

TOWN OF VICTORIA, VIRGINIA

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

TOWN OF VICTORIA, VIRGINIA

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013

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TOWN OF VICTORIA, VIRGINIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Victoria, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Victoria, Virginia, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. 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 on pages 4-9, budgetary comparison information, and schedules of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

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

Other Information (continued)

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

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 June 30, 2014, on our consideration of the Town of Victoria, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Victoria, Virginia's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "D. F. Clark", followed by a long horizontal line.

Richmond, Virginia
June 30, 2014

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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, 2013. Please read it in conjunction with the Town's basic financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- < The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7,040,257 (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 \$70,318 (Exhibit 5).

- < As of the close of the current fiscal year, the Town's funds reported an ending fund balance of \$603,134, an increase of \$70,318 in comparison with the prior year.
- < The combined long-term obligations increased \$90,546 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 the financial statements.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. In the case of the Town, assets exceeded liabilities and deferred inflows by \$7,040,257 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	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 639,805	\$ 701,749	\$ 355,637	\$ 312,105	\$ 995,442	\$ 1,013,854
Capital assets	1,649,771	1,327,342	5,845,079	5,871,998	7,494,850	7,199,340
Total assets	\$ 2,289,576	\$ 2,029,091	\$ 6,200,716	\$ 6,184,103	\$ 8,490,292	\$ 8,213,194
Current liabilities	\$ 6,606	\$ 166,635	\$ 71,092	\$ 48,377	\$ 77,698	\$ 215,012
Long-term liabilities outstanding	140,530	158,790	1,229,698	1,120,892	1,370,228	1,279,682
Total liabilities	\$ 147,136	\$ 325,425	\$ 1,300,790	\$ 1,169,269	\$ 1,447,926	\$ 1,494,694
Deferred inflows of resources	\$ 2,109	\$ -	\$ -	\$ -	\$ 2,109	\$ -
Net position:						
Net investment in capital assets	\$ 1,527,117	\$ 1,188,791	\$ 4,640,354	\$ 4,773,927	\$ 6,167,471	\$ 5,962,718
Restricted	9,010	8,925	-	-	9,010	8,925
Unrestricted	604,204	505,950	259,572	240,907	863,776	746,857
Total net position	\$ 2,140,331	\$ 1,703,666	\$ 4,899,926	\$ 5,014,834	\$ 7,040,257	\$ 6,718,500

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Analysis (Continued)

During the current fiscal year, the Town's net position increased by \$321,757. 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	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$ 109,308	\$ 116,996	\$ 1,120,601	\$ 1,134,027	\$ 1,229,909	\$ 1,251,023
Operating grants and contributions	52,305	90,555	4,607	196,142	56,912	286,697
Capital grants and contributions	522,625	107,928	-	-	522,625	107,928
General revenues:						
General property taxes	202,285	103,179	-	-	202,285	103,179
Other local taxes	224,784	221,573	-	-	224,784	221,573
Grants and other contributions not restricted	98,452	98,288	-	-	98,452	98,288
Other general revenues	25,274	74,698	18,926	21,034	44,200	95,732
Transfers	(7,217)	-	7,217	-	-	-
Total revenues	<u>\$ 1,227,816</u>	<u>\$ 813,217</u>	<u>\$ 1,151,351</u>	<u>\$ 1,351,203</u>	<u>\$ 2,379,167</u>	<u>\$ 2,164,420</u>
Expenses:						
General government administration	\$ 201,928	\$ 185,036	\$ -	\$ -	\$ 201,928	\$ 185,036
Public safety	284,246	316,728	-	-	284,246	316,728
Public works	211,675	124,282	1,266,259	1,142,893	1,477,934	1,267,175
Parks, recreation, and cultural	55,507	59,046	-	-	55,507	59,046
Community development	34,303	16,571	-	-	34,303	16,571
Interest and other fiscal charges	3,492	2,472	-	-	3,492	2,472
Total expenses	<u>\$ 791,151</u>	<u>\$ 704,135</u>	<u>\$ 1,266,259</u>	<u>\$ 1,142,893</u>	<u>\$ 2,057,410</u>	<u>\$ 1,847,028</u>
Change in net position	\$ 436,665	\$ 109,082	\$ (114,908)	\$ 208,310	\$ 321,757	\$ 317,392
Beginning of year	1,703,666	1,594,584	5,014,834	4,806,524	6,718,500	6,401,108
End of year	<u>\$ 2,140,331</u>	<u>\$ 1,703,666</u>	<u>\$ 4,899,926</u>	<u>\$ 5,014,834</u>	<u>\$ 7,040,257</u>	<u>\$ 6,718,500</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, unreserved fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported fund balances of \$603,134, an increase of \$70,318 in comparison with the prior year. Approximately 67% 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 \$259,572. Total net position decreased \$114,908. Other factors concerning the finances of this fund have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

