

TOWN OF VICTORIA, VIRGINIA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 2019, the Town adopted new accounting guidance, GASB Statement No. 88 *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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, 57, 58-60, and 61-63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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, supporting schedules, and statistical information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 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 February 24, 2020, 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. Clark", followed by a horizontal line extending to the right.

Richmond, Virginia
February 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2019. 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 \$7,471,656 (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 \$58,770 (Exhibit 5).

- < As of the close of the current fiscal year, the Town's funds reported an ending fund balance of \$776,714, an increase of \$58,770 in comparison with the prior year.
- < The combined long-term obligations decreased \$136,861 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)

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 one major governmental fund - the General 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 \$7,471,656 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	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 853,292	\$ 763,623	\$ 642,223	\$ 630,297	\$ 1,495,515	\$ 1,393,920
Capital assets	2,102,667	2,212,922	6,325,404	6,552,081	8,428,071	8,765,003
Total assets	\$ 2,955,959	\$ 2,976,545	\$ 6,967,627	\$ 7,182,378	\$ 9,923,586	\$ 10,158,923
Deferred outflows of resources	\$ 39,708	\$ 55,425	\$ 41,549	\$ 57,105	\$ 81,257	\$ 112,530
Current liabilities	\$ 9,051	\$ 6,671	\$ 63,554	\$ 57,746	\$ 72,605	\$ 64,417
Long-term liabilities outstanding	99,573	113,095	2,284,200	2,407,539	2,383,773	2,520,634
Total liabilities	\$ 108,624	\$ 119,766	\$ 2,347,754	\$ 2,465,285	\$ 2,456,378	\$ 2,585,051
Deferred inflows of resources	\$ 39,143	\$ 37,441	\$ 37,666	\$ 35,490	\$ 76,809	\$ 72,931
Net position:						
Net investment in capital assets	\$ 2,051,547	\$ 2,149,742	\$ 4,092,414	\$ 4,197,952	\$ 6,143,961	\$ 6,347,694
Unrestricted	796,353	725,021	531,342	540,756	1,327,695	1,265,777
Total net position	\$ 2,847,900	\$ 2,874,763	\$ 4,623,756	\$ 4,738,708	\$ 7,471,656	\$ 7,613,471

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position decreased by \$141,815. 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 134,723	\$ 131,401	\$ 1,256,817	\$ 1,193,662	\$ 1,391,540	\$ 1,325,063
Operating grants and contributions	55,264	53,652	-	-	55,264	53,652
Capital grants and contributions	-	20,334	-	102,622	-	122,956
General revenues:						
General property taxes	185,918	180,120	-	-	185,918	180,120
Other local taxes	291,196	274,066	-	-	291,196	274,066
Grants and other contributions not restricted	90,133	93,724	-	-	90,133	93,724
Other general revenues	43,821	21,833	77,265	28,750	121,086	50,583
Transfers	(21,497)	(7,717)	21,497	7,717	-	-
Total revenues	<u>\$ 779,558</u>	<u>\$ 767,413</u>	<u>\$ 1,355,579</u>	<u>\$ 1,332,751</u>	<u>\$ 2,135,137</u>	<u>\$ 2,100,164</u>
Expenses:						
General government administration						
	\$ 135,981	\$ 126,619	\$ -	\$ -	\$ 135,981	\$ 126,619
Public safety	357,116	370,974	-	-	357,116	370,974
Public works	195,500	181,875	1,470,531	1,374,171	1,666,031	1,556,046
Parks, recreation, and cultural	115,022	89,081	-	-	115,022	89,081
Community development	1,556	119	-	-	1,556	119
Interest and other fiscal charges	1,246	1,492	-	-	1,246	1,492
Total expenses	<u>\$ 806,421</u>	<u>\$ 770,160</u>	<u>\$ 1,470,531</u>	<u>\$ 1,374,171</u>	<u>\$ 2,276,952</u>	<u>\$ 2,144,331</u>
Change in net position	\$ (26,863)	\$ (2,747)	\$ (114,952)	\$ (41,420)	\$ (141,815)	\$ (44,167)
Beginning of year	2,874,763	2,877,510	4,738,708	4,780,128	7,613,471	7,657,638
End of year	<u>\$ 2,847,900</u>	<u>\$ 2,874,763</u>	<u>\$ 4,623,756</u>	<u>\$ 4,738,708</u>	<u>\$ 7,471,656</u>	<u>\$ 7,613,471</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 \$776,714, an increase of \$58,770 in comparison with the prior year. Approximately 72% 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 \$531,342. Total net position decreased \$114,952.

General Fund Budgetary Highlights

During the year, budgetary estimates were less than revenues and other financing sources by \$69,767. Expenditures and other uses were less than budgetary estimates by \$18,779, resulting in a positive variance of \$88,546.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2019 amounted to \$2,102,667 and \$6,325,404 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 \$2,284,110. 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 \$133,199.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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 2020 fiscal year.

None of the property tax rates changed for FY20.

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.

Town of Victoria, Virginia
Statement of Net Position
June 30, 2019

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit IDA
ASSETS				
Cash and cash equivalents	\$ 742,326	\$ 486,675	\$ 1,229,001	\$ 177,291
Receivables:				
Taxes receivable	18,967	-	18,967	-
Accounts receivable	29,758	107,709	137,467	-
Property held for resale	-	-	-	306,100
Due from other governmental units	15,354	-	15,354	-
Net pension asset	46,887	47,839	94,726	-
Capital assets (net of accumulated depreciation):				
Land	269,489	60,726	330,215	-
Buildings and system	291,934	6,152,542	6,444,476	-
Machinery and equipment	102,504	112,136	214,640	-
Infrastructure	1,438,740	-	1,438,740	-
Total assets	<u>\$ 2,955,959</u>	<u>\$ 6,967,627</u>	<u>\$ 9,923,586</u>	<u>\$ 483,391</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 37,916	\$ 38,683	\$ 76,599	\$ -
OPEB related items	1,792	2,866	4,658	-
Total deferred outflows of resources	<u>\$ 39,708</u>	<u>\$ 41,549</u>	<u>\$ 81,257</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 5,921	\$ 24,875	\$ 30,796	\$ -
Accrued liabilities	3,130	1,105	4,235	-
Customers' deposits	-	37,574	37,574	-
Non-refundable deposit on property sale	-	-	-	30,000
Long-term liabilities:				
Due within one year	15,645	126,731	142,376	-
Due in more than one year	83,928	2,157,469	2,241,397	-
Total liabilities	<u>\$ 108,624</u>	<u>\$ 2,347,754</u>	<u>\$ 2,456,378</u>	<u>\$ 30,000</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue - property taxes	\$ 3,054	-	\$ 3,054	\$ -
Pension related items	34,529	35,226	69,755	-
OPEB related items	1,560	2,440	4,000	-
Total deferred inflows of resources	<u>\$ 39,143</u>	<u>\$ 37,666</u>	<u>\$ 76,809</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 2,051,547	\$ 4,092,414	\$ 6,143,961	\$ -
Unrestricted	796,353	531,342	1,327,695	453,391
Total net position	<u>\$ 2,847,900</u>	<u>\$ 4,623,756</u>	<u>\$ 7,471,656</u>	<u>\$ 453,391</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, 2019

