

TOWN OF VICTORIA, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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**TOWN OF VICTORIA, VIRGINIA**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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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, 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2018, 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.

## *Change in Accounting Principle*

As described in Note 16 to the financial statements, in 2018, the Town adopted new accounting guidance, GASB Statement Nos. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and 85 *Omnibus 2017*. Our opinion is not modified with respect to this matter.

## *Restatement of Beginning Balances*

As described in Note 16 to the financial statements, in 2018, the Town restated beginning balances to reflect the requirements of GASB Statement No. 75. Our opinion is not modified with respect to this matter.

## *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 related to pension and OPEB funding on pages 4-9, 76, 77-79, and 80-83 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.

### *Supplementary and 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.

*Supplementary and Other Information (Continued)*

The combining and individual fund financial statements and schedules and supporting schedules 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 and supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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 March 27, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Town of Victoria, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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  
March 27, 2019

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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, 2018. 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 \$7,613,471 (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 \$94,665 (Exhibit 5).

- < As of the close of the current fiscal year, the Town's funds reported an ending fund balance of \$717,944, an increase of \$94,665 in comparison with the prior year.
- < The combined long-term obligations decreased \$122,010 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 required and 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overview of the Financial Statements (Continued)

Government-wide financial statements (Continued)

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules and pension related schedules, and other supplementary information including combining and individual statements for nonmajor funds and component unit statements.

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 \$7,613,471 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	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 763,623	\$ 704,277	\$ 630,297	\$ 556,217	\$ 1,393,920	\$ 1,260,494
Capital assets	2,212,922	2,322,784	6,552,081	6,826,408	8,765,003	9,149,192
<b>Total assets</b>	<b>\$ 2,976,545</b>	<b>\$ 3,027,061</b>	<b>\$ 7,182,378</b>	<b>\$ 7,382,625</b>	<b>\$ 10,158,923</b>	<b>\$ 10,409,686</b>
Deferred outflows of resources	\$ 55,425	\$ 43,076	\$ 57,105	\$ 39,266	\$ 112,530	\$ 82,342
Current liabilities	\$ 6,671	\$ 46,231	\$ 57,746	\$ 96,819	\$ 64,417	\$ 143,050
Long-term liabilities outstanding	113,095	99,338	2,407,539	2,494,306	2,520,634	2,593,644
<b>Total liabilities</b>	<b>\$ 119,766</b>	<b>\$ 145,569</b>	<b>\$ 2,465,285</b>	<b>\$ 2,591,125</b>	<b>\$ 2,585,051</b>	<b>\$ 2,736,694</b>
Deferred inflows of resources	\$ 37,441	\$ 29,019	\$ 35,490	\$ 22,422	\$ 72,931	\$ 51,441
Net position:						
Net investment in capital assets	\$ 2,149,742	\$ 2,218,750	\$ 4,197,952	\$ 4,353,786	\$ 6,347,694	\$ 6,572,536
Unrestricted	725,021	676,799	540,756	454,558	1,265,777	1,131,357
<b>Total net position</b>	<b>\$ 2,874,763</b>	<b>\$ 2,895,549</b>	<b>\$ 4,738,708</b>	<b>\$ 4,808,344</b>	<b>\$ 7,613,471</b>	<b>\$ 7,703,893</b>

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.

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

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

During the current fiscal year, the Town's net position decreased by \$44,167. 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	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 131,401	\$ 143,720	\$ 1,193,662	\$ 1,174,944	\$ 1,325,063	\$ 1,318,664
Operating grants and contributions	53,652	73,718	-	-	53,652	73,718
Capital grants and contributions	20,334	544,810	102,622	73,647	122,956	618,457
<b>General revenues:</b>						
General property taxes	180,120	173,715	-	-	180,120	173,715
Other local taxes	274,066	279,012	-	-	274,066	279,012
Grants and other contributions not restricted	93,724	96,182	-	-	93,724	96,182
Other general revenues	21,833	46,494	28,750	20,505	50,583	66,999
Transfers	(7,717)	40,170	7,717	(40,170)	-	-
<b>Total revenues</b>	<b>\$ 767,413</b>	<b>\$ 1,397,821</b>	<b>\$ 1,332,751</b>	<b>\$ 1,228,926</b>	<b>\$ 2,100,164</b>	<b>\$ 2,626,747</b>
<b>Expenses:</b>						
General government administration	\$ 126,619	\$ 143,940	\$ -	\$ -	\$ 126,619	\$ 143,940
Public safety	370,974	361,268	-	-	370,974	361,268
Public works	181,875	144,304	1,374,171	1,231,017	1,556,046	1,375,321
Parks, recreation, and cultural	89,081	113,265	-	-	89,081	113,265
Community development	119	494	-	-	119	494
Interest and other fiscal charges	1,492	2,522	-	-	1,492	2,522
<b>Total expenses</b>	<b>\$ 770,160</b>	<b>\$ 765,793</b>	<b>\$ 1,374,171</b>	<b>\$ 1,231,017</b>	<b>\$ 2,144,331</b>	<b>\$ 1,996,810</b>
<b>Change in net position</b>	<b>\$ (2,747)</b>	<b>\$ 632,028</b>	<b>\$ (41,420)</b>	<b>\$ (2,091)</b>	<b>\$ (44,167)</b>	<b>\$ 629,937</b>
Beginning of year, as restated	2,877,510	2,263,521	4,780,128	4,810,435	7,657,638	7,073,956
End of year	<u>\$ 2,874,763</u>	<u>\$ 2,895,549</u>	<u>\$ 4,738,708</u>	<u>\$ 4,808,344</u>	<u>\$ 7,613,471</u>	<u>\$ 7,703,893</u>

Because prior year information related to other postemployment benefits was not available, the 2017 numbers have not been restated to reflect GASB 75 calculations.



## 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, unassigned 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 \$717,944, an increase of \$94,665 in comparison with the prior year. Approximately 68% 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 \$400,654. Total net position decreased \$41,420.

### General Fund Budgetary Highlights

The original budget was not amended during the year.

During the year, budgetary estimates were less than revenues and other financing sources by \$41,726. Expenditures and other uses were less than budgetary estimates by \$57,588, resulting in a positive variance of \$99,314.

### Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2018 amounted to \$2,212,922 and \$6,552,081 for its business-type funds (both net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and infrastructure.

Additional information on the Town's capital assets can be found in Note 5 of this report.

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt outstanding of \$2,417,309. All comprises debt backed by the full faith and credit of the Town.

During the current fiscal year, the Town's total debt decreased by \$130,313.

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 indices.

All of these factors were considered in preparing the Town's budget for the 2019 fiscal year.

None of the property tax rates changed for FY19.

### 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, 2018

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit IDA
<b>ASSETS</b>				
Cash and cash equivalents	\$ 684,493	\$ 516,188	\$ 1,200,681	\$ 153,156
Receivables (net of allowance for uncollectibles):				
Taxes receivable	22,363	-	22,363	-
Accounts receivable	26,656	99,453	126,109	-
Property held for resale	-	-	-	306,100
Due from other governmental units	15,745	-	15,745	-
Net pension asset	14,366	14,656	29,022	-
Capital assets (net of accumulated depreciation):				
Land	269,489	60,726	330,215	-
Buildings and system	315,005	6,412,473	6,727,478	-
Machinery and equipment	87,858	78,882	166,740	-
Infrastructure	1,540,570	-	1,540,570	-
Total assets	<u>\$ 2,976,545</u>	<u>\$ 7,182,378</u>	<u>\$ 10,158,923</u>	<u>\$ 459,256</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension related items	\$ 54,393	\$ 55,491	\$ 109,884	\$ -
OPEB related items	1,032	1,614	2,646	-
Total deferred outflows of resources	<u>\$ 55,425</u>	<u>\$ 57,105</u>	<u>\$ 112,530</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 5,019	\$ 17,841	\$ 22,860	\$ -
Accrued liabilities	1,652	2,307	3,959	-
Customers' deposits	-	37,598	37,598	-
Non-refundable deposit on property sale	-	-	-	30,000
Long-term liabilities:				
Due within one year	15,375	123,797	139,172	-
Due in more than one year	97,720	2,283,742	2,381,462	-
Total liabilities	<u>\$ 119,766</u>	<u>\$ 2,465,285</u>	<u>\$ 2,585,051</u>	<u>\$ 30,000</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property taxes	\$ 3,323	-	\$ 3,323	\$ -
Pension related items	32,168	32,440	64,608	-
OPEB related items	1,950	3,050	5,000	-
Total deferred inflows of resources	<u>\$ 37,441</u>	<u>\$ 35,490</u>	<u>\$ 72,931</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 2,149,742	\$ 4,197,952	\$ 6,347,694	\$ -
Unrestricted (deficit)	725,021	540,756	1,265,777	429,256
Total net position	<u>\$ 2,874,763</u>	<u>\$ 4,738,708</u>	<u>\$ 7,613,471</u>	<u>\$ 429,256</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, 2018