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

During the year, budgetary estimates were less than revenues and other financing sources by \$29,626. Expenditures and other uses were less than budgetary estimates by \$207,022, resulting in a positive variance of \$236,648.

Capital Asset and Debt Administration

Capital assets - The Town's investment in capital assets for its governmental operations as of June 30, 2013 amounts to \$1,649,771 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and machinery and equipment.

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

Long-term debt - At the end of the current fiscal year, the Town had total bonded debt and notes outstanding of \$1,327,390. Of this amount, \$1,313,891 comprises debt backed by the full faith and credit of the Town. The remainder of the Town's debt represents notes payables.

During the current fiscal year, the Town's total debt increased by \$90,757.

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

- < The unemployment rate for the County of Lunenburg, which includes the Town of Victoria, was 8.8 percent at June 30, 2013. The Commonwealth of Virginia's rate was of 5.5 percent as of the same date.
- < Inflationary trends in the region compare to national indexes.

All of these factors were considered in preparing the Town's budget for the 2013 fiscal year.

The fiscal year 2014 budget decreased by approximately 4%. All tax rates remained the same as in fiscal year 2013.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Town of Victoria, Virginia
Statement of Net Position
June 30, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		IDA
ASSETS				
Cash and cash equivalents	\$ 534,067	\$ 242,946	\$ 777,013	\$ 60,751
Receivables (net of allowance for uncollectibles):				
Taxes receivable	29,583	-	29,583	-
Accounts receivable	25,186	112,691	137,877	-
Property held for resale	-	-	-	151,287
Due from other governmental units	50,969	-	50,969	-
Capital assets (net of accumulated depreciation):				
Land	264,706	4,000	268,706	-
Buildings and system	352,682	5,638,469	5,991,151	-
Machinery and equipment	27,306	16,891	44,197	-
Infrastructure	1,005,077	-	1,005,077	-
Construction in progress	-	185,719	185,719	-
Total assets	<u>\$ 2,289,576</u>	<u>\$ 6,200,716</u>	<u>\$ 8,490,292</u>	<u>\$ 212,038</u>
LIABILITIES				
Accounts payable	\$ 6,606	\$ 29,917	\$ 36,523	\$ -
Customers' deposits	-	41,175	41,175	-
Long-term liabilities:				
Due within one year	22,353	82,669	105,022	-
Due in more than one year	118,177	1,147,029	1,265,206	-
Total liabilities	<u>\$ 147,136</u>	<u>\$ 1,300,790</u>	<u>\$ 1,447,926</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	\$ 2,109	-	\$ 2,109	\$ -
Total deferred inflows of resources	<u>\$ 2,109</u>	<u>\$ -</u>	<u>\$ 2,109</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 1,527,117	\$ 4,640,354	\$ 6,167,471	\$ -
Restricted	9,010	-	9,010	-
Unrestricted (deficit)	604,204	259,572	863,776	212,038
Total net position	<u>\$ 2,140,331</u>	<u>\$ 4,899,926</u>	<u>\$ 7,040,257</u>	<u>\$ 212,038</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, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities	
			Contributions	Grants and Contributions		Total	IDA
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 201,928	\$ -	\$ -	\$ 522,625	\$ 320,697	\$ -	\$ 320,697
Public safety	284,246	10,796	52,305	-	(221,145)	-	(221,145)
Public works	211,675	97,095	-	-	(114,580)	-	(114,580)
Parks, recreation, and cultural	55,507	-	-	-	(55,507)	-	(55,507)
Community development	34,303	1,417	-	-	(32,886)	-	(32,886)
Interest on long-term obligations	3,492	-	-	-	(3,492)	-	(3,492)
Total governmental activities	\$ 791,151	\$ 109,308	\$ 52,305	\$ 522,625	\$ (106,913)	\$ -	\$ (106,913)
Business-type activities:							
Oakwood Cemetery	\$ 5,716	\$ 1,602	\$ -	\$ -	\$ -	(4,114)	\$ (4,114)
Lakeview Cemetery	5,088	8,212	-	-	-	3,124	3,124
Sewer	491,559	458,773	-	-	-	(32,786)	(32,786)
Water	750,791	652,004	4,607	-	-	(94,180)	(94,180)
Water and Sewer Escrow	13,105	10	-	-	-	(13,095)	(13,095)
Total business-type activities	\$ 1,266,259	\$ 1,120,601	\$ 4,607	\$ -	\$ -	(141,051)	\$ (141,051)
Total primary government	\$ 2,057,410	\$ 1,229,909	\$ 56,912	\$ 522,625	\$ (106,913)	\$ (141,051)	\$ (247,964)
COMPONENT UNIT:							
IDA	\$ 8,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,940)
Total component unit	\$ 8,940	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (8,940)
General revenues:							
General property taxes	\$ 202,285	\$ -	\$ -	\$ -	\$ 202,285	\$ -	\$ -
Other local taxes:							
Local sales and use taxes	31,658	-	-	-	31,658	-	-
Consumers' utility taxes	39,147	-	-	-	39,147	-	-
Motor vehicle licenses	22,745	-	-	-	22,745	-	-
Bank stock taxes	33,309	-	-	-	33,309	-	-
Meals taxes	58,247	-	-	-	58,247	-	-
Business license taxes	34,369	-	-	-	34,369	-	-
Other local taxes	5,309	-	-	-	5,309	-	-
Unrestricted revenues from use of money and property	12,247	-	-	-	12,247	5,977	18,224
Miscellaneous	13,027	-	-	-	13,027	12,949	25,976
Grants and contributions not restricted to specific programs	98,452	-	-	-	98,452	-	-
Transfers	(7,217)	-	-	-	(7,217)	7,217	-
Total general revenues and transfers	\$ 543,578	\$ 26,143	\$ -	\$ -	\$ 569,721	\$ -	\$ 30,201
Change in net position	\$ 436,665	\$ (114,908)	\$ -	\$ -	\$ 321,757	\$ -	\$ 21,261
Net position - beginning	1,703,666	5,014,834	-	-	6,718,500	-	190,777
Net position - ending	\$ 2,140,331	\$ 4,899,926	\$ -	\$ -	\$ 7,040,257	\$ -	\$ 212,038