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 Business-Type Activities	Component Unit IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 135,981	\$ 44	\$ -	\$ -	\$ (135,937)	\$ -	\$ -
Public safety	357,116	11,372	55,264	-	(290,480)	(290,480)	-
Public works	195,500	105,065	-	-	(90,435)	(90,435)	-
Parks, recreation, and cultural	115,022	-	-	-	(115,022)	(115,022)	-
Community development	1,556	18,242	-	-	16,686	16,686	-
Interest on long-term obligations	1,246	-	-	-	(1,246)	(1,246)	-
Total governmental activities	\$ 806,421	\$ 134,723	\$ 55,264	\$ -	\$ (616,434)	\$ (616,434)	\$ -
Business-type activities:							
Oakwood Cemetery	\$ 64	\$ 682	\$ -	\$ -	\$ -	\$ 618	\$ 618
Lakeview Cemetery	33,315	2,653	-	-	(30,662)	(30,662)	-
Sewer	619,678	552,066	-	-	(67,612)	(67,612)	-
Water	816,549	701,416	-	-	(115,133)	(115,133)	-
Water and Sewer Escrow	925	-	-	-	(925)	(925)	-
Total business-type activities	\$ 1,470,531	\$ 1,256,817	\$ -	\$ -	\$ (213,714)	\$ (213,714)	\$ -
Total primary government	\$ 2,276,952	\$ 1,391,540	\$ 55,264	\$ -	\$ (616,434)	\$ (830,148)	\$ -
COMPONENT UNIT:							
IDA	\$ 7,727	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 22,273
Total component unit	\$ 7,727	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 22,273
General revenues:							
General property taxes					\$ 185,918	\$ -	\$ -
Other local taxes:							
Local sales and use taxes					39,386	-	39,386
Consumers' utility taxes					37,496	-	37,496
Motor vehicle licenses					39,570	-	39,570
Bank stock taxes					37,294	-	37,294
Meals taxes					97,160	-	97,160
Business license taxes					34,856	-	34,856
Other local taxes					5,434	-	5,434
Unrestricted revenues from use of money and property					9,261	6,962	16,223
Miscellaneous					34,560	70,303	104,863
Grants and contributions not restricted to specific programs					90,133	-	90,133
Transfers					(21,497)	21,497	-
Total general revenues and transfers					\$ 589,571	\$ 98,762	\$ 688,333
Change in net position					\$ (26,863)	\$ (114,952)	\$ (141,815)
Net position - beginning					2,874,763	4,738,708	7,613,471
Net position - ending					\$ 2,847,900	\$ 4,623,756	\$ 7,471,656

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

Town of Victoria, Virginia
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 595,210	\$ 147,950	\$ 743,160
Receivables:			
Taxes receivable	18,967	-	18,967
Accounts receivable	29,758	-	29,758
Due from other governmental units	15,354	-	15,354
Total assets	<u>\$ 659,289</u>	<u>\$ 147,950</u>	<u>\$ 807,239</u>
LIABILITIES			
Reconciled overdraft	\$ -	\$ 834	\$ 834
Accounts payable	5,662	259	5,921
Accrued liabilities	3,130	-	3,130
Total liabilities	<u>\$ 8,792</u>	<u>\$ 1,093</u>	<u>\$ 9,885</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	\$ 20,640	\$ -	\$ 20,640
FUND BALANCES			
Nonspendable	\$ -	\$ 147,950	\$ 147,950
Restricted	-	(1,093)	(1,093)
Committed	67,504	-	67,504
Unassigned	562,353	-	562,353
Total fund balances	<u>\$ 629,857</u>	<u>\$ 146,857</u>	<u>\$ 776,714</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 659,289</u>	<u>\$ 147,950</u>	<u>\$ 807,239</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, 2019

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	776,714
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Capital assets, cost	\$ 3,599,858	
Accumulated depreciation	<u>(1,497,191)</u>	2,102,667
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		46,887
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Unavailable revenue		17,586
Deferred outflows of resources are not available to pay for current-period expenditures, and therefore, are not reported in the funds.		
Pension related items	\$ 37,916	
OPEB related items	<u>1,792</u>	39,708
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	\$ (51,120)	
Net OPEB liability	(15,600)	
Compensated absences	<u>(32,853)</u>	(99,573)
Deferred inflows of resources are not due and payable in the current-period, and therefore, are not reported in the funds.		
Pension related items	\$ (34,529)	
OPEB related items	<u>(1,560)</u>	(36,089)
Net position of governmental activities		<u><u>\$ 2,847,900</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, 2019

	<u>General</u>	Other Governmental <u>Funds</u>	<u>Total</u>
REVENUES			
General property taxes	\$ 189,651	\$ -	\$ 189,651
Other local taxes	291,196	-	291,196
Permits, privilege fees, and regulatory licenses	525	-	525
Fines and forfeitures	10,847	-	10,847
Revenue from the use of money and property	8,143	1,118	9,261
Charges for services	123,307	44	123,351
Miscellaneous	34,345	215	34,560
Recovered costs	19,005	-	19,005
Intergovernmental:			
Commonwealth	145,397	-	145,397
Total revenues	<u>\$ 822,416</u>	<u>\$ 1,377</u>	<u>\$ 823,793</u>
EXPENDITURES			
Current:			
General government administration	\$ 117,550	\$ -	\$ 117,550
Public safety	377,333	-	377,333
Public works	127,691	-	127,691
Parks, recreation, and cultural	67,607	-	67,607
Community development	-	1,556	1,556
Nondepartmental	38,483	-	38,483
Debt service:			
Principal retirement	12,060	-	12,060
Interest and other fiscal charges	1,246	-	1,246
Total expenditures	<u>\$ 741,970</u>	<u>\$ 1,556</u>	<u>\$ 743,526</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 80,446</u>	<u>\$ (179)</u>	<u>\$ 80,267</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ -	\$ 200	\$ 200
Transfers out	(200)	(21,497)	(21,697)
Total other financing sources (uses)	<u>\$ (200)</u>	<u>\$ (21,297)</u>	<u>\$ (21,497)</u>
Net change in fund balances	\$ 80,246	\$ (21,476)	\$ 58,770
Fund balances - beginning	549,611	168,333	717,944
Fund balances - ending	<u>\$ 629,857</u>	<u>\$ 146,857</u>	<u>\$ 776,714</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, 2019

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

Net change in fund balances - total governmental funds	\$	58,770
<p>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.</p>		
Capital asset additions	\$	35,802
Depreciation expense		<u>(146,057)</u>
		(110,255)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes		(3,733)
<p>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.</p>		
Principal payments on general obligation bond		12,060
<p>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:</p>		
OPEB expense	\$	2,320
Pension expense		13,683
Change in compensated absences		<u>292</u>
		16,295
Change in net position of governmental activities		<u>\$ (26,863)</u>