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	Primary Government Business-type Activities	Total	Component Unit IDA
<b>PRIMARY GOVERNMENT:</b>								
Governmental activities:								
General government administration	\$ 126,619	\$ 220	\$ -	\$ 20,334	\$ (106,065)	\$ -	\$ (106,065)	\$ -
Public safety	370,974	11,499	53,652	-	(305,823)	-	(305,823)	-
Public works	181,875	104,850	-	-	(77,025)	-	(77,025)	-
Parks, recreation, and cultural	89,081	-	-	-	(89,081)	-	(89,081)	-
Community development	119	14,832	-	-	14,713	-	14,713	-
Interest on long-term obligations	1,492	-	-	-	(1,492)	-	(1,492)	-
Total governmental activities	\$ 770,160	\$ 131,401	\$ 53,652	\$ 20,334	\$ (564,773)	\$ -	\$ (564,773)	\$ -
Business-type activities:								
Oakwood Cemetery	\$ -	\$ 638	\$ -	\$ -	\$ -	\$ 638	\$ 638	\$ -
Lakeview Cemetery	1,215	4,007	-	-	-	2,792	2,792	-
Sewer	568,572	497,492	-	-	-	(71,080)	(71,080)	-
Water	783,329	691,525	-	-	-	(91,804)	(91,804)	-
Water and Sewer Escrow	21,055	-	-	102,622	-	81,567	81,567	-
Total business-type activities	\$ 1,374,171	\$ 1,193,662	\$ -	\$ 102,622	\$ -	\$ (77,887)	\$ (77,887)	\$ -
Total primary government	\$ 2,144,331	\$ 1,325,063	\$ 53,652	\$ 122,956	\$ (564,773)	\$ (77,887)	\$ (642,660)	\$ -
<b>COMPONENT UNIT:</b>								
IDA	\$ 2,786	\$ 27,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,714
Total component unit	\$ 2,786	\$ 27,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,714
General revenues:								
General property taxes					\$ 180,120	\$ -	\$ 180,120	\$ -
Other local taxes:								
Local sales and use taxes					37,373	-	37,373	-
Consumers' utility taxes					37,630	-	37,630	-
Motor vehicle licenses					37,161	-	37,161	-
Bank stock taxes					36,344	-	36,344	-
Meals taxes					87,810	-	87,810	-
Business license taxes					32,233	-	32,233	-
Other local taxes					5,515	-	5,515	-
Unrestricted revenues from use of money and property					6,015	3,673	9,688	568
Miscellaneous					15,818	25,077	40,895	-
Grants and contributions not restricted to specific programs					93,724	-	93,724	-
Transfers					(7,717)	7,717	-	-
Total general revenues and transfers					\$ 562,026	\$ 36,467	\$ 598,493	\$ 568
Change in net position					\$ (2,747)	\$ (41,420)	\$ (44,167)	\$ 25,282
Net position - beginning, as restated					2,877,510	4,780,128	7,657,638	403,974
Net position - ending					\$ 2,874,763	\$ 4,738,708	\$ 7,613,471	\$ 429,256

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, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 515,901	\$ 168,592	\$ 684,493
Receivables (net of allowance for uncollectibles):			
Taxes receivable	22,363	-	22,363
Accounts receivable	26,656	-	26,656
Due from other governmental units	15,745	-	15,745
Total assets	<u>\$ 580,665</u>	<u>\$ 168,592</u>	<u>\$ 749,257</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 4,760	\$ 259	\$ 5,019
Accrued liabilities	1,652	-	1,652
Total liabilities	<u>\$ 6,412</u>	<u>\$ 259</u>	<u>\$ 6,671</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 24,642	\$ -	\$ 24,642
<b>FUND BALANCES</b>			
Nonspendable	\$ -	\$ 168,285	\$ 168,285
Restricted	-	48	48
Committed	65,019	-	65,019
Unassigned	484,592	-	484,592
Total fund balances	<u>\$ 549,611</u>	<u>\$ 168,333</u>	<u>\$ 717,944</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 580,665</u>	<u>\$ 168,592</u>	<u>\$ 749,257</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, 2018

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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	\$	717,944	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets, cost	\$	3,564,056	
Accumulated depreciation		<u>(1,351,134)</u>	2,212,922
The net pension asset is not an available resource and, therefore, is not reported in the funds.			
			14,366
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.			
Unavailable revenue			21,319
Deferred outflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the funds.			
Pension related items	\$	54,393	
OPEB related items		<u>1,032</u>	55,425
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			
General obligation bond	\$	(63,180)	
Net OPEB liability		(16,770)	
Compensated absences		<u>(33,145)</u>	(113,095)
Deferred inflows of resources are not due and payable in the current-period, and therefore, are not reported in the funds.			
Pension related items	\$	(32,168)	
OPEB related items		<u>(1,950)</u>	(34,118)
Net position of governmental activities			<u><u>\$ 2,874,763</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, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>REVENUES</b>				
General property taxes	\$ 170,874	\$ -	\$ -	\$ 170,874
Other local taxes	274,066	-	-	274,066
Permits, privilege fees, and regulatory licenses	1,657	-	-	1,657
Fines and forfeitures	9,842	-	-	9,842
Revenue from the use of money and property	3,167	-	2,848	6,015
Charges for services	119,682	-	220	119,902
Miscellaneous	15,818	-	-	15,818
Recovered costs	17,467	-	-	17,467
Intergovernmental:				
Commonwealth	147,376	-	-	147,376
Federal	20,334	-	-	20,334
Total revenues	<u>\$ 780,283</u>	<u>\$ -</u>	<u>\$ 3,068</u>	<u>\$ 783,351</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 103,150	\$ -	\$ -	\$ 103,150
Public safety	353,344	-	-	353,344
Public works	135,007	-	-	135,007
Parks, recreation, and cultural	41,666	-	-	41,666
Community development	119	-	-	119
Nondepartmental	34,371	-	-	34,371
Debt service:				
Principal retirement	11,820	-	-	11,820
Interest and other fiscal charges	1,492	-	-	1,492
Total expenditures	<u>\$ 680,969</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 680,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 99,314</u>	<u>\$ -</u>	<u>\$ 3,068</u>	<u>\$ 102,382</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>\$ -</u>	<u>\$ (7,717)</u>	<u>\$ -</u>	<u>\$ (7,717)</u>
Net change in fund balances	\$ 99,314	\$ (7,717)	\$ 3,068	\$ 94,665
Fund balances - beginning	450,297	7,717	165,265	623,279
Fund balances - ending	<u>\$ 549,611</u>	<u>\$ -</u>	<u>\$ 168,333</u>	<u>\$ 717,944</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, 2018

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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 \$ 94,665

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 depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 29,034	
Depreciation expense	(138,896)	(109,862)

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

Property taxes	9,246
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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, 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	11,820
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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.

The following is a summary of items supporting this adjustment:

OPEB expense	\$ 351	
Pension expense	(160)	
Change in compensated absences	(8,807)	(8,616)

Change in net position of governmental activities	\$ (2,747)
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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, 2018

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 3,995	\$ 140,079	\$ -	\$ 316,610	\$ 82,610	\$ 543,294
Accounts receivables, net of allowance for uncollectible	-	-	41,631	57,822	-	99,453
Total current assets	<u>\$ 3,995</u>	<u>\$ 140,079</u>	<u>\$ 41,631</u>	<u>\$ 374,432</u>	<u>\$ 82,610</u>	<u>\$ 642,747</u>
Noncurrent assets:						
Net pension asset	\$ -	\$ -	\$ 5,636	\$ 9,020	\$ -	\$ 14,656
Capital assets (net of accumulated depreciation):						
Land	-	-	10,000	-	50,726	60,726
Building and system	-	-	2,687,767	3,724,706	-	6,412,473
Machinery and equipment	-	-	7,878	71,004	-	78,882
Total capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,705,645</u>	<u>\$ 3,795,710</u>	<u>\$ 50,726</u>	<u>\$ 6,552,081</u>
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,711,281</u>	<u>\$ 3,804,730</u>	<u>\$ 50,726</u>	<u>\$ 6,566,737</u>
Total assets	<u>\$ 3,995</u>	<u>\$ 140,079</u>	<u>\$ 2,752,912</u>	<u>\$ 4,179,162</u>	<u>\$ 133,336</u>	<u>\$ 7,209,484</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension related items	\$ -	\$ -	\$ 21,338	\$ 34,153	\$ -	\$ 55,491
OPEB related items	-	-	714	900	-	1,614
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,052</u>	<u>\$ 35,053</u>	<u>\$ -</u>	<u>\$ 57,105</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	\$ -	\$ (23)	\$ 11,593	\$ 6,271	\$ -	\$ 17,841
Accrued liabilities	-	-	1,059	1,248	-	2,307
Reconciled overdraft	-	-	27,106	-	-	27,106
Customers' deposits	-	-	-	37,598	-	37,598
Compensated absences - current portion	-	-	1,004	1,714	-	2,718
Bonds payable - current portion	-	-	56,280	64,799	-	121,079
Total current liabilities	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 97,042</u>	<u>\$ 111,630</u>	<u>\$ -</u>	<u>\$ 208,649</u>
Noncurrent liabilities:						
Bonds payable - net of current portion	\$ -	\$ -	\$ 238,560	\$ 1,994,490	\$ -	\$ 2,233,050
Net OPEB liability	-	-	11,610	14,620	-	26,230
Compensated absences - net of current portion	-	-	9,037	15,425	-	24,462
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,207</u>	<u>\$ 2,024,535</u>	<u>\$ -</u>	<u>\$ 2,283,742</u>
Total liabilities	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 356,249</u>	<u>\$ 2,136,165</u>	<u>\$ -</u>	<u>\$ 2,492,391</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Pension related items	\$ -	\$ -	\$ 12,412	\$ 20,028	\$ -	\$ 32,440
OPEB related items	-	-	1,350	1,700	-	3,050
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,762</u>	<u>\$ 21,728</u>	<u>\$ -</u>	<u>\$ 35,490</u>
<b>NET POSITION</b>						
Net investment in capital assets	\$ -	\$ -	\$ 2,410,805	\$ 1,736,421	\$ 50,726	\$ 4,197,952
Unrestricted (deficit)	3,995	140,102	(5,852)	319,901	82,610	540,756
Total net position	<u>\$ 3,995</u>	<u>\$ 140,102</u>	<u>\$ 2,404,953</u>	<u>\$ 2,056,322</u>	<u>\$ 133,336</u>	<u>\$ 4,738,708</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, 2018

