit - 10% of total assessed value	\$	6,907,284
Amount of debt applicable to debt limit:		
Gross debt (2)	\$	2,797,580
Less: Water and sewer revenue bonds		-
Total amount of debt applicable to debt limit	\$	2,797,580
Legal debt margin	\$	4,109,704

(1) Includes public utility real property.

(2) Includes bonded debt.

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*COMPLIANCE SECTION*

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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To the Honorable Members of the Town Council  
Town of Victoria  
Victoria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Victoria Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Town of Victoria, Virginia's basic financial statements, and have issued our report thereon dated May 3, 2016.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Victoria, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Victoria, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Victoria, Virginia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2015-001.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Victoria, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Town of Victoria, Virginia's Response to Findings

Town of Victoria, Virginia's response to the finding identified in our audit is described in the accompany schedule of finding and questions costs. Town of Victoria, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

A handwritten signature in black ink, appearing to read "D. F. Cox", followed by a horizontal line extending to the right.

Richmond, Virginia  
May 3, 2016

# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Honorable Members of the Town Council  
Town of Victoria  
Victoria, Virginia

### Report on Compliance for Each Major Federal Program

We have audited Town of Victoria, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Victoria, Virginia's major federal programs for the year ended June 30, 2015. Town of Victoria, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of Town of Victoria, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Victoria, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Victoria, Virginia's compliance.

#### *Opinion on Each Major Federal Program*

In our opinion, Town of Victoria, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control over Compliance

Management of Town of Victoria, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Victoria, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Victoria, Virginia's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Richmond, Virginia  
May 3, 2016



Town of Victoria, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2015

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass Through Payments:			
Department of Justice:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10DJB X0311	<u>\$ 3,609</u>
Department of Transportation:			
Pass Through Payments:			
Department of Transportation:			
Highway Planning and Construction	20.205	EN06-317-115	<u>\$ 6,400</u>
Department of the Agriculture:			
Direct payments:			
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	<u>\$ 554,639</u>
Total Expenditures of Federal Awards			<u><u>\$ 564,648</u></u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

Town of Victoria, Virginia

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2015

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Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Victoria, Virginia under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Town of Victoria, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Victoria, Virginia.

Note B - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note C - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
General Fund	\$ <u>10,009</u>
USDA Rural Development Loan/Grant	\$ <u>554,639</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>564,648</u></u>

Town of Victoria, Virginia  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2015

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Section I-Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>  ✓  </u> yes	<u>      </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  ✓  </u> none reported

Noncompliance material to financial statements noted?

	<u>      </u> yes	<u>  ✓  </u> no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u>      </u> yes	<u>  ✓  </u> no
Significant deficiency(ies) identified?	<u>      </u> yes	<u>  ✓  </u> none reported

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

Any findings disclosed that are required to be  
reported in accordance with section 510(a) of  
Circular A-133?

	<u>      </u> yes	<u>  ✓  </u> no
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Identification of major programs:

CFDA Number(s)

10.760

Name of Federal Program or Cluster

Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A  
and type B programs: \$300,000

Auditee qualified as low-risk auditee?

	<u>      </u> yes	<u>  ✓  </u> no
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Town of Victoria, Virginia  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2015

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**Section II-Financial Statement Findings**

2015-001

Financial Reporting

<b>Criteria:</b>	Per Statement of Auditing Standards 115 (SAS 115), identification of adjustments to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. Internal controls should be in place that provide assurance that audited financial statements reconcile to the Town's internal documents.
<b>Condition:</b>	The financial statements did not contain all necessary adjustments to reconcile to the Town's internal documents to comply with generally accepted accounting principles (GAAP).
<b>Effect of Condition:</b>	There is more than a remote likelihood that a misstatement of the Town's financial statements or notes to the financial statements that is more than inconsequential will not be prevented or detected by the Town's internal controls over financial reporting.
<b>Cause of Condition:</b>	Procedures have not been fully implemented to provide the necessary internal controls over financial reporting.
<b>Recommendation:</b>	Procedures should be implemented providing for the posting of all year-end adjusting entries to allow for reconciliation between the audited financial statements and the Town's general ledger reports. In order to take the next step in addressing this issue, the Town should consider employing a governmental accounting consultant, that is independent of the Town's Auditor, to assist with the preparation of year end working trial balances.
<b>Management's Response:</b>	The Town is considering corrective action for FY16.

**Section III-Federal Award Findings and Questioned Costs**

None