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, 2019

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 4,702	\$ 137,109	\$ -	\$ 307,349	\$ 40,637	\$ 489,797
Accounts receivable	-	-	47,322	60,387	-	107,709
Total current assets	<u>\$ 4,702</u>	<u>\$ 137,109</u>	<u>\$ 47,322</u>	<u>\$ 367,736</u>	<u>\$ 40,637</u>	<u>\$ 597,506</u>
Noncurrent assets:						
Net pension asset	\$ -	\$ -	\$ 18,396	\$ 29,443	\$ -	\$ 47,839
Capital assets (net of accumulated depreciation):						
Land	-	-	10,000	-	50,726	60,726
Building and system	-	-	2,543,960	3,608,582	-	6,152,542
Machinery and equipment	-	-	37,009	75,127	-	112,136
Total capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,590,969</u>	<u>\$ 3,683,709</u>	<u>\$ 50,726</u>	<u>\$ 6,325,404</u>
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,609,365</u>	<u>\$ 3,713,152</u>	<u>\$ 50,726</u>	<u>\$ 6,373,243</u>
Total assets	<u>\$ 4,702</u>	<u>\$ 137,109</u>	<u>\$ 2,656,687</u>	<u>\$ 4,080,888</u>	<u>\$ 91,363</u>	<u>\$ 6,970,749</u>
DEFERRED OUTFLOWS OF RESOURCES						
Pension related items	\$ -	\$ -	\$ 14,875	\$ 23,808	\$ -	\$ 38,683
OPEB related items	-	-	1,215	1,651	-	2,866
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,090</u>	<u>\$ 25,459</u>	<u>\$ -</u>	<u>\$ 41,549</u>
LIABILITIES						
Current liabilities:						
Accounts payable	\$ -	\$ (23)	\$ 13,692	\$ 11,206	\$ -	\$ 24,875
Accrued liabilities	-	-	482	623	-	1,105
Reconciled overdraft	-	-	3,122	-	-	3,122
Customers' deposits	-	-	-	37,574	-	37,574
Compensated absences - current portion	-	-	960	1,721	-	2,681
Bonds payable - current portion	-	-	57,680	66,370	-	124,050
Total current liabilities	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 75,936</u>	<u>\$ 117,494</u>	<u>\$ -</u>	<u>\$ 193,407</u>
Noncurrent liabilities:						
Bonds payable - net of current portion	\$ -	\$ -	\$ 180,880	\$ 1,928,060	\$ -	\$ 2,108,940
Net OPEB liability	-	-	10,800	13,600	-	24,400
Compensated absences - net of current portion	-	-	8,641	15,488	-	24,129
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,321</u>	<u>\$ 1,957,148</u>	<u>\$ -</u>	<u>\$ 2,157,469</u>
Total liabilities	<u>\$ -</u>	<u>\$ (23)</u>	<u>\$ 276,257</u>	<u>\$ 2,074,642</u>	<u>\$ -</u>	<u>\$ 2,350,876</u>
DEFERRED INFLOWS OF RESOURCES						
Pension related items	\$ -	\$ -	\$ 13,546	\$ 21,680	\$ -	\$ 35,226
OPEB related items	-	-	1,080	1,360	-	2,440
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,626</u>	<u>\$ 23,040</u>	<u>\$ -</u>	<u>\$ 37,666</u>
NET POSITION						
Net investment in capital assets	\$ -	\$ -	\$ 2,352,409	\$ 1,689,279	\$ 50,726	\$ 4,092,414
Unrestricted	4,702	137,132	29,485	319,386	40,637	531,342
Total net position	<u>\$ 4,702</u>	<u>\$ 137,132</u>	<u>\$ 2,381,894</u>	<u>\$ 2,008,665</u>	<u>\$ 91,363</u>	<u>\$ 4,623,756</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, 2019

	Enterprise Funds					Total
	Oakwood Cemetery	Lakeview Cemetery	Sewer	Water	Water and Sewer Escrow	
	Fund	Fund	Fund	Fund	Fund	
OPERATING REVENUES						
Charges for services:						
Water revenues	\$ -	\$ -	\$ -	\$ 685,425	\$ -	\$ 685,425
Sewer revenues	-	-	541,179	-	-	541,179
Sale of cemetery plots	682	2,653	-	-	-	3,335
Other charges for services	-	-	10,887	15,991	-	26,878
Miscellaneous	-	-	3,472	25,783	41,048	70,303
Total operating revenues	\$ 682	\$ 2,653	\$ 555,538	\$ 727,199	\$ 41,048	\$ 1,327,120
OPERATING EXPENSES						
Personnel services	\$ -	\$ -	\$ 169,733	\$ 202,146	\$ -	\$ 371,879
Fringe benefits	-	-	43,575	56,669	-	100,244
Insurance	-	-	13,969	13,969	-	27,938
Supplies	-	-	230,864	335,805	-	566,669
Other miscellaneous expenses	64	33,315	-	-	925	34,304
Depreciation	-	-	155,724	153,049	-	308,773
Total operating expenses	\$ 64	\$ 33,315	\$ 613,865	\$ 761,638	\$ 925	\$ 1,409,807
Operating income (loss)	\$ 618	\$ (30,662)	\$ (58,327)	\$ (34,439)	\$ 40,123	\$ (82,687)
NONOPERATING REVENUES (EXPENSES)						
Investment income	\$ 89	\$ 6,195	\$ 33	\$ 645	\$ -	\$ 6,962
Interest expense	-	-	(5,813)	(54,911)	-	(60,724)
Total nonoperating revenues (expenses)	\$ 89	\$ 6,195	\$ (5,780)	\$ (54,266)	\$ -	\$ (53,762)
Income (loss) before transfers	\$ 707	\$ (24,467)	\$ (64,107)	\$ (88,705)	\$ 40,123	\$ (136,449)
Transfers in	-	21,497	41,048	41,048	-	103,593
Transfers out	-	-	-	-	(82,096)	(82,096)
Change in net position	\$ 707	\$ (2,970)	\$ (23,059)	\$ (47,657)	\$ (41,973)	\$ (114,952)
Total net position - beginning	3,995	140,102	2,404,953	2,056,322	133,336	4,738,708
Total net position - ending	\$ 4,702	\$ 137,132	\$ 2,381,894	\$ 2,008,665	\$ 91,363	\$ 4,623,756