	Enterprise Funds					Total
	Oakwood Cemetery	Lakeview Cemetery	Sewer	Water	Water and Sewer Escrow	
	Fund	Fund	Fund	Fund	Fund	
<b>OPERATING REVENUES</b>						
Charges for services:						
Water revenues	\$ -	\$ -	\$ -	\$ 677,652	\$ -	\$ 677,652
Sewer revenues	-	-	488,306	-	-	488,306
Sale of cemetery plots	638	4,007	-	-	-	4,645
Other charges for services	-	-	9,186	13,873	-	23,059
Miscellaneous	-	-	-	25,077	-	25,077
Total operating revenues	\$ 638	\$ 4,007	\$ 497,492	\$ 716,602	\$ -	\$ 1,218,739
<b>OPERATING EXPENSES</b>						
Personnel services	\$ -	\$ -	\$ 149,954	\$ 212,700	\$ -	\$ 362,654
Fringe benefits	-	-	48,669	62,079	-	110,748
Insurance	-	-	14,533	14,532	-	29,065
Supplies	-	-	42,412	101,018	-	143,430
Other miscellaneous expenses	-	1,215	158,530	188,283	21,055	369,083
Depreciation	-	-	147,513	148,264	-	295,777
Total operating expenses	\$ -	\$ 1,215	\$ 561,611	\$ 726,876	\$ 21,055	\$ 1,310,757
Operating income (loss)	\$ 638	\$ 2,792	\$ (64,119)	\$ (10,274)	\$ (21,055)	\$ (92,018)
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	\$ 111	\$ 2,948	\$ 55	\$ 559	\$ -	\$ 3,673
Sale of timber	-	-	-	-	102,622	102,622
Interest expense	-	-	(6,961)	(56,453)	-	(63,414)
Total nonoperating revenues (expenses)	\$ 111	\$ 2,948	\$ (6,906)	\$ (55,894)	\$ 102,622	\$ 42,881
Income (loss) before transfers	\$ 749	\$ 5,740	\$ (71,025)	\$ (66,168)	\$ 81,567	\$ (49,137)
Transfers in	-	-	7,717	10,500	-	18,217
Transfers out	-	-	-	-	(10,500)	(10,500)
Change in net position	\$ 749	\$ 5,740	\$ (63,308)	\$ (55,668)	\$ 71,067	\$ (41,420)
Total net position - beginning, as restated	3,246	134,362	2,468,261	2,111,990	62,269	4,780,128
Total net position - ending	\$ 3,995	\$ 140,102	\$ 2,404,953	\$ 2,056,322	\$ 133,336	\$ 4,738,708

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, 2018

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
	Fund	Fund	Fund	Fund	Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 638	\$ 4,007	\$ 498,500	\$ 692,414	\$ -	\$ 1,195,559
Payments to suppliers	-	(25)	(53,115)	(120,220)	(1)	(173,361)
Payments to and for employees	-	-	(198,844)	(268,591)	-	(467,435)
Other receipts (payments)	-	(1,215)	(158,530)	(163,206)	(21,055)	(344,006)
Net cash provided by (used for) operating activities	<u>\$ 638</u>	<u>\$ 2,767</u>	<u>\$ 88,011</u>	<u>\$ 140,397</u>	<u>\$ (21,056)</u>	<u>\$ 210,757</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers to other funds	\$ -	\$ -	\$ -	\$ -	\$ (10,500)	\$ (10,500)
Transfers from other funds	-	-	7,717	10,500	-	18,217
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,717</u>	<u>\$ 10,500</u>	<u>\$ (10,500)</u>	<u>\$ 7,717</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Additions to capital assets	\$ -	\$ -	\$ (21,450)	\$ -	\$ -	\$ (21,450)
Principal payments on bonds and notes	-	-	(55,160)	(63,333)	-	(118,493)
Sale of timber	-	-	-	-	102,622	102,622
Interest expense	-	-	(6,961)	(56,453)	-	(63,414)
Net cash provided by (used for) capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (83,571)</u>	<u>\$ (119,786)</u>	<u>\$ 102,622</u>	<u>\$ (100,735)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest and dividend income	\$ 111	\$ 2,948	\$ 55	\$ 559	\$ -	\$ 3,673
Net cash provided by (used for) investing activities	<u>\$ 111</u>	<u>\$ 2,948</u>	<u>\$ 55</u>	<u>\$ 559</u>	<u>\$ -</u>	<u>\$ 3,673</u>
Net increase (decrease) in cash and cash equivalents	\$ 749	\$ 5,715	\$ 12,212	\$ 31,670	\$ 71,066	\$ 121,412
Cash and cash equivalents - beginning	3,246	134,364	(39,318)	284,940	11,544	394,776
Cash and cash equivalents - ending	<u>\$ 3,995</u>	<u>\$ 140,079</u>	<u>\$ (27,106)</u>	<u>\$ 316,610</u>	<u>\$ 82,610</u>	<u>\$ 516,188</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>						
Operating income (loss)	\$ 638	\$ 2,792	\$ (64,119)	\$ (10,274)	\$ (21,055)	\$ (92,018)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	\$ -	\$ -	\$ 147,513	\$ 148,264	\$ -	\$ 295,777
(Increase) decrease in accounts receivable	-	-	1,008	889	-	1,897
(Increase) decrease in net pension asset	-	-	2,352	3,765	-	6,117
(Increase) decrease in net OPEB liability	-	-	(1,620)	(2,040)	-	(3,660)
(Increase) decrease in deferred outflows of resources	-	-	(6,192)	(9,973)	-	(16,165)
Increase (decrease) in accounts payable and accrued liabilities	-	(25)	4,119	(3,848)	(1)	245
Increase (decrease) in deferred inflows of resources	-	-	5,140	7,928	-	13,068
Increase (decrease) in compensated absences	-	-	(190)	5,686	-	5,496
Total adjustments	<u>\$ -</u>	<u>\$ (25)</u>	<u>\$ 152,130</u>	<u>\$ 150,671</u>	<u>\$ (1)</u>	<u>\$ 302,775</u>
Net cash provided by (used for) operating activities	<u>\$ 638</u>	<u>\$ 2,767</u>	<u>\$ 88,011</u>	<u>\$ 140,397</u>	<u>\$ (21,056)</u>	<u>\$ 210,757</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, 2018

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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, 2018.

*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 Roundhouse Campgrounds Fund.

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

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

1. Governmental Funds (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

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs)) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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. There is no allowance for uncollectibles at June 30, 2018.

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 or business-type activities column 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 at acquisition 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 2018.

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

Assets	Years
Buildings and systems	10-40
Machinery and equipment	5-10
Infrastructure	20

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. Other Postemployment Benefits (OPEB)

*Group Life Insurance*

The Virginia Retirement System (VRS) Group Life Insurance (GLI) Program provides coverage to state employees, teachers, and employees of participating political subdivisions. The GLI Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. The GLI Program is a defined benefit plan that provides a basic group life insurance benefit for employees of participating employers. For purposes of measuring the net GLI Program OPEB liability, deferred outflows of resources and deferred inflows of resources related to the GLI OPEB, and GLI OPEB expense, information about the fiduciary net position of the VRS GLI Program OPEB and the additions to/deductions from the VRS GLI OPEB's net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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N. 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.

O. 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.

P. 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.

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.