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

FUND FINANCIAL STATEMENTS

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Town of Victoria, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 336,053	\$ 21,331	\$ 176,683	\$ 534,067
Receivables (net of allowance for uncollectibles):				
Taxes receivable	29,583	-	-	29,583
Accounts receivable	25,186	-	-	25,186
Due from other governmental units	50,969	-	-	50,969
Total assets	<u>\$ 441,791</u>	<u>\$ 21,331</u>	<u>\$ 176,683</u>	<u>\$ 639,805</u>
LIABILITIES				
Accounts payable	\$ 6,346	\$ -	\$ 260	\$ 6,606
Total liabilities	<u>\$ 6,346</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ 6,606</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	\$ 30,065	\$ -	\$ -	\$ 30,065
Total deferred inflows of resources	<u>\$ 30,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,065</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 167,413	\$ 167,413
Restricted	-	-	9,010	9,010
Committed	-	21,331	-	21,331
Unassigned	405,380	-	-	405,380
Total fund balances	<u>\$ 405,380</u>	<u>\$ 21,331</u>	<u>\$ 176,423</u>	<u>\$ 603,134</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 441,791</u>	<u>\$ 21,331</u>	<u>\$ 176,683</u>	<u>\$ 639,805</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, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	603,134
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, cost	\$ 2,578,742		
Less: accumulated depreciation	<u>(928,971)</u>		1,649,771

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue		27,956
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Notes payable	\$ (13,488)		
Bonds payable	(109,166)		
Compensated absences	<u>(17,876)</u>		(140,530)

Net position of governmental activities	\$	<u><u>2,140,331</u></u>
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The notes to the financial statements are an integral part of this statement.