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, 2019

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 682	\$ 2,653	\$ 546,376	\$ 698,827	\$ -	\$ 1,248,538
Payments to suppliers	-	-	(242,735)	(344,839)	-	(587,574)
Payments to and for employees	-	-	(221,069)	(269,907)	-	(490,976)
Other receipts (payments)	(64)	(33,315)	3,472	25,783	40,123	35,999
Net cash provided by (used for) operating activities	<u>\$ 618</u>	<u>\$ (30,662)</u>	<u>\$ 86,044</u>	<u>\$ 109,864</u>	<u>\$ 40,123</u>	<u>\$ 205,987</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	\$ -	\$ -	\$ -	\$ -	\$ (82,096)	\$ (82,096)
Transfers from other funds	-	21,497	41,048	41,048	-	103,593
Net cash provided by (used for) noncapital financing activities	<u>\$ -</u>	<u>\$ 21,497</u>	<u>\$ 41,048</u>	<u>\$ 41,048</u>	<u>\$ (82,096)</u>	<u>\$ 21,497</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Additions to capital assets	\$ -	\$ -	\$ (41,048)	\$ (41,048)	\$ -	\$ (82,096)
Principal payments on bonds and notes	-	-	(56,280)	(64,859)	-	(121,139)
Interest expense	-	-	(5,813)	(54,911)	-	(60,724)
Net cash provided by (used for) capital and related financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (103,141)</u>	<u>\$ (160,818)</u>	<u>\$ -</u>	<u>\$ (263,959)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividend income	\$ 89	\$ 6,195	\$ 33	\$ 645	\$ -	\$ 6,962
Net cash provided by (used for) investing activities	<u>\$ 89</u>	<u>\$ 6,195</u>	<u>\$ 33</u>	<u>\$ 645</u>	<u>\$ -</u>	<u>\$ 6,962</u>
Net increase (decrease) in cash and cash equivalents	\$ 707	\$ (2,970)	\$ 23,984	\$ (9,261)	\$ (41,973)	\$ (29,513)
Cash and cash equivalents - beginning	3,995	140,079	(27,106)	316,610	82,610	516,188
Cash and cash equivalents - ending	<u>\$ 4,702</u>	<u>\$ 137,109</u>	<u>\$ (3,122)</u>	<u>\$ 307,349</u>	<u>\$ 40,637</u>	<u>\$ 486,675</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 618	\$ (30,662)	\$ (58,327)	\$ (34,439)	\$ 40,123	\$ (82,687)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation	\$ -	\$ -	\$ 155,724	\$ 153,049	\$ -	\$ 308,773
(Increase) decrease in accounts receivable	-	-	(5,690)	(2,565)	-	(8,255)
(Increase) decrease in net pension asset	-	-	(12,760)	(20,423)	-	(33,183)
(Increase) decrease in net OPEB liability	-	-	(810)	(1,020)	-	(1,830)
(Increase) decrease in deferred outflows of resources	-	-	5,962	9,594	-	15,556
Increase (decrease) in customer deposits	-	-	-	(24)	-	(24)
Increase (decrease) in accounts payable and accrued liabilities	-	-	1,521	4,310	-	5,831
Increase (decrease) in deferred inflows of resources	-	-	864	1,312	-	2,176
Increase (decrease) in compensated absences	-	-	(440)	70	-	(370)
Total adjustments	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,371</u>	<u>\$ 144,303</u>	<u>\$ -</u>	<u>\$ 288,674</u>
Net cash provided by (used for) operating activities	<u>\$ 618</u>	<u>\$ (30,662)</u>	<u>\$ 86,044</u>	<u>\$ 109,864</u>	<u>\$ 40,123</u>	<u>\$ 205,987</u>

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

Town of Victoria, Virginia
Notes to Financial Statements
As of June 30, 2019

Note 1—Summary of Significant Accounting Policies:

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.

Financial Statement Presentation

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.

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.

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

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. The budgetary comparison schedules present the original budget, the final budget, and the actual activity of the major governmental funds.

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.

B. Individual Component Unit Disclosures

Blended Component Unit - The Town has no blended component units at June 30, 2019.

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.

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

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

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.

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.

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the General Fund as a major governmental fund.

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.

c. 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.

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

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, 2019.

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.

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 2019.

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

G. Capital Assets (Continued)

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. 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.

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.

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

L. Pensions

For purposes of measuring the net pension asset, 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)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI OPEB Plans and the additions to/deductions from the VRS OPEB Plans' 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.

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 Balance

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;

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

P. Fund Balance (Continued)

- 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.

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).

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Note 1—Summary of Significant Accounting Policies: (Continued)**P. Fund Balance (Continued)**

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	\$ -	\$ 147,950	\$ 147,950
Restricted:			
Roundhouse campground	\$ -	\$ (1,093)	\$ (1,093)
Committed:			
Library	\$ 887	\$ -	\$ 887
VHS	10,402	-	10,402
Blight property	14,808	-	14,808
Pool	10,886	-	10,886
Caboose	5,136	-	5,136
Parks and recreation	24,720	-	24,720
Drug seizure	125	-	125
Trails	540	-	540
Total committed	<u>\$ 67,504</u>	<u>\$ -</u>	<u>\$ 67,504</u>
Unassigned	<u>\$ 562,353</u>	<u>\$ -</u>	<u>\$ 562,353</u>
Total fund balances	<u><u>\$ 629,857</u></u>	<u><u>\$ 146,857</u></u>	<u><u>\$ 776,714</u></u>

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.

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

Q. Deferred Outflow/Inflows of Resources (Continued)

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:

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

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

Expenditures and Appropriations

Expenditures did not exceed appropriations for the year ended June 30, 2019.

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Note 3—Deposits and Investments:

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, 2019.

Note 4—Due from Other Governments:

At June 30, 2019, the Town has receivables from other governments as follows:

	<u>Primary Government</u>
<u>County of Lunenburg:</u>	
Local sales tax	\$ 6,290
Local fines	774
<u>Commonwealth of Virginia:</u>	
Department of motor vehicles	1,191
Auto rental tax	157
Communications tax	<u>6,942</u>
Total	<u>\$ 15,354</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2019:

Primary Government:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 269,489	\$ -	\$ -	\$ 269,489
Total capital assets not subject to depreciation	<u>\$ 269,489</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,489</u>
Capital assets subject to depreciation:				
Buildings and system	\$ 848,881	\$ -	\$ -	\$ 848,881
Machinery and equipment	409,096	35,802	-	444,898
Infrastructure	2,036,590	-	-	2,036,590
Total capital assets subject to depreciation	<u>\$ 3,294,567</u>	<u>\$ 35,802</u>	<u>\$ -</u>	<u>\$ 3,330,369</u>
Accumulated depreciation:				
Building and system	\$ 533,876	\$ 23,071	\$ -	\$ 556,947
Machinery and equipment	321,238	21,156	-	342,394
Infrastructure	496,020	101,830	-	597,850
Total accumulated depreciation	<u>\$ 1,351,134</u>	<u>\$ 146,057</u>	<u>\$ -</u>	<u>\$ 1,497,191</u>
Total capital assets subject to depreciation, net	<u>\$ 1,943,433</u>	<u>\$ (110,255)</u>	<u>\$ -</u>	<u>\$ 1,833,178</u>
Governmental activities capital assets, net	<u><u>\$ 2,212,922</u></u>	<u><u>\$ (110,255)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,102,667</u></u>

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 5—Capital Assets: (Continued)