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

P. Fund Equity (Continued)

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>Total</u>
Fund balances:			
Nonspendable:			
Cemetery perpetual care	\$ -	\$ 168,285	\$ 168,285
Restricted:			
Roundhouse campground	\$ -	\$ 48	\$ 48
Committed:			
Library	\$ 2,285	\$ -	\$ 2,285
VHS	8,734	-	8,734
Blight property	12,657	-	12,657
Pool	6,739	-	6,739
Caboose	5,636	-	5,636
Parks and recreation	28,303	-	28,303
Drug seizure	125	-	125
Trails	540	-	540
Total committed	<u>\$ 65,019</u>	<u>\$ -</u>	<u>\$ 65,019</u>
Unassigned	<u>\$ 484,592</u>	<u>\$ -</u>	<u>\$ 484,592</u>
Total fund balances	<u><u>\$ 549,611</u></u>	<u><u>\$ 168,333</u></u>	<u><u>\$ 717,944</u></u>

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

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Q. 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 certain items related to the measurement of the net pension asset and net OPEB liabilities and contributions to the pension and OPEB plans made during the current year and subsequent to the net pension asset and net OPEB liability measurement date. For more detailed information on these items, reference the related notes.

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 asset and net OPEB liability are reported as deferred inflows of resources. For more detailed information on these items, reference the related notes.

*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).

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

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*Note 2—Stewardship, Compliance, and Accounting: (Continued)*

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6. Appropriations lapse on June 30, every year.

Expenditures and Appropriations

Expenditures did not exceed appropriations for the year ended June 30, 2018.

*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).

The Town has no investments at June 30, 2018.

*Note 4—Due from Other Governments:*

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At June 30, 2018, the Town has receivables from other governments as follows:

	<u>Primary Government</u>
<u>County of Lunenburg:</u>	
Local sales tax	\$ 6,304
Local fines	403
<u>Commonwealth of Virginia:</u>	
Department of motor vehicles	1,402
Auto rental tax	107
Communications tax	<u>7,529</u>
Total	<u>\$ 15,745</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

*Note 5—Capital Assets:*

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2018:

Primary Government:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 269,489	\$ -	\$ -	\$ 269,489
Construction in progress	760,633	-	760,633	-
Total capital assets not subject to depreciation	<u>\$ 1,030,122</u>	<u>\$ -</u>	<u>\$ 760,633</u>	<u>\$ 269,489</u>
Capital assets subject to depreciation:				
Buildings and system	\$ 848,881	\$ -	\$ -	\$ 848,881
Machinery and equipment	409,096	-	-	409,096
Infrastructure	1,246,923	789,667	-	2,036,590
Total capital assets subject to depreciation	<u>\$ 2,504,900</u>	<u>\$ 789,667</u>	<u>\$ -</u>	<u>\$ 3,294,567</u>
Accumulated depreciation:				
Building and system	\$ 510,805	\$ 23,071	\$ -	\$ 533,876
Machinery and equipment	307,243	13,995	-	321,238
Infrastructure	394,190	101,830	-	496,020
Total accumulated depreciation	<u>\$ 1,212,238</u>	<u>\$ 138,896</u>	<u>\$ -</u>	<u>\$ 1,351,134</u>
Total capital assets subject to depreciation, net	<u>\$ 1,292,662</u>	<u>\$ 650,771</u>	<u>\$ -</u>	<u>\$ 1,943,433</u>
Governmental activities capital assets, net	<u><u>\$ 2,322,784</u></u>	<u><u>\$ 650,771</u></u>	<u><u>\$ 760,633</u></u>	<u><u>\$ 2,212,922</u></u>

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

*Note 5—Capital Assets: (Continued)*

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 60,726	\$ -	\$ -	\$ 60,726
Construction in progress	21,110	14,500	35,610	-
Total capital assets not subject to depreciation	<u>\$ 81,836</u>	<u>\$ 14,500</u>	<u>\$ 35,610</u>	<u>\$ 60,726</u>
Capital assets subject to depreciation:				
Buildings and system	\$ 10,128,490	\$ 35,610	\$ -	\$ 10,164,100
Machinery and equipment	278,281	6,950	-	285,231
Total capital assets subject to depreciation	<u>\$ 10,406,771</u>	<u>\$ 42,560</u>	<u>\$ -</u>	<u>\$ 10,449,331</u>
Accumulated depreciation:				
Buildings and system	\$ 3,491,696	\$ 259,931	\$ -	\$ 3,751,627
Machinery and equipment	170,503	35,846	-	206,349
Total accumulated depreciation	<u>\$ 3,662,199</u>	<u>\$ 295,777</u>	<u>\$ -</u>	<u>\$ 3,957,976</u>
Total capital assets subject to depreciation, net	<u>\$ 6,744,572</u>	<u>\$ (253,217)</u>	<u>\$ -</u>	<u>\$ 6,491,355</u>
Business-type activities capital assets, net	<u>\$ 6,826,408</u>	<u>\$ (238,717)</u>	<u>\$ 35,610</u>	<u>\$ 6,552,081</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 1,942
Public safety	12,345
Public works	77,194
Parks, recreation, and culture	47,415
Total depreciation expense-governmental activities	<u>\$ 138,896</u>
Business-type activities:	
Water and Sewer	\$ 295,777
Total depreciation expense-business-type activities	<u>\$ 295,777</u>



Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

*Note 6—Interfund Transfers:*

Interfund transfers for the Fund Financial Statements for the year ended June 30, 2018, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
Capital Projects Fund	\$ -	\$ 7,717
Sewer Fund	7,717	-
Water Fund	10,500	-
Water and Sewer Escrow Fund	-	10,500
Total	<u>\$ 18,217</u>	<u>\$ 18,217</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, 2018:

	As Restated Balance July 1, 2017	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2018	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities:					
General obligation bond	\$ 75,000	\$ -	\$ 11,820	\$ 63,180	\$ 12,060
Net OPEB liability	19,110	-	2,340	16,770	-
Compensated absences	24,338	8,807	-	33,145	3,315
Total Governmental Activities	<u>\$ 118,448</u>	<u>\$ 8,807</u>	<u>\$ 14,160</u>	<u>\$ 113,095</u>	<u>\$ 15,375</u>
Business-type Activities:					
General obligation bonds	\$ 2,472,622	\$ -	\$ 118,493	\$ 2,354,129	\$ 121,079
Net OPEB liability	29,890	-	3,660	26,230	-
Compensated absences	21,684	5,496	-	27,180	2,718
Total Business-type Activities	<u>\$ 2,524,196</u>	<u>\$ 5,496</u>	<u>\$ 122,153</u>	<u>\$ 2,407,539</u>	<u>\$ 123,797</u>
Total Primary Government Obligations	<u>\$ 2,642,644</u>	<u>\$ 14,303</u>	<u>\$ 136,313</u>	<u>\$ 2,520,634</u>	<u>\$ 139,172</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

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

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

Year Ending June 30,	Governmental Activities	
	General Obligation Bond	
	Principal	Interest
2019	\$ 12,060	\$ 1,246
2020	12,360	995
2021	12,600	738
2022	12,900	475
2023	13,260	206
Totals	<u>\$ 63,180</u>	<u>\$ 3,660</u>

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2018

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

Year Ending June 30,	Business-type Activities	
	General Obligation Bonds	
	Principal	Interest
2019	\$ 121,079	\$ 60,784
2020	124,050	58,174
2021	126,881	55,218
2022	130,042	52,330
2023	133,670	49,370
2024	37,317	46,971
2025	38,486	45,802
2026	39,559	44,729
2027	40,662	43,626
2028	41,679	42,609
2029	42,958	41,330
2030	44,156	40,132
2031	45,387	38,901
2032	46,549	37,739
2033	47,950	36,337
2034	49,287	35,001
2035	50,662	33,626
2036	51,986	32,302
2037	53,524	30,764
2038	55,016	29,272
2039	56,550	27,738
2040	58,055	26,233
2041	59,745	24,543
2042	61,411	22,877
2043	63,123	21,165
2044	64,831	19,457
2045	66,691	17,597
2046	68,550	15,738
2047	70,462	13,826
2048	72,395	11,893
2049	74,445	9,843
2050	76,520	7,768
2051	78,654	5,634
2052	80,839	3,449
2053	80,958	1,176
Totals	<u>\$ 2,354,129</u>	<u>\$ 1,083,954</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

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

Details of long-term obligations:

Primary Government Obligations:

	<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:						
General Obligation Bond, split between Governmental and Business-type Activities	2.07%	01/16/13	2/1/2023	\$ 999,000	\$ 63,180	\$ 12,060
Net OPEB liability					16,770	-
Compensated Absences					33,145	3,315
Total Long-Term Obligations - Governmental Activities					<u>\$ 113,095</u>	<u>\$ 15,375</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	\$ 463,320	\$ 88,440
General Obligation Bond	2.75%	06/19/13	6/19/2053	1,984,000	1,890,809	32,639
Net OPEB liability					26,230	-
Compensated Absences					27,180	2,718
Total Long-Term Obligations - Business-type Activities					<u>\$ 2,407,539</u>	<u>\$ 123,797</u>
Total Primary Government Long-Term Obligations					<u>\$ 2,520,634</u>	<u>\$ 139,172</u>

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

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*Note 8—Deferred/Unavailable Revenue:*

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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. Under the accrual basis, assessments for future periods are deferred. The Town reports deferred/unavailable revenue totaling \$24,642 at June 30, 2018 which is comprised of the following:

	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	\$ -	\$ 21,319
Prepaid property taxes due in December 2018 but paid in advance by taxpayers	<u>3,323</u>	<u>3,323</u>
	<u>\$ 3,323</u>	<u>\$ 24,642</u>

*Note 9—Litigation:*

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At June 30, 2018, 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:*

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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.