Town of Victoria, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES				
General property taxes	\$ 176,627	\$ -	\$ -	\$ 176,627
Other local taxes	224,784	-	-	224,784
Permits, privilege fees, and regulatory licenses	900	-	-	900
Fines and forfeitures	9,896	-	-	9,896
Revenue from the use of money and property	7,924	44	4,279	12,247
Charges for services	97,095	-	1,417	98,512
Miscellaneous	11,514	-	1,513	13,027
Recovered costs	18,994	-	-	18,994
Intergovernmental revenues:				
Commonwealth	141,190	-	-	141,190
Federal	532,192	-	-	532,192
Total revenues	<u>\$ 1,221,116</u>	<u>\$ 44</u>	<u>\$ 7,209</u>	<u>\$ 1,228,369</u>
EXPENDITURES				
Current:				
General government administration	\$ 165,283	\$ -	\$ -	\$ 165,283
Public safety	285,985	-	-	285,985
Public works	195,078	-	-	195,078
Parks, recreation, and cultural	12,580	-	-	12,580
Community development	-	25,738	3,245	28,983
Nondepartmental	46,142	-	-	46,142
Capital projects	397,394	-	-	397,394
Debt service:				
Principal retirement	114,745	10,318	-	125,063
Interest and other fiscal charges	2,729	763	-	3,492
Total expenditures	<u>\$ 1,219,936</u>	<u>\$ 36,819</u>	<u>\$ 3,245</u>	<u>\$ 1,260,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 1,180</u>	<u>\$ (36,775)</u>	<u>\$ 3,964</u>	<u>\$ (31,631)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (7,217)	\$ (7,217)
Issuance of general obligation bonds	109,166	-	-	109,166
Total other financing sources (uses)	<u>\$ 109,166</u>	<u>\$ -</u>	<u>\$ (7,217)</u>	<u>\$ 101,949</u>
Net change in fund balances	\$ 110,346	\$ (36,775)	\$ (3,253)	\$ 70,318
Fund balances - beginning	295,034	58,106	179,676	532,816
Fund balances - ending	<u>\$ 405,380</u>	<u>\$ 21,331</u>	<u>\$ 176,423</u>	<u>\$ 603,134</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, 2013

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

Net change in fund balances - total governmental funds	\$	70,318
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital asset additions	\$	422,114	
Depreciation expense		(99,685)	322,429

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		25,658
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The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items.

Issuance of general obligation bonds	\$	(109,166)	
Principal payments on notes payable		125,063	15,897

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.		2,363
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Change in net position of governmental activities	\$	436,665
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The notes to the financial statements are an integral part of this statement.

Town of Victoria, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Funds					
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 332	\$ 118,113	\$ 1,041	\$ 110,275	\$ 13,185	\$ 242,946
Accounts receivables, net of allowances for uncollectibles	-	-	47,024	65,667	-	112,691
Total current assets	\$ 332	\$ 118,113	\$ 48,065	\$ 175,942	\$ 13,185	\$ 355,637
Noncurrent assets:						
Capital assets:						
Land	\$ -	\$ -	\$ 4,000	\$ -	\$ -	\$ 4,000
Building and system	-	-	5,483,466	2,675,032	-	8,158,498
Machinery and equipment	-	-	-	89,787	-	89,787
Less accumulated depreciation	-	-	(2,126,528)	(466,397)	-	(2,592,925)
Construction in progress	-	-	-	185,719	-	185,719
Total capital assets	\$ -	\$ -	\$ 3,360,938	\$ 2,484,141	\$ -	\$ 5,845,079
Total noncurrent assets	\$ -	\$ -	\$ 3,360,938	\$ 2,484,141	\$ -	\$ 5,845,079
Total assets	\$ 332	\$ 118,113	\$ 3,409,003	\$ 2,660,083	\$ 13,185	\$ 6,200,716
LIABILITIES						
Current liabilities:						
Accounts payable	\$ -	\$ (23)	\$ 9,959	\$ 19,981	\$ -	\$ 29,917
Customers' deposits	-	-	-	41,175	-	41,175
Compensated absences - current portion	-	-	793	1,704	-	2,497
Bonds payable - current portion	-	-	50,672	29,500	-	80,172
Total current liabilities	\$ -	\$ (23)	\$ 61,424	\$ 92,360	\$ -	\$ 153,761
Noncurrent liabilities:						
Bonds payable - net of current portion	\$ -	\$ -	\$ 512,162	\$ 612,391	\$ -	\$ 1,124,553
Compensated absences - net of current portion	-	-	7,142	15,334	-	22,476
Total noncurrent liabilities	\$ -	\$ -	\$ 519,304	\$ 627,725	\$ -	\$ 1,147,029
Total liabilities	\$ -	\$ (23)	\$ 580,728	\$ 720,085	\$ -	\$ 1,300,790
NET POSITION						
Net investment in capital assets	\$ -	\$ -	\$ 2,798,104	\$ 1,842,250	\$ -	\$ 4,640,354
Unrestricted	332	118,136	30,171	97,748	13,185	259,572
Total net position	\$ 332	\$ 118,136	\$ 2,828,275	\$ 1,939,998	\$ 13,185	\$ 4,899,926