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 60,726	\$ -	\$ -	\$ 60,726
Total capital assets not subject to depreciation	<u>\$ 60,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,726</u>
Capital assets subject to depreciation:				
Buildings and system	\$ 10,164,100	\$ -	\$ -	\$ 10,164,100
Machinery and equipment	285,231	82,096	-	367,327
Total capital assets subject to depreciation	<u>\$ 10,449,331</u>	<u>\$ 82,096</u>	<u>\$ -</u>	<u>\$ 10,531,427</u>
Accumulated depreciation:				
Buildings and system	\$ 3,751,627	\$ 259,931	\$ -	\$ 4,011,558
Machinery and equipment	206,349	48,842	-	255,191
Total accumulated depreciation	<u>\$ 3,957,976</u>	<u>\$ 308,773</u>	<u>\$ -</u>	<u>\$ 4,266,749</u>
Total capital assets subject to depreciation, net	<u>\$ 6,491,355</u>	<u>\$ (226,677)</u>	<u>\$ -</u>	<u>\$ 6,264,678</u>
Business-type activities capital assets, net	<u>\$ 6,552,081</u>	<u>\$ (226,677)</u>	<u>\$ -</u>	<u>\$ 6,325,404</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	\$ 1,942
Public safety	17,827
Public works	78,873
Parks, recreation, and culture	47,415
Total depreciation expense-governmental activities	<u>\$ 146,057</u>
Business-type activities:	
Water and Sewer	<u>\$ 308,773</u>
Total depreciation expense-business-type activities	<u>\$ 308,773</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 6—Interfund Transfers:

Interfund transfers for the Fund Financial Statements for the year ended June 30, 2019, consisted of the following:

Fund	Transfers In	Transfers Out
Primary Government:		
General Fund	\$ -	\$ 200
Roundhouse Campgrounds Fund	200	-
Oakwood Cemetery Perpetual Care Fund	-	10,911
Lakeview Cemetery Perpetual Care Fund	-	10,586
Lakeview Cemetery Fund	21,497	-
Sewer Fund	41,048	-
Water Fund	41,048	-
Water and Sewer Escrow Fund	-	82,096
Total	<u>\$ 103,793</u>	<u>\$ 103,793</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, 2019:

	Balance July 1, 2018	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2019	Amounts Due Within One Year
Primary Government Obligations:					
Governmental Activities:					
Direct borrowings and placements:					
General obligation bond	\$ 63,180	\$ -	\$ 12,060	\$ 51,120	\$ 12,360
Net OPEB liability	16,770	1,560	2,730	15,600	-
Compensated absences	33,145	3,023	3,315	32,853	3,285
Total Governmental Activities	<u>\$ 113,095</u>	<u>\$ 4,583</u>	<u>\$ 18,105</u>	<u>\$ 99,573</u>	<u>\$ 15,645</u>
Business-type Activities:					
Direct borrowings and placements:					
General obligation bonds	\$ 2,354,129	\$ -	\$ 121,139	\$ 2,232,990	\$ 124,050
Net OPEB liability	26,230	2,440	4,270	24,400	-
Compensated absences	27,180	2,348	2,718	26,810	2,681
Total Business-type Activities	<u>\$ 2,407,539</u>	<u>\$ 4,788</u>	<u>\$ 128,127</u>	<u>\$ 2,284,200</u>	<u>\$ 126,731</u>
Total Primary Government Obligations	<u>\$ 2,520,634</u>	<u>\$ 9,371</u>	<u>\$ 146,232</u>	<u>\$ 2,383,773</u>	<u>\$ 142,376</u>

Note 7—Long-Term Obligations: (Continued)

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

Year Ending June 30,	Governmental Activities	
	Direct borrowings and placements:	
	General Obligation Bond	
	Principal	Interest
2020	\$ 12,360	\$ 995
2021	12,600	738
2022	12,900	475
2023	13,260	206
Totals	\$ 51,120	\$ 2,414

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

Note 7—Long-Term Obligations: (Continued)

Year Ending June 30,	Business-type Activities	
	Direct borrowings and placements:	
	General Obligation Bonds	
	Principal	Interest
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	80,898	1,176
Totals	\$ 2,232,990	\$ 1,023,170

Town of Victoria, Virginia

Notes to Financial Statements (Continued)
As of June 30, 2019

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:						
Direct borrowings and placements:						
					Balance	Amount
					Governmental	Due Within
					Activities	One Year
Other long-term debt:						
					15,600	-
					32,853	3,285
					<u>\$ 99,573</u>	<u>\$ 15,645</u>
					Balance	Amount
					Business-type	Due Within
					Activities	One Year
Business-type Activities:						
Direct borrowings and placements:						
					374,880	90,640
					1,858,110	33,410
Other long-term debt:						
					24,400	-
					26,810	2,681
					<u>\$ 2,284,200</u>	<u>\$ 126,731</u>
Total Primary Government Long-Term Obligations					<u>\$ 2,383,773</u>	<u>\$ 142,376</u>

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Note 8—Deferred/Unavailable Revenue:

Deferred/unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Under the accrual basis, assessments for future periods are deferred.

	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	\$ -	\$ 17,586
Prepaid property taxes due in December 2019 but paid in advance by taxpayers	3,054	3,054
	<u>\$ 3,054</u>	<u>\$ 20,640</u>

Note 9—Litigation:

At June 30, 2019, there were no matters of litigation involving the Town or which would materially affect the Town's financial position should any court decisions on pending matters not be favorable to the Town.

Note 10—Risk Management:

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of worker's compensation and public officials' liability. The Town pays an annual premium to the pools for its general insurance through member premiums. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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.

Benefit Structures

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, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired 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 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

Note 11—Pension Plan: (Continued)

Average Final Compensation and Service Retirement Multiplier

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee’s average final compensation multiplied by the employee’s total creditable service. Under Plan 1, average final compensation is the average of the employee’s 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee’s 60 consecutive months of highest compensation and the multiplier is 1.00%. 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.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 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>11</u>
Total inactive members	16
Active members	<u>16</u>
Total covered employees	<u><u>43</u></u>

Note 11—Pension Plan: (Continued)

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. The Town’s contractually required employer contribution rate for the year ended June 30, 2019 was 5.86% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

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 \$27,886 and \$29,539 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability (Asset)

The net pension liability (asset) (NPL(A)) is calculated separately for each employer and represents that particular employer’s total pension liability determined in accordance with GASB Statement No. 68, less that employer’s fiduciary net position. For the Town, the net pension liability (asset) was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation performed as of June 30, 2017 rolled forward to the measurement date of June 30, 2018.

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, 2017, 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, 2018.

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.

Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

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.

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Note 11—Pension Plan: (Continued)

Actuarial Assumptions - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 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)

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, 2017, 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, 2018.