**Note 11—Pension Plan:**

**Plan Description**

All full-time, salaried permanent employees of the Town are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan 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 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:

RETIREMENT PLAN PROVISIONS		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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.</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.</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.</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)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
About Plan 1 (Cont.)	About Plan 2 (Cont.)	<p>About the Hybrid Retirement Plan (Cont.)</p> <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 and they have not taken a refund.</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. 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.</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 Contribution 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 Contribution 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> <p>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> </ul>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Vesting (Cont.)	Vesting (Cont.)	<p>Vesting (Cont.)</p> <p><u>Defined Contribution Component:</u> (Cont.)</p> <ul style="list-style-type: none"> <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>Calculating the Benefit</p> <p>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>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</p> <p>See definition under Plan 1.</p>	<p>Calculating the Benefit</p> <p><u>Defined Benefit Component:</u> See definition under Plan 1.</p> <p><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</p> <p>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</p> <p>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</p> <p>Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<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>
<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>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
<p><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> 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><b>Earliest Unreduced Retirement Eligibility</b> <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><b>Earliest Reduced Retirement Eligibility</b> 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>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p><b>Earliest Reduced Retirement Eligibility</b> <u>Defined Benefit Component:</u> VRS: Age 60 with at least five years (60 months) of creditable service.</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>

**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 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><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> </ul>	<p>Cost-of-Living Adjustment (COLA) in Retirement 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><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <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> <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>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p> <p><u>Exceptions to COLA Effective Dates: (Cont.)</u></p> <ul style="list-style-type: none"> <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>Cost-of-Living Adjustment (COLA) in Retirement (Cont.)</p>
<p><b>Disability Coverage</b> Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</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><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>

**Note 11—Pension Plan: (Continued)**

**Plan Description (Continued)**

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	PLAN 2	HYBRID RETIREMENT PLAN
Disability Coverage	Disability Coverage	Disability Coverage 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.
Purchase of Prior Service 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. Members also may be eligible to purchase periods of leave without pay.	Purchase of Prior Service Same as Plan 1.	Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions: <ul style="list-style-type: none"> <li>• Hybrid Retirement Plan members are ineligible for ported service.</li> </ul> <u>Defined Contribution Component:</u> Not applicable.

**Pension Plan Data**

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.



**Note 11—Pension Plan: (Continued)****Employees Covered by Benefit Terms**

As of the June 30, 2016 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	11
Inactive members:	
Vested inactive members	2
Non-vested inactive members	3
Inactive members active elsewhere in VRS	<u>10</u>
Total inactive members	26
Active members	<u>19</u>
Total covered employees	<u><u>45</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 employer contribution rate for the year ended June 30, 2018 was 6.19% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

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 \$29,539 and \$32,680 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Net Pension Liability (Asset)**

The Town's net pension liability (asset) was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2016, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2017.

**Note 11—Pension Plan: (Continued)**

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**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, 2016, 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, 2017.

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

**Largest 10 - Non-Hazardous Duty:** 20% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**All Others (Non 10 Largest) - Non-Hazardous Duty:** 15% of deaths are assumed to be service related

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

**Note 11—Pension Plan: (Continued)**

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Note 11—Pension Plan: (Continued)**

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**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits**

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the Town’s Retirement Plan was based on an actuarial valuation as of June 30, 2016, 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, 2017.

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

**Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 11—Pension Plan: (Continued)**

**Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**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, 2019, 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, 2019 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.

**Note 11—Pension Plan: (Continued)****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, 2016	\$ 1,676,592	\$ 1,717,726	\$ (41,134)
Changes for the year:			
Service cost	\$ 62,285	\$ -	\$ 62,285
Interest	113,843	-	113,843
Changes of assumptions	(13,554)	-	(13,554)
Differences between expected and actual experience	111,977	-	111,977
Contributions - employer	-	31,317	(31,317)
Contributions - employee	-	25,248	(25,248)
Net investment income	-	207,273	(207,273)
Benefit payments, including refunds			
Refunds of employee contributions	(100,525)	(100,525)	-
Administrative expenses	-	(1,215)	1,215
Other changes	-	(184)	184
Net changes	\$ 174,026	\$ 161,914	\$ 12,112
Balances at June 30, 2017	\$ 1,850,618	\$ 1,879,640	\$ (29,022)

**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 (asset) of the Town using the discount rate of 7.00%, as well as what the Town’s net pension liability (asset) 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		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Town's			
Net Pension Liability (Asset) \$	204,621	\$ (29,022)	\$ (222,972)

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

For the year ended June 30, 2018, the Town recognized pension expense of \$28,245. At June 30, 2018, 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	\$ 80,345	\$ 28,576
Change in assumptions	-	9,725
Net difference between projected and actual earnings on plan investments	-	26,307
Employer contributions subsequent to the measurement date	29,539	-
Total	\$ 109,884	\$ 64,608



**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)***

\$29,539 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 (increase in) the Net Pension Liability (Asset) in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year ended June 30</u>		
2019	\$	(5,381)
2020		25,927
2021		12,916
2022		(17,725)
Thereafter		-

*The remainder of this page left blank intentionally.*

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan):**

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**Plan Description**

All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS Group Life Insurance Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic Group Life Insurance benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional Group Life Insurance Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the Group Life Insurance Program OPEB.

The specific information for Group Life Insurance Program OPEB, including eligibility, coverage and benefits is set out in the table below:

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS
<p><b>Eligible Employees</b></p> <p>The Group Life Insurance Program was established July 1, 1960, for state employees, teachers and employees of political subdivisions that elect the program, including the following employers that do not participate in VRS for retirement:</p> <ul style="list-style-type: none"><li>• City of Richmond</li><li>• City of Portsmouth</li><li>• City of Roanoke</li><li>• City of Norfolk</li><li>• Roanoke City School Board</li></ul> <p>Basic group life insurance coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their member contributions and accrued interest.</p>

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Plan Description (Continued)**

GROUP LIFE INSURANCE PROGRAM PLAN PROVISIONS (CONTINUED)
<p><b>Benefit Amounts</b></p> <p>The benefits payable under the Group Life Insurance Program have several components.</p> <ul style="list-style-type: none"> <li>• <b>Natural Death Benefit</b> - The natural death benefit is equal to the employee’s covered compensation rounded to the next highest thousand and then doubled.</li> <li>• <b>Accidental Death Benefit</b> - The accidental death benefit is double the natural death benefit.</li> <li>• <b>Other Benefit Provisions</b> - In addition to the basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances. These include: <ul style="list-style-type: none"> <li>○ Accidental dismemberment benefit</li> <li>○ Safety belt benefit</li> <li>○ Repatriation benefit</li> <li>○ Felonious assault benefit</li> <li>○ Accelerated death benefit option</li> </ul> </li> </ul>
<p><b>Reduction in Benefit Amounts</b></p> <p>The benefit amounts provided to members covered under the Group Life Insurance Program are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value.</p>
<p><b>Minimum Benefit Amount and Cost-of-Living Adjustment (COLA)</b></p> <p>For covered members with at least 30 years of creditable service, there is a minimum benefit payable under the Group Life Insurance Program. The minimum benefit was set at \$8,000 by statute. The amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and is currently \$8,111.</p>

**Contributions**

The contribution requirements for the Group Life Insurance Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the Group Life Insurance Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer’s contractually required employer contribution rate for the year ended June 30, 2018 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the Group Life Insurance Program from the Town were \$2,646 and \$2,745 for the years ended June 30, 2018 and June 30, 2017, respectively.

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB**

At June 30, 2018, the Town reported a liability of \$43,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2017 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the Group Life Insurance Program for the year ended June 30, 2017 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2017, the Town's proportion was .00286% as compared to .00279% at June 30, 2016.

For the year ended June 30, 2018, the Town recognized GLI OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2018, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	Primary Government	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	2,000
Change in assumptions	-	2,000
Employer contributions subsequent to the measurement date	2,646	-
Total	\$ 2,646	\$ 5,000

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Group Life Insurance Program OPEB (Continued)**

\$2,646 reported as deferred outflows of resources related to the GLI OPEB resulting from the Town’s contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

Year Ended June 30		
2019	\$	(1,000)
2020		(1,000)
2021		(1,000)
2022		(1,000)
2023		(1,000)
Thereafter		-

**Actuarial Assumptions**

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2016, 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, 2017.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5% - 5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, 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 OPEB liabilities.