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

Town of Victoria, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
OPERATING REVENUES						
Charges for services:						
Water revenues	\$ -	\$ -	\$ -	\$ 623,981	\$ -	\$ 623,981
Sewer revenues	-	-	458,624	-	-	458,624
Sale of cemetery plots	1,602	8,212	-	-	-	9,814
Other charges for services	-	-	-	22,206	-	22,206
Miscellaneous			149	5,817	10	5,976
Total operating revenues	\$ 1,602	\$ 8,212	\$ 458,773	\$ 652,004	\$ 10	\$ 1,120,601
OPERATING EXPENSES						
Personal services	\$ -	\$ -	\$ 80,212	\$ 187,617	\$ -	\$ 267,829
Fringe benefits	-	-	12,386	25,696	-	38,082
Insurance	-	-	-	176,168	-	176,168
Supplies	5,716	4,466	7,322	35,670	-	53,174
Other miscellaneous expenses	-	622	222,631	211,701	13,105	448,059
Depreciation	-	-	140,247	72,391	-	212,638
Total operating expenses	\$ 5,716	\$ 5,088	\$ 462,798	\$ 709,243	\$ 13,105	\$ 1,195,950
Operating income (loss)	\$ (4,114)	\$ 3,124	\$ (4,025)	\$ (57,239)	\$ (13,095)	\$ (75,349)
NONOPERATING REVENUES (EXPENSES)						
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ 4,607	\$ -	\$ 4,607
Investment earnings	244	4,740	40	953	-	5,977
Insurance claim	-	-	-	12,949	-	12,949
Interest expense	-	-	(28,761)	(41,548)	-	(70,309)
Total nonoperating revenues (expenses)	\$ 244	\$ 4,740	\$ (28,721)	\$ (23,039)	\$ -	\$ (46,776)
Income (loss) before transfers	\$ (3,870)	\$ 7,864	\$ (32,746)	\$ (80,278)	\$ (13,095)	\$ (122,125)
Transfers in	224	7,217	5,727	1,000	-	14,168
Transfers out	-	(224)	-	-	(6,727)	(6,951)
Change in net position	\$ (3,646)	\$ 14,857	\$ (27,019)	\$ (79,278)	\$ (19,822)	\$ (114,908)
Total net position - beginning	3,978	103,279	2,855,294	2,019,276	33,007	5,014,834
Total net position - ending	\$ 332	\$ 118,136	\$ 2,828,275	\$ 1,939,998	\$ 13,185	\$ 4,899,926