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, 2017 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. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the Town was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. From July 1, 2018 on, participating employers are assumed to continue 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, 2017	\$ 1,850,618	\$ 1,879,640	\$ (29,022)
Changes for the year:			
Service cost	\$ 51,517	\$ -	\$ 51,517
Interest	126,042	-	126,042
Differences between expected and actual experience	(53,337)	-	(53,337)
Contributions - employer	-	29,539	(29,539)
Contributions - employee	-	23,923	(23,923)
Net investment income	-	137,787	(137,787)
Benefit payments, including refunds			
Refunds of employee contributions	(100,031)	(100,031)	-
Administrative expenses	-	(1,201)	1,201
Other changes	-	(122)	122
Net changes	\$ 24,191	\$ 89,895	\$ (65,704)
Balances at June 30, 2018	\$ 1,874,809	\$ 1,969,535	\$ (94,726)

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)	\$ 139,482	\$ (94,726)	\$ (289,152)

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

For the year ended June 30, 2019, the Town recognized pension expense of \$614. At June 30, 2019, 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	\$ 48,713	\$ 48,601
Change in assumptions	-	5,896
Net difference between projected and actual earnings on plan investments	-	15,258
Employer contributions subsequent to the measurement date	27,886	-
Total	\$ 76,599	\$ 69,755

Note 11—Pension Plan: (Continued)

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

\$27,886 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, 2020. 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>		
2020	\$	6,861
2021		(6,151)
2022		(20,176)
2023		(1,576)
2024		-
Thereafter		-

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

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

The Group Life Insurance (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. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI 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 GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI 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 GLI Program OPEB.

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

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts 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. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI 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 GLI 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, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. 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 \$2,658 and \$2,646 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2019, the Town reported a liability of \$40,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 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 GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the Town's proportion was .00268% as compared to .00286% at June 30, 2017.

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 GLI Program OPEB (Continued)

For the year ended June 30, 2019, the Town recognized GLI OPEB expense of (\$3,000). 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, 2019, 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	\$ 2,000	\$ 1,000
Net difference between projected and actual earnings on GLI OPEB program investment	-	1,000
Change in assumptions	-	2,000
Employer contributions subsequent to the measurement date	2,658	-
Total	\$ 4,658	\$ 4,000

\$2,658 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, 2020. 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	
2020	\$ (1,000)
2021	(1,000)
2022	-
2023	-
2024	-
Thereafter	-

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

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, 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, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

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.

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.

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

Actuarial Assumptions: (Continued)

Mortality Rates - Largest Ten Locality Employers - General Employees (Continued)

The actuarial assumptions used in the June 30, 2017 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%

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, 2017 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%

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

Actuarial Assumptions: (Continued)

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.

The actuarial assumptions used in the June 30, 2017 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, 2017 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	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 GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

	Group Life Insurance OPEB Program
Total GLI OPEB Liability	\$ 3,113,508
Plan Fiduciary Net Position	1,594,773
Employers' Net GLI OPEB Liability (Asset)	<u>\$ 1,518,735</u>
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability	51.22%

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:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
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	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*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 ended June 30, 2018, 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 which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue 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	\$ 53,000	\$ 40,000	\$ 30,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Note 13—Surety Bonds:

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):

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.

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

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, 2019 was \$2,508.

Note 15–Upcoming Pronouncements:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, provides guidance for reporting 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. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government’s majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

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

Note 16–Adoption of Accounting Principles:

The Town implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

Town of Victoria, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 158,847	\$ 163,847	\$ 189,651	\$ 25,804
Other local taxes	260,390	260,490	291,196	30,706
Permits, privilege fees, and regulatory licenses	500	500	525	25
Fines and forfeitures	10,000	10,000	10,847	847
Revenue from the use of money and property	1,100	1,100	8,143	7,043
Charges for services	117,650	117,650	123,307	5,657
Miscellaneous	22,450	32,942	34,345	1,403
Recovered costs	19,738	20,738	19,005	(1,733)
Intergovernmental:				
Commonwealth	145,382	145,382	145,397	15
Total revenues	\$ 736,057	\$ 752,649	\$ 822,416	\$ 69,767
EXPENDITURES				
Current:				
General government administration	\$ 119,056	\$ 123,796	\$ 117,550	\$ 6,246
Public safety	369,092	371,868	377,333	(5,465)
Public works	142,675	145,841	127,691	18,150
Parks, recreation, and cultural	44,925	63,875	67,607	(3,732)
Community development	2,000	2,000	-	2,000
Nondepartmental	45,003	40,263	38,483	1,780
Debt service:				
Principal retirement	12,060	12,060	12,060	-
Interest and other fiscal charges	1,246	1,246	1,246	-
Total expenditures	\$ 736,057	\$ 760,949	\$ 741,970	\$ 18,979
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ (8,300)	\$ 80,446	\$ 88,746
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (200)	\$ (200)
Total other financing sources (uses)	\$ -	\$ -	\$ (200)	\$ (200)
Net change in fund balances	\$ -	\$ (8,300)	\$ 80,246	\$ 88,546
Fund balances - beginning	-	8,300	549,611	541,311
Fund balances - ending	\$ -	\$ -	\$ 629,857	\$ 629,857

Town of Victoria, Virginia
 Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 51,517	\$ 62,285	\$ 66,843	\$ 63,638	\$ 58,550
Interest	126,042	113,843	111,151	108,019	102,867
Differences between expected and actual experience	(53,337)	111,977	(35,711)	(32,032)	-
Changes in assumptions	-	(13,554)	-	-	-
Benefit payments, including refunds of employee contributions	(100,031)	(100,525)	(107,123)	(82,639)	(92,986)
Net change in total pension liability	\$ 24,191	\$ 174,026	\$ 35,160	\$ 56,986	\$ 68,431
Total pension liability - beginning	1,850,618	1,676,592	1,641,432	1,584,446	1,516,015
Total pension liability - ending (a)	<u>\$ 1,874,809</u>	<u>\$ 1,850,618</u>	<u>\$ 1,676,592</u>	<u>\$ 1,641,432</u>	<u>\$ 1,584,446</u>
Plan fiduciary net position					
Contributions - employer	\$ 29,539	\$ 31,317	\$ 38,533	\$ 38,655	\$ 43,008
Contributions - employee	23,923	25,248	24,544	24,811	24,762
Net investment income	137,787	207,273	29,190	76,732	230,901
Benefit payments, including refunds of employee contributions	(100,031)	(100,525)	(107,123)	(82,639)	(92,986)
Administrative expense	(1,201)	(1,215)	(1,087)	(1,054)	(1,253)
Other	(122)	(184)	(13)	(15)	12
Net change in plan fiduciary net position	\$ 89,895	\$ 161,914	\$ (15,956)	\$ 56,490	\$ 204,444
Plan fiduciary net position - beginning	1,879,640	1,717,726	1,733,682	1,677,192	1,472,748
Plan fiduciary net position - ending (b)	<u>\$ 1,969,535</u>	<u>\$ 1,879,640</u>	<u>\$ 1,717,726</u>	<u>\$ 1,733,682</u>	<u>\$ 1,677,192</u>
Town's net pension liability (asset) - ending (a) - (b)	\$ (94,726)	\$ (29,022)	\$ (41,134)	\$ (92,250)	\$ (92,746)
Plan fiduciary net position as a percentage of the total pension liability	105.05%	101.57%	102.45%	105.62%	105.85%
Covered payroll	\$ 508,806	\$ 527,943	\$ 501,410	\$ 496,381	\$ 495,061
Town's net pension liability (asset) as a percentage of covered payroll	-18.62%	-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 Plan
 For the Years Ended June 30, 2010 through 2019

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)
2019	\$ 27,886	\$ 27,886	\$ -	\$ 511,158	5.46%
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%