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - General State Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% increase compounded from ages 70 to 85.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Teachers**

**Pre-Retirement:**

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

**Post-Retirement:**

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

TOWN OF VICTORIA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - SPORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%



**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - VaLORS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

TOWN OF VICTORIA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

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**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

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**Actuarial Assumptions: (Continued)**

**Mortality Rates - JRS Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males set back 1 year, 85% of rates; females set back 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year; females set back 1 year with 1.5% compounding increase from ages 70 to 85.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males 115% of rates; females 130% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

TOWN OF VICTORIA, VIRGINIA

Notes to Financial Statements  
As of June 30, 2018 (Continued)

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Largest Ten Locality Employers - General Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Non-Largest Ten Locality Employers - General Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees**

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

**Actuarial Assumptions: (Continued)**

**Mortality Rates - Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees**

**Pre-Retirement:**

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates to 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

**Post-Retirement:**

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year with 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

**Post-Disablement:**

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****Actuarial Assumptions: (Continued)****Mortality Rates - Non-Largest Ten Locality Employers - Hazardous Duty Employees: (Continued)**

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

**NET GLI OPEB Liability**

The net OPEB liability (NOL) for the Group Life Insurance Program represents the program's total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2017, NOL amounts for the Group Life Insurance Program is as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 2,942,426
Plan Fiduciary Net Position	1,437,586
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,504,840</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	48.86%

The total GLI OPEB liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System's notes to the financial statements and required supplementary information.

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)****Long-Term Expected Rate of Return**

The long-term expected rate of return on the System's 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 System's 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
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

\*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

**Discount Rate**

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance 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, 2019, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2019 on, employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

**Note 12—Group Life Insurance (GLI) Program (OPEB Plan): (Continued)**

***Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate***

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB 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		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
Town's proportionate share of the Group Life Insurance Program Net OPEB Liability	\$ 56,000	\$ 43,000	\$ 33,000

***Group Life Insurance Program Fiduciary Net Position***

Detailed information about the Group Life Insurance Program’s Fiduciary Net Position is available in the separately issued VRS 2017 Comprehensive Annual Financial Report (CAFR). A copy of the 2017 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2017-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.



Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

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*Note 13–Surety Bonds:*

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The following surety bond is held by the Town:

VML Insurance Programs:	
Town employees - blanket bond	\$ 100,000

*Note 14–Line of Duty Act (LODA) (OPEB Benefits):*

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The Line of Duty Act (LODA) provides death and healthcare benefits to certain law enforcement and rescue personnel, and their beneficiaries, who were disabled or killed in the line of duty. Benefit provisions and eligibility requirements are established by title 9.1 Chapter 4 of the Code of Virginia. Funding of LODA benefits is provided by employers in one of two ways: (a) participation in the Line of Duty and Health Benefits Trust Fund (LODA Fund), administered by the Virginia Retirement System (VRS) or (b) self-funding by the employer or through an insurance company.

The Town has elected to provide LODA benefits through an insurance company. The obligation for the payment of benefits has been effectively transferred from the Town to VML. VML assumes all liability for the Town’s LODA claims that are approved by VRS. The pool purchases reinsurance to protect the pool from extreme claims costs.

The current-year OPEB expense/expenditure for the insured benefits is defined as the amount of premiums or other payments required for the insured benefits for the reporting period in accordance with the agreement with the insurance company for LODA and a change in liability to the insurer equal to the difference between amounts recognized as OPEB expense and amounts paid by the employer to the insurer. The Town’s LODA coverage is fully covered or “insured” through VML. This is built into the LODA coverage cost presented in the annual renewals. The Town’s LODA premium for the year ended June 30, 2018 was \$1,858.

*Note 15–Upcoming Pronouncements:*

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Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

*Note 15–Upcoming Pronouncements: (Continued)*

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Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, clarifies which liabilities governments should include when disclosing information related to debt. It defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. The Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, it requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplifies accounting for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

Town of Victoria, Virginia

Notes to Financial Statements (Continued)  
As of June 30, 2018

*Note 16-Adoption of Accounting Principles:*

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the fiscal year ended June 30, 2018. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to postemployment benefits other than pensions (other postemployment benefits or OPEB). Note disclosure and required supplementary information requirements about OPEB are also addressed. The requirements of this Statement will improve accounting and financial reporting by state and local governments for OPEB. In addition, the Town implemented Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017* during the fiscal year ended June 30, 2018. This Statement addresses practice issues identified during implementation and application of certain GASB statements for a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). The implementation of these Statements resulted in the following restatement of net position:

	Primary Government	
	Governmental Activities	Business-type Activities
Net position as previously reported	\$ 2,895,549	\$ 4,808,344
Implementation of GASB 75:		
Deferred outflows of resources	1,071	1,674
Net OPEB liability	(19,110)	(29,890)
Totals as restated	\$ <u>2,877,510</u>	\$ <u>4,780,128</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, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Positive <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 163,847	\$ 163,847	\$ 170,874	\$ 7,027
Other local taxes	307,631	307,631	274,066	(33,565)
Permits, privilege fees, and regulatory licenses	500	500	1,657	1,157
Fines and forfeitures	10,000	10,000	9,842	(158)
Revenue from the use of money and property	1,100	1,100	3,167	2,067
Charges for services	117,650	117,650	119,682	2,032
Miscellaneous	15,450	15,450	15,818	368
Recovered costs	20,738	20,738	17,467	(3,271)
Intergovernmental:				
Commonwealth	98,241	98,241	147,376	49,135
Federal	3,400	3,400	20,334	16,934
Total revenues	<u>\$ 738,557</u>	<u>\$ 738,557</u>	<u>\$ 780,283</u>	<u>\$ 41,726</u>
<b>EXPENDITURES</b>				
Current:				
General government administration	\$ 112,260	\$ 112,260	\$ 103,150	\$ 9,110
Public safety	368,881	368,881	353,344	15,537
Public works	150,182	150,182	135,007	15,175
Parks, recreation, and cultural	47,425	47,425	41,666	5,759
Community development	2,000	2,000	119	1,881
Nondepartmental	44,448	44,448	34,371	10,077
Debt service:				
Principal retirement	13,361	13,361	11,820	1,541
Interest and other fiscal charges	-	-	1,492	(1,492)
Total expenditures	<u>\$ 738,557</u>	<u>\$ 738,557</u>	<u>\$ 680,969</u>	<u>\$ 57,588</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 99,314</u>	<u>\$ 99,314</u>
Net change in fund balances	\$ -	\$ -	\$ 99,314	\$ 99,314
Fund balances - beginning	-	-	450,297	450,297
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,611</u>	<u>\$ 549,611</u>

Town of Victoria, Virginia  
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios  
 For the Years Ended June 30, 2015 through 2018

	2017	2016	2015	2014
<b>Total pension liability</b>				
Service cost	\$ 62,285	\$ 66,843	\$ 63,638	\$ 58,550
Interest	113,843	111,151	108,019	102,867
Differences between expected and actual experience	111,977	(35,711)	(32,032)	-
Changes in assumptions	(13,554)	-	-	-
Benefit payments, including refunds of employee contributions	(100,525)	(107,123)	(82,639)	(92,986)
<b>Net change in total pension liability</b>	<u>\$ 174,026</u>	<u>\$ 35,160</u>	<u>\$ 56,986</u>	<u>\$ 68,431</u>
Total pension liability - beginning	1,676,592	1,641,432	1,584,446	1,516,015
<b>Total pension liability - ending (a)</b>	<u><u>\$ 1,850,618</u></u>	<u><u>\$ 1,676,592</u></u>	<u><u>\$ 1,641,432</u></u>	<u><u>\$ 1,584,446</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 31,317	\$ 38,533	\$ 38,655	\$ 43,008
Contributions - employee	25,248	24,544	24,811	24,762
Net investment income	207,273	29,190	76,732	230,901
Benefit payments, including refunds of employee contributions	(100,525)	(107,123)	(82,639)	(92,986)
Administrative expense	(1,215)	(1,087)	(1,054)	(1,253)
Other	(184)	(13)	(15)	12
<b>Net change in plan fiduciary net position</b>	<u>\$ 161,914</u>	<u>\$ (15,956)</u>	<u>\$ 56,490</u>	<u>\$ 204,444</u>
Plan fiduciary net position - beginning	1,717,726	1,733,682	1,677,192	1,472,748
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 1,879,640</u></u>	<u><u>\$ 1,717,726</u></u>	<u><u>\$ 1,733,682</u></u>	<u><u>\$ 1,677,192</u></u>
<b>Town's net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (29,022)</u>	<u>\$ (41,134)</u>	<u>\$ (92,250)</u>	<u>\$ (92,746)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	101.57%	102.45%	105.62%	105.85%
<b>Covered payroll</b>	<u>\$ 527,943</u>	<u>\$ 501,410</u>	<u>\$ 496,381</u>	<u>\$ 495,061</u>
<b>Town's net pension liability (asset) as a percentage of covered payroll</b>	-5.50%	-8.20%	-18.58%	-18.73%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.