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, 2013

	Enterprise Funds					Total
	Oakwood Cemetery Fund	Lakeview Cemetery Fund	Sewer Fund	Water Fund	Water and Sewer Escrow Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,602	\$ 8,212	\$ 456,255	\$ 646,263	\$ 10	\$ 1,112,342
Payments to suppliers	(5,716)	(5,088)	(210,603)	(404,922)	(13,105)	(639,434)
Payments to and for employees	-	-	(103,492)	(212,653)	-	(316,145)
Net cash provided by (used for) operating activities	\$ (4,114)	\$ 3,124	\$ 142,160	\$ 28,688	\$ (13,095)	\$ 156,763
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers to other funds	\$ -	\$ (224)	\$ -	\$ -	\$ (6,727)	\$ (6,951)
Transfers from other funds	224	7,217	5,727	1,000	-	14,168
Intergovernmental grant	-	-	-	4,607	-	4,607
Insurance recovery	-	-	-	12,949	-	12,949
Net cash provided by (used for) noncapital financing activities	\$ 224	\$ 6,993	\$ 5,727	\$ 18,556	\$ (6,727)	\$ 24,773
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Additions to utility plant	\$ -	\$ -	\$ -	\$ (185,719)	\$ -	\$ (185,719)
Principal payments on bonds and notes	-	-	(679,390)	(418,681)	-	(1,098,071)
Proceeds from indebtedness	-	-	562,834	641,891	-	1,204,725
Interest payments	-	-	(30,330)	(41,879)	-	(72,209)
Net cash provided by (used for) capital and related financing activities	\$ -	\$ -	\$ (146,886)	\$ (4,388)	\$ -	\$ (151,274)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	\$ 244	\$ 4,740	\$ 40	\$ 953	\$ -	\$ 5,977
Net cash provided by (used for) investing activities	\$ 244	\$ 4,740	\$ 40	\$ 953	\$ -	\$ 5,977
Net increase (decrease) in cash and cash equivalents	\$ (3,646)	\$ 14,857	\$ 1,041	\$ 43,809	\$ (19,822)	\$ 36,239
Cash and cash equivalents - beginning	3,978	103,256	-	66,466	33,007	206,707
Cash and cash equivalents - ending	\$ 332	\$ 118,113	\$ 1,041	\$ 110,275	\$ 13,185	\$ 242,946
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ (4,114)	\$ 3,124	\$ (4,025)	\$ (57,239)	\$ (13,095)	\$ (75,349)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation expense	\$ -	\$ -	\$ 140,247	\$ 72,391	\$ -	\$ 212,638
(Increase) decrease in accounts receivable	-	-	(2,518)	(4,775)	-	(7,293)
Increase (decrease) in customer deposits	-	-	-	(966)	-	(966)
Increase (decrease) in accounts payable and accrued liabilities	-	-	6,964	18,617	-	25,581
Increase (decrease) in compensated absences	-	-	1,492	660	-	2,152
Total adjustments	\$ -	\$ -	\$ 146,185	\$ 85,927	\$ -	\$ 232,112
Net cash provided by (used for) operating activities	\$ (4,114)	\$ 3,124	\$ 142,160	\$ 28,688	\$ (13,095)	\$ 156,763

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

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NOTES TO THE FINANCIAL STATEMENTS

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TOWN OF VICTORIA, VIRGINIA

Notes to Financial Statements As of June 30, 2013

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 specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government's accounting policies are described below.

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

Government-wide and Fund Financial Statements

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

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government 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.

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

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

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

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

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

A. Financial Reporting Entity

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

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

B. Individual Component Unit Disclosures

Blended Component Unit - The Town has no blended component units at June 30, 2013.

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

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

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

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

1. Governmental Funds

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

a. General Fund

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

b. Special Revenue Funds

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

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

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

c. Capital Projects Fund

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

d. Permanent Funds

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

2. Proprietary Funds

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

a. Enterprise Funds

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

D. Cash and Cash Equivalents

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

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

E. Investments

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

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

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

F. Receivables and Payables

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

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$5,821 at June 30, 2013 and is comprised solely of property taxes.

Real and Personal Property Tax Data:

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

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

The Town bills and collects its own property taxes.

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

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Building and Systems	10-40
Machinery and equipment	5-10
Infrastructure	20-40

H. Compensated Absences

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

I. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The Town's policy is to fund pension cost as it accrues.

J. Use of Estimates

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

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

K. 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.

L. 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.

M. 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.

N. Fund Equity

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

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

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

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

N. Fund Equity (Continued)

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

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

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

	General	Other Governmental	Capital Projects	Total
Fund balances:				
Nonspendable:				
Cemetery perpetual care	\$ -	\$ 167,413	\$ -	\$ 167,413
Restricted:				
Centennial fund	\$ -	\$ 6,484	\$ -	\$ 6,484
Rails to trails project	-	248	-	248
Progressive citizens fund	-	727	-	727
Roadhouse campgrounds	-	1,551	-	1,551
Total restricted fund balance	\$ -	\$ 9,010	\$ -	\$ 9,010
Committed:				
Capital projects	\$ -	\$ -	\$ 21,331	\$ 21,331
Unassigned fund balance	\$ 405,380	\$ -	\$ -	\$ 405,380
Total fund balances	\$ 405,380	\$ 176,423	\$ 21,331	\$ 603,134

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

O. Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town has implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. The Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances was required.

P. Deferred Outflow/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2013.

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 one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the government funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and amounts prepaid and is deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, amounts prepaid are reported as deferred inflows of resources.

Q. Items Previously Reported as Assets and Liabilities, Statement No. 65 of Governmental Accounting Standards Board

The Town early implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

R. 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.

S. Upcoming Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

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 in any fund at June 30, 2013.