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 Year Ended June 30, 2019

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:

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%

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%

Town of Victoria, Virginia
 Schedule of Town's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

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:					
2018	0.00268% \$	40,000 \$	508,806	7.86%	51.22%
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, 2010 through June 30, 2019

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					
2019	\$ 2,658	\$ 2,658	-	\$ 511,158	0.52%
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%

Town of Victoria, Virginia
Notes to Required Supplementary Information
Group Life Insurance Program
For the Year Ended June 30, 2019

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:

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%

Town of Victoria, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue	Permanent Funds		Total Nonmajor Governmental Funds
	Roundhouse Campgrounds Fund	Lakeview Cemetery Perpetual Care Fund	Oakwood Cemetery Perpetual Care Fund	
ASSETS				
Cash and cash equivalents	\$ -	\$ 131,707	\$ 16,243	\$ 147,950
LIABILITIES				
Reconciled overdraft	\$ 834	\$ -	\$ -	\$ 834
Accounts payable	259	-	-	259
Total liabilities	\$ 1,093	\$ -	\$ -	\$ 1,093
FUND BALANCES				
Nonspendable	\$ -	\$ 131,707	\$ 16,243	\$ 147,950
Restricted	(1,093)	-	-	(1,093)
Total fund balances	\$ (1,093)	\$ 131,707	\$ 16,243	\$ 146,857
Total liabilities and fund balances	\$ -	\$ 131,707	\$ 16,243	\$ 147,950

Town of Victoria, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	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	\$ -	\$ 866	\$ 252	\$ 1,118
Charges for services	-	44	-	44
Miscellaneous	215	-	-	215
Total revenues	\$ 215	\$ 910	\$ 252	\$ 1,377
EXPENDITURES				
Current:				
Community development	\$ 1,556	\$ -	\$ -	\$ 1,556
Total expenditures	\$ 1,556	\$ -	\$ -	\$ 1,556
Excess (deficiency) of revenues over (under) expenditures	\$ (1,341)	\$ 910	\$ 252	\$ (179)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 200	\$ -	\$ -	\$ 200
Transfers out	-	(10,586)	(10,911)	(21,497)
Total other financing sources and (uses)	\$ 200	\$ (10,586)	\$ (10,911)	\$ (21,297)
Net change in fund balances	\$ (1,141)	\$ (9,676)	\$ (10,659)	\$ (21,476)
Fund balances - beginning	48	141,383	26,902	168,333
Fund balances - ending	\$ (1,093)	\$ 131,707	\$ 16,243	\$ 146,857

Town of Victoria
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2019

ASSETS

Current assets:

Cash and cash equivalents	\$ 177,291
Property held for resale	306,100
Total assets	<u>\$ 483,391</u>

LIABILITIES

Current liabilities:

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

Unrestricted	<u><u>\$ 453,391</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, 2019

OPERATING REVENUES

Charges for services:

Lease revenue	\$ 30,000
Miscellaneous	1,200
Total operating revenues	\$ 31,200

OPERATING EXPENSES

Other charges	\$ 7,727
Operating income (loss)	\$ 23,473

NONOPERATING REVENUES (EXPENSES)

Investment income	\$ 662
Change in net position	\$ 24,135

Total net position - beginning	429,256
Total net position - ending	\$ 453,391

Town of Victoria
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 30,000
Receipts for miscellaneous items	1,200
Payments for operating activities	(7,727)
Net cash provided by (used for) operating activities	<u>\$ 23,473</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	\$ 662
Net cash provided by (used for) investing activities	<u>\$ 662</u>
Net increase (decrease) in cash and cash equivalents	\$ 24,135
Cash and cash equivalents - beginning	153,156
Cash and cash equivalents - ending	<u>\$ 177,291</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ 23,473
Net cash provided by (used for) operating activities	<u>\$ 23,473</u>

Town of Victoria, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Schedule 1
 Page 1 of 2

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Current property taxes	\$ 153,047	\$ 156,047	\$ 167,795	\$ 11,748
Delinquent property taxes	2,800	2,800	8,806	6,006
Penalty and interest	1,500	3,000	6,125	3,125
DMV stop payments	1,500	2,000	6,925	4,925
Total general property taxes	<u>\$ 158,847</u>	<u>\$ 163,847</u>	<u>\$ 189,651</u>	<u>\$ 25,804</u>
Other local taxes:				
Local sales and use taxes	\$ 32,000	\$ 32,000	\$ 39,386	\$ 7,386
Consumers' utility taxes	40,640	40,640	37,496	(3,144)
Consumption tax	5,000	5,000	5,260	260
Meals tax	82,500	82,500	97,160	14,660
ABC License	250	250	174	(76)
Business license taxes	31,000	31,100	34,856	3,756
Motor vehicle licenses	33,000	33,000	39,570	6,570
Bank stock taxes	36,000	36,000	37,294	1,294
Total other local taxes	<u>\$ 260,390</u>	<u>\$ 260,490</u>	<u>\$ 291,196</u>	<u>\$ 30,706</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	\$ 500	\$ 500	\$ 525	\$ 25
Fines and forfeitures:				
Court fines and forfeitures	\$ 10,000	\$ 10,000	\$ 10,847	\$ 847
Revenue from use of money and property:				
Revenue from use of money	\$ 1,100	\$ 1,100	\$ 3,269	\$ 2,169
Revenue from use of property	-	-	4,874	\$ 4,874
Total revenue from use of money and property	<u>\$ 1,100</u>	<u>\$ 1,100</u>	<u>\$ 8,143</u>	<u>\$ 7,043</u>
Charges for services:				
Charges for refuse collection	\$ 105,000	\$ 105,000	\$ 105,065	\$ 65
Public pool	12,650	12,650	18,242	5,592
Total charges for services	<u>\$ 117,650</u>	<u>\$ 117,650</u>	<u>\$ 123,307</u>	<u>\$ 5,657</u>
Miscellaneous				
	<u>\$ 22,450</u>	<u>\$ 32,942</u>	<u>\$ 34,345</u>	<u>\$ 1,403</u>
Recovered costs:				
Department of Motor Vehicles	\$ 19,738	\$ 19,738	\$ 17,924	\$ (1,814)
Litter grant - Lunenburg County	-	1,000	1,081	81
Total recovered costs	<u>\$ 19,738</u>	<u>\$ 20,738</u>	<u>\$ 19,005</u>	<u>\$ (1,733)</u>
Total revenue from local sources				
	<u>\$ 590,675</u>	<u>\$ 607,267</u>	<u>\$ 677,019</u>	<u>\$ 69,752</u>