Town of Victoria, Virginia  
 Schedule of Employer Contributions - Pension Plans  
 For the Years Ended June 30, 2009 through 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2018	\$ 29,539	\$ 29,539	\$ -	\$ 508,806	5.81%
2017	32,680	32,680	-	527,943	6.19%
2016	39,060	39,060	-	501,410	7.79%
2015	38,668	38,668	-	496,381	7.79%
2014	39,407	39,407	-	495,061	7.96%
2013	39,396	39,396	-	494,923	7.96%
2012	17,717	17,717	-	509,118	3.48%
2011	17,754	17,754	-	510,164	3.48%
2010	31,063	31,063	-	495,422	6.27%
2009	30,571	30,571	-	487,578	6.27%

Current year contributions are from Town records and prior year contributions are from the VRS actuarial valuation performed each year.

Town of Victoria, Virginia  
Notes to Required Supplementary Information - Pension Plans  
For the Years Ended June 30, 2009 through 2018

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Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this is a fairly new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2017 are not material.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Town of Victoria, Virginia  
 Schedule of Town's Share of Net OPEB Liability  
 Group Life Insurance Program  
 For the Year Ended June 30, 2018

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Primary Government:					
2017	0.00286% \$	43,000 \$	527,943	8.14%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Town of Victoria, Virginia  
 Schedule of Employer Contributions  
 Group Life Insurance Program  
 For the Years Ended June 30, 2009 through June 30, 2018

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2018	\$ 2,646	\$ 2,646	-	508,806	0.52%
2017	2,745	2,745	-	527,943	0.52%
2016	2,407	2,407	-	501,410	0.48%
2015	2,422	2,422	-	504,630	0.48%
2014	2,395	2,395	-	499,061	0.48%
2013	2,376	2,376	-	494,923	0.48%
2012	1,426	1,426	-	509,118	0.28%
2011	1,428	1,428	-	510,164	0.28%
2010	1,003	1,003	-	371,441	0.27%
2009	1,316	1,316	-	487,578	0.27%

Town of Victoria, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018

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Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

**General State Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 25%

**Teachers**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

**SPORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 85%

**VaLORS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020 and reduced margin for future improvement in accordance with experience
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 50% to 35%

Town of Victoria, Virginia  
Notes to Required Supplementary Information  
Group Life Insurance Program  
For the Year Ended June 30, 2018 (Continued)

**JRS Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Decreased rates at first retirement eligibility
Withdrawal Rates	No change
Disability Rates	Removed disability rates
Salary Scale	No change

**Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

**Non-Largest Ten Locality Employers - General Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

**Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

**Non-Largest Ten Locality Employers - Hazardous Duty Employees**

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

*OTHER SUPPLEMENTARY INFORMATION*

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*COMBINING AND INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES*

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Town of Victoria, Virginia  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018

	Special Revenue	Permanent Funds		
	Roundhouse Campgrounds <u>Fund</u>	Lakeview Cemetery Perpetual Care <u>Fund</u>	Oakwood Cemetery Perpetual Care <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 307	\$ 141,383	\$ 26,902	\$ 168,592
<b>LIABILITIES</b>				
Accounts payable	\$ 259	\$ -	\$ -	\$ 259
<b>FUND BALANCES</b>				
Nonspendable	\$ -	\$ 141,383	\$ 26,902	\$ 168,285
Restricted	48	-	-	\$ 48
Total fund balances	\$ 48	\$ 141,383	\$ 26,902	\$ 168,333
Total liabilities and fund balances	\$ 307	\$ 141,383	\$ 26,902	\$ 168,592

Town of Victoria, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018

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	Special Revenue	Permanent Funds		Total Nonmajor Governmental Funds
	Roundhouse Campgrounds Fund	Lakeview Cemetery Perpetual Care Fund	Oakwood Cemetery Perpetual Care Fund	
REVENUES				
Revenue from the use of money and property	\$ -	\$ 2,649	\$ 199	\$ 2,848
Charges for services	-	176	44	220
Total revenues	\$ -	\$ 2,825	\$ 243	\$ 3,068
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ 2,825	\$ 243	\$ 3,068
Net change in fund balances	\$ -	\$ 2,825	\$ 243	\$ 3,068
Fund balances - beginning	48	138,558	26,659	165,265
Fund balances - ending	\$ 48	\$ 141,383	\$ 26,902	\$ 168,333

*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  
June 30, 2018

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**ASSETS**

## Current assets:

Cash and cash equivalents	\$ 153,156
Property held for resale	306,100
Total assets	<u>\$ 459,256</u>

**LIABILITIES**

## Current liabilities:

Non-refundable deposit held on property sale	<u>\$ 30,000</u>
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**NET POSITION**

Unrestricted	<u><u>\$ 429,256</u></u>
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Town of Victoria  
Statement of Revenues, Expenses, and Changes in Net Position  
Discretely Presented Component Unit - Industrial Development Authority  
June 30, 2018

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## OPERATING REVENUES

## Charges for services:

Lease revenue	\$ 27,500
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## OPERATING EXPENSES

## Other charges

Operating income (loss)	\$ 24,714
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## NONOPERATING REVENUES (EXPENSES)

## Investment income

Change in net position	\$ 25,282
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Total net position - beginning

403,974

Total net position - ending

\$ 429,256
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Town of Victoria  
Statement of Cash Flows  
Discretely Presented Component Unit - Industrial Development Authority  
June 30, 2018

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<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 27,500
Payments for operating activities	(2,786)
Net cash provided by (used for) operating activities	<u>\$ 24,714</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest income	<u>\$ 568</u>
Net cash provided by (used for) investing activities	<u>\$ 568</u>
Net increase (decrease) in cash and cash equivalents	\$ 25,282
Cash and cash equivalents - beginning	<u>127,874</u>
Cash and cash equivalents - ending	<u><u>\$ 153,156</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>	
Operating income (loss)	<u>\$ 24,714</u>
Net cash provided by (used for) operating activities	<u><u>\$ 24,714</u></u>

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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, 2018

<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	\$ 156,047	\$ 156,047	\$ 158,444	\$ 2,397
Delinquent property taxes	2,800	2,800	2,180	(620)
Penalty and interest	3,000	3,000	5,840	2,840
DMV stop payments	2,000	2,000	4,410	2,410
Total general property taxes	<u>\$ 163,847</u>	<u>\$ 163,847</u>	<u>\$ 170,874</u>	<u>\$ 7,027</u>
Other local taxes:				
Local sales and use taxes	\$ 32,000	\$ 32,000	\$ 37,373	\$ 5,373
Consumers' utility taxes	87,781	87,781	37,630	(50,151)
Consumption tax	5,000	5,000	5,305	305
Meals tax	82,500	82,500	87,810	5,310
ABC License	250	250	210	(40)
Business license taxes	31,100	31,100	32,233	1,133
Motor vehicle licenses	33,000	33,000	37,161	4,161
Bank stock taxes	36,000	36,000	36,344	344
Total other local taxes	<u>\$ 307,631</u>	<u>\$ 307,631</u>	<u>\$ 274,066</u>	<u>\$ (33,565)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 500	\$ 500	\$ 1,657	\$ 1,157
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,000	\$ 10,000	\$ 9,842	\$ (158)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,100	\$ 1,100	\$ 3,167	\$ 2,067
Charges for services:				
Charges for refuse collection	\$ 105,000	\$ 105,000	\$ 104,850	\$ (150)
Public pool	12,650	12,650	14,832	2,182
Total charges for services	<u>\$ 117,650</u>	<u>\$ 117,650</u>	<u>\$ 119,682</u>	<u>\$ 2,032</u>
Miscellaneous				
	<u>\$ 15,450</u>	<u>\$ 15,450</u>	<u>\$ 15,818</u>	<u>\$ 368</u>
Recovered costs:				
Department of Motor Vehicles	\$ 19,738	\$ 19,738	\$ 17,467	\$ (2,271)
Litter grant - Lunenburg County	1,000	1,000	-	(1,000)
Total recovered costs	<u>\$ 20,738</u>	<u>\$ 20,738</u>	<u>\$ 17,467</u>	<u>\$ (3,271)</u>
Total revenue from local sources				
	<u>\$ 636,916</u>	<u>\$ 636,916</u>	<u>\$ 612,573</u>	<u>\$ (24,343)</u>

Town of Victoria, Virginia  
Schedule of Revenues - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