Town of Victoria, Virginia
 Schedule of Revenues - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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	\$ -	\$ -	\$ 685	\$ 685
Communications tax	47,141	47,141	43,495	(3,646)
Personal property tax relief funds	45,953	45,953	45,953	-
Total noncategorical aid	<u>\$ 93,094</u>	<u>\$ 93,094</u>	<u>\$ 90,133</u>	<u>\$ (2,961)</u>
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Local law enforcement block grant	42,288	42,288	45,264	2,976
Total other categorical aid	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 55,264</u>	<u>\$ 2,976</u>
Total categorical aid	<u>\$ 52,288</u>	<u>\$ 52,288</u>	<u>\$ 55,264</u>	<u>\$ 2,976</u>
Total revenue from the Commonwealth	<u>\$ 145,382</u>	<u>\$ 145,382</u>	<u>\$ 145,397</u>	<u>\$ 15</u>
Total General Fund	<u><u>\$ 736,057</u></u>	<u><u>\$ 752,649</u></u>	<u><u>\$ 822,416</u></u>	<u><u>\$ 69,767</u></u>
Special Revenue Funds:				
Roundhouse Campgrounds Fund:				
Revenue from local sources:				
Miscellaneous:	\$ -	\$ -	\$ 215	\$ 215
Permanent Funds:				
Lakeview Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 866	\$ 866
Charges for services:				
Sale of cemetery lots	\$ -	\$ -	\$ 44	\$ 44
Total Lakeview Cemetery Perpetual Care Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 910</u>	<u>\$ 910</u>
Oakwood Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 252	\$ 252
Total Oakwood Cemetery Perpetual Care Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252</u>	<u>\$ 252</u>
Total Permanent Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,162</u>	<u>\$ 1,162</u>
Total Primary Government	<u><u>\$ 736,057</u></u>	<u><u>\$ 752,649</u></u>	<u><u>\$ 823,793</u></u>	<u><u>\$ 71,144</u></u>

Town of Victoria, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

Schedule 2
 Page 1 of 2

<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:				
General government administration:				
Legislative:				
Town council	\$ 10,000	\$ 10,000	\$ 9,779	\$ 221
General and financial administration:				
Administration	\$ 101,656	\$ 106,396	\$ 102,343	\$ 4,053
Legal services	2,600	2,600	1,328	1,272
Independent auditor	4,800	4,800	4,100	700
Total general and financial administration	<u>\$ 109,056</u>	<u>\$ 113,796</u>	<u>\$ 107,771</u>	<u>\$ 6,025</u>
Total general government administration	<u>\$ 119,056</u>	<u>\$ 123,796</u>	<u>\$ 117,550</u>	<u>\$ 6,246</u>
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 270,592	\$ 273,368	\$ 278,833	\$ (5,465)
Total law enforcement and traffic control	<u>\$ 270,592</u>	<u>\$ 273,368</u>	<u>\$ 278,833</u>	<u>\$ (5,465)</u>
Fire and rescue services:				
Volunteer fire and rescue departments	\$ 98,500	\$ 98,500	\$ 98,500	\$ -
Total public safety	<u>\$ 369,092</u>	<u>\$ 371,868</u>	<u>\$ 377,333</u>	<u>\$ (5,465)</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 15,052	\$ 28,868	\$ 29,711	\$ (843)
Streetlights	26,156	26,156	26,648	(492)
Total maintenance of highways, streets, bridges and sidewalks	<u>\$ 41,208</u>	<u>\$ 55,024</u>	<u>\$ 56,359</u>	<u>\$ (1,335)</u>
Sanitation and waste removal:				
Refuse collection and disposal	\$ 85,067	\$ 74,417	\$ 54,290	\$ 20,127
Maintenance of general buildings and grounds:				
Municipal building	\$ 16,400	\$ 16,400	\$ 17,042	\$ (642)
Total public works	<u>\$ 142,675</u>	<u>\$ 145,841</u>	<u>\$ 127,691</u>	<u>\$ 18,150</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Caboose fund	\$ 1,400	\$ 2,000	\$ 2,000	\$ -
Public pool	12,650	12,650	14,066	(1,416)
Park and recreation	22,875	40,025	42,143	(2,118)
Total parks and recreation	<u>\$ 36,925</u>	<u>\$ 54,675</u>	<u>\$ 58,209</u>	<u>\$ (3,534)</u>
Library:				
Library	\$ 8,000	\$ 9,200	\$ 9,398	\$ (198)
Total parks, recreation, and cultural	<u>\$ 44,925</u>	<u>\$ 63,875</u>	<u>\$ 67,607</u>	<u>\$ (3,732)</u>
Community development:				
Planning and community development:				
Condemned property removal	\$ 2,000	\$ 2,000	\$ -	\$ 2,000

Town of Victoria, Virginia
 Schedule of Expenditures - Budget and Actual
 Governmental Funds
 For the Year Ended June 30, 2019

<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	\$ 45,003	\$ 40,263	\$ 38,483	\$ 1,780
Debt service:				
Principal retirement	\$ 12,060	\$ 12,060	\$ 12,060	\$ -
Interest and other fiscal charges	1,246	1,246	1,246	-
Total debt service	\$ 13,306	\$ 13,306	\$ 13,306	\$ -
Total General Fund	\$ 736,057	\$ 760,949	\$ 741,970	\$ 18,979
Special Revenue Funds:				
Roundhouse Campgrounds Fund:				
Community Development:				
Community development	\$ -	\$ -	\$ 1,556	\$ (1,556)
Total Special Revenue Funds	\$ -	\$ -	\$ 1,556	\$ (1,556)
Total Primary Government	\$ 736,057	\$ 760,949	\$ 743,526	\$ 17,423

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
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
2019	135,981	357,116	195,500	115,022	1,556	1,246	1,470,531	2,276,952

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		
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	
2019	1,391,540	55,264	-	185,918	291,196	16,223	104,863	90,133	2,135,137	

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
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
2019	117,550	377,333	127,691	67,607	1,556	38,483	13,306	743,526

(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
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
2019	189,651	291,196	525	10,847	9,261	123,351	34,560	19,005	145,397	823,793

(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
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%
2019	225,504	213,748	94.79%	8,806	222,554	98.69%	18,967	8.41%

(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	
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
2019	70,263,600	9,254,814	286,320	240,200	3,196,038	-	83,240,972

(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
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
2019	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
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
2019	1,725	83,240,972	2,284,110	2.74%	1,324

(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, 2019

Total assessed value of real property (1)	\$ 73,459,638
	<u>73,459,638</u>
Debt limit - 10% of total assessed value	\$ 7,345,964
	<u>7,345,964</u>
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 2,284,110
Less: Water and sewer revenue bonds	<u>-</u>
Total amount of debt applicable to debt limit	\$ 2,284,110
	<u>2,284,110</u>
Legal debt margin	\$ 5,061,854
	<u>5,061,854</u>

(1) Includes public utility real property.

(2) Includes bonded debt.



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

To the 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, 2019, 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 February 24, 2020.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a material weakness.

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
February 24, 2020

Town of Victoria, Virginia
 Schedule of Findings and Responses
 For the Year Ended June 30, 2019

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

2019-001

Financial Reporting

Criteria:	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.
Condition:	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).
Effect of Condition:	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.
Cause of Condition:	Procedures have not been fully implemented to provide the necessary internal controls over financial reporting.
Recommendation:	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.
Management's Response:	The Town is considering corrective action for FY2020.

Section III-Status of Prior Audit Findings

Finding 2018-001 was recurring in fiscal year 2019 as 2019-001.