<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>
General Fund: (Continued)				
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ -	\$ -	\$ 736	\$ 736
Mobile home titling tax	-	-	150	150
Communications tax	-	-	46,885	46,885
Personal property tax relief funds	45,953	45,953	45,953	-
Total noncategorical aid	<u>\$ 45,953</u>	<u>\$ 45,953</u>	<u>\$ 93,724</u>	<u>\$ 47,771</u>
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Local law enforcement block grant	42,288	42,288	43,652	1,364
Total other categorical aid	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 53,652</u>	<u>\$ 1,364</u>
Total categorical aid	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 53,652</u>	<u>\$ 1,364</u>
Total revenue from the Commonwealth	<u>\$ 98,241</u>	<u>\$ 98,241</u>	<u>\$ 147,376</u>	<u>\$ 49,135</u>
Revenue from the federal government:				
Categorical aid:				
ISTEA grant	\$ -	\$ -	\$ 20,334	\$ 20,334
Justice assistance grant	3,400	3,400	-	(3,400)
Total categorical aid	<u>\$ 3,400</u>	<u>\$ 3,400</u>	<u>\$ 20,334</u>	<u>\$ 16,934</u>
Total revenue from the federal government	<u>\$ 3,400</u>	<u>\$ 3,400</u>	<u>\$ 20,334</u>	<u>\$ 16,934</u>
Total General Fund	<u><u>\$ 738,557</u></u>	<u><u>\$ 738,557</u></u>	<u><u>\$ 780,283</u></u>	<u><u>\$ 41,726</u></u>
Permanent Funds:				
Lakeview Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 2,649	\$ 2,649
Charges for services:				
Sale of cemetery lots	\$ -	\$ -	\$ 176	\$ 176
Total Lakeview Cemetery Perpetual Care Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,825</u>	<u>\$ 2,825</u>

Town of Victoria, Virginia  
 Schedule of Revenues - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

<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>
Permanent Funds: (Continued)				
Oakwood Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 199	\$ 199
Charges for services:				
Sale of cemetery lots	\$ -	\$ -	\$ 44	\$ 44
Total Oakwood Cemetery Perpetual Care Fund	\$ -	\$ -	\$ 243	\$ 243
Total Permanent Funds	\$ -	\$ -	\$ 3,068	\$ 3,068
Total Primary Government	\$ 738,557	\$ 738,557	\$ 783,351	\$ 44,794

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Town of Victoria, Virginia  
Schedule of Expenditures - Budget and Actual  
Governmental Funds  
For the Year Ended June 30, 2018

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>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 11,710	\$ 11,710	\$ 11,705	\$ 5
General and financial administration:				
Administration	\$ 91,950	\$ 91,950	\$ 85,506	\$ 6,444
Legal services	2,600	2,600	202	2,398
Independent auditor	6,000	6,000	5,737	263
Total general and financial administration	\$ 100,550	\$ 100,550	\$ 91,445	\$ 9,105
Total general government administration	\$ 112,260	\$ 112,260	\$ 103,150	\$ 9,110
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 270,381	\$ 270,381	\$ 254,844	\$ 15,537
Total law enforcement and traffic control	\$ 270,381	\$ 270,381	\$ 254,844	\$ 15,537
Fire and rescue services:				
Volunteer fire and rescue departments	\$ 98,500	\$ 98,500	\$ 98,500	-
Total public safety	\$ 368,881	\$ 368,881	\$ 353,344	\$ 15,537
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 16,450	\$ 16,450	\$ 11,394	\$ 5,056
Streetlights	26,703	26,703	22,910	3,793
Total maintenance of highways, streets, bridges and sidewalks	\$ 43,153	\$ 43,153	\$ 34,304	\$ 8,849
Sanitation and waste removal:				
Refuse collection and disposal	\$ 89,379	\$ 89,379	\$ 84,376	\$ 5,003
Maintenance of general buildings and grounds:				
Municipal building	\$ 17,650	\$ 17,650	\$ 16,327	\$ 1,323
Total public works	\$ 150,182	\$ 150,182	\$ 135,007	\$ 15,175
Parks, recreation, and cultural:				
Parks and recreation:				
Caboose fund	\$ 1,400	\$ 1,400	\$ 1,586	\$ (186)
Public pool	12,650	12,650	14,875	(2,225)
Park and recreation	25,375	25,375	16,792	8,583
Total parks and recreation	\$ 39,425	\$ 39,425	\$ 33,253	\$ 6,172
Library:				
Library	\$ 8,000	\$ 8,000	\$ 8,413	\$ (413)
Total parks, recreation, and cultural	\$ 47,425	\$ 47,425	\$ 41,666	\$ 5,759
Community development:				
Planning and community development:				
Condemned property removal	\$ 2,000	\$ 2,000	\$ 119	\$ 1,881

Town of Victoria, Virginia  
 Schedule of Expenditures - Budget and Actual  
 Governmental Funds  
 For the Year Ended June 30, 2018

<u>Fund, Function, Element and Activity</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Nondepartmental:				
Contingencies and miscellaneous	\$ 44,448	\$ 44,448	\$ 34,371	\$ 10,077
Debt service:				
Principal retirement	\$ 13,361	\$ 13,361	\$ 11,820	\$ 1,541
Interest and other fiscal charges	-	-	1,492	(1,492)
Total debt service	<u>\$ 13,361</u>	<u>\$ 13,361</u>	<u>\$ 13,312</u>	<u>\$ 49</u>
Total General Fund	<u>\$ 738,557</u>	<u>\$ 738,557</u>	<u>\$ 680,969</u>	<u>\$ 57,588</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	Interest on Long-Term Obligations	Business-type Activities	Total
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
2016	167,963	424,042	115,923	46,024	208	3,179	1,391,286	2,148,625
2017	143,940	361,268	144,304	113,265	494	2,522	1,231,017	1,996,810
2018	126,619	370,974	181,875	89,081	119	1,492	1,374,171	2,144,331

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 Revenues from the Use of Money and Property	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
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	
2016	1,252,486	93,940	125,767	172,348	257,120	7,742	43,695	95,570	2,048,668	
2017	1,318,664	73,718	618,457	173,715	279,012	8,172	58,827	96,182	2,626,747	
2018	1,325,063	53,652	122,956	180,120	274,066	9,688	40,895	93,724	2,100,164	

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
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
2016	100,989	423,320	115,322	54,852	208	45,235	18,066	757,992
2017	92,022	408,041	153,431	65,851	494	33,006	46,295	799,140
2018	103,150	353,344	135,007	41,666	119	34,371	13,312	680,969

(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
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
2016	171,014	257,120	1,796	16,522	3,973	111,066	40,110	20,281	241,728	863,610
2017	195,630	279,012	1,434	17,670	4,918	124,616	41,576	18,544	714,710	1,398,110
2018	170,874	274,066	1,657	9,842	6,015	119,902	15,818	17,467	167,710	783,351

(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
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%
2016	210,930	201,024	95.30%	7,363	208,387	98.79%	33,286	15.78%
2017	216,178	206,855	95.69%	19,530	226,385	104.72%	11,738	5.43%
2018	222,361	204,397	91.92%	2,180	206,577	92.90%	21,182	9.53%

(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	
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
2016	65,018,402	8,750,873	285,716	261,700	3,069,252	-	77,385,943
2017	66,991,900	9,079,460	276,860	265,000	3,038,122	-	79,651,342
2018	67,162,900	9,493,282	289,746	269,200	3,208,939	-	80,424,067

(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
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
2016	0.18	0.98	0.75	0.18	0.18	0.98
2017	0.18	0.98	0.75	0.18	0.18	0.98
2018	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
2009	1,821	\$ 76,958,141	\$ 484,147	0.63%	\$ 266
2010	1,821	76,758,188	593,293	0.77%	326
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
2016	1,725	77,385,943	2,675,073	3.46%	1,551
2017	1,725	79,651,342	2,547,622	3.20%	1,477
2018	1,725	80,424,067	2,417,309	3.01%	1,401

(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  
 For the Year Ended June 30, 2018

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Total assessed value of real property (1)	\$	70,371,839
Debt limit - 10% of total assessed value	\$	7,037,184
Amount of debt applicable to debt limit:		
Gross debt (2)	\$	2,417,309
Less: Water and sewer revenue bonds		-
Total amount of debt applicable to debt limit	\$	2,417,309
Legal debt margin	\$	4,619,875

(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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, 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, 2018, 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 March 27, 2019.

### 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses [2018-001].

## 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 Finding

Town of Victoria, Virginia's response to the finding identified in our audit is described in the accompany schedule of findings and responses. 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  
March 27, 2019

Town of Victoria, Virginia  
 Schedule of Findings and Responses  
 For the Year Ended June 30, 2018

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**Section I-Summary of Auditors' Results**

**Financial Statements**

Type of auditor's report issued:		<i>unmodified</i>
Internal control over financial reporting:		
Material weakness(es) identified?	✓ _____ yes	_____ no
Significant deficiency(ies) identified?	_____ yes	✓ _____ none reported
Noncompliance material to financial statements noted?	_____ yes	✓ _____ no

**Section II-Financial Statement Findings**

2018-001

**Financial Reporting**

<b>Criteria:</b>	Per Statement on 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 a reasonable possibility 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 FY19.

**Section III-Status of Prior Audit Findings**

Finding 2017-001 was recurring in fiscal year 2018 as 2018-001.

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