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

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).

Note 4—Due to/from Other Governments:

At June 30, 2013, the Town has receivables from other governments as follows:

	Primary Government
<u>County of Lunenburg:</u>	
Local sales tax	\$ 5,564
<u>Commonwealth of Virginia:</u>	
Department of motor vehicles	1,815
Communications taxes	8,296
<u>Federal Government:</u>	
Safe routes to school	2,503
ISTEA grant	32,791
Total	<u>\$ 50,969</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 5—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

Primary Government:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not subject to depreciation:				
Land	\$ 238,968	\$ 25,738	\$ -	\$ 264,706
Construction in progress	324,843	396,376	721,219	-
Total capital assets not subject to depreciation	<u>\$ 563,811</u>	<u>\$ 422,114</u>	<u>\$ 721,219</u>	<u>\$ 264,706</u>
Capital assets subject to depreciation:				
Building and system	\$ 771,203	\$ -	\$ -	\$ 771,203
Machinery and equipment	517,833	-	132,182	385,651
Infrastructure	435,963	721,219	-	1,157,182
Total capital assets subject to depreciation	<u>\$ 1,724,999</u>	<u>\$ 721,219</u>	<u>\$ 132,182</u>	<u>\$ 2,314,036</u>
Accumulated depreciation:				
Building and system	\$ 397,089	\$ 21,432	\$ -	\$ 418,521
Machinery and equipment	470,133	20,394	132,182	358,345
Infrastructure	94,246	57,859	-	152,105
Total accumulated depreciation	<u>\$ 961,468</u>	<u>\$ 99,685</u>	<u>\$ 132,182</u>	<u>\$ 928,971</u>
Total capital assets subject to depreciation, net	<u>\$ 763,531</u>	<u>\$ 621,534</u>	<u>\$ -</u>	<u>\$ 1,385,065</u>
Governmental activities capital assets, net	<u><u>\$ 1,327,342</u></u>	<u><u>\$ 1,043,648</u></u>	<u><u>\$ 721,219</u></u>	<u><u>\$ 1,649,771</u></u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 5—Capital Assets: (Continued)

A summary of proprietary fund capital assets at June 30, 2013 follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets not subject to depreciation:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Construction in progress	-	185,719	-	185,719
Total capital assets not subject to depreciation	<u>\$ 4,000</u>	<u>\$ 185,719</u>	<u>\$ -</u>	<u>\$ 189,719</u>
Capital assets subject to depreciation:				
Building and system	\$ 8,158,498	\$ -	\$ -	\$ 8,158,498
Machinery and equipment	96,460	-	6,673	89,787
Total capital assets subject to depreciation	<u>\$ 8,254,958</u>	<u>\$ -</u>	<u>\$ 6,673</u>	<u>\$ 8,248,285</u>
Accumulated depreciation:				
Building and system	\$ 2,312,906	\$ 207,123	\$ -	\$ 2,520,029
Machinery and equipment	74,054	5,515	6,673	72,896
Total accumulated depreciation	<u>\$ 2,386,960</u>	<u>\$ 212,638</u>	<u>\$ 6,673</u>	<u>\$ 2,592,925</u>
Total capital assets subject to depreciation, net	<u>\$ 5,867,998</u>	<u>\$ (212,638)</u>	<u>\$ -</u>	<u>\$ 5,655,360</u>
Business-type activities capital assets, net	<u>\$ 5,871,998</u>	<u>\$ (26,919)</u>	<u>\$ -</u>	<u>\$ 5,845,079</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 36,061
Public safety	5,460
Public works	15,237
Parks, recreation, and culture	<u>42,927</u>
Total depreciation expense-governmental activities	<u>\$ 99,685</u>
Business-type activities:	
Water and Sewer	<u>\$ 212,638</u>
Total depreciation expense-business-type activities	<u>\$ 212,638</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 6—Interfund Transfers:

Interfund transfers for the Fund Financial Statements for the year ended June 30, 2013, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government:		
Lakeview Cemetery Perpetual Care Fund	\$ -	\$ 7,217
Oakwood Cemetery Fund	224	-
Lakeview Cemetery Fund	7,217	224
Sewer Fund	5,727	-
Water Fund	1,000	-
Water and Sewer Escrow Fund	-	6,727
Total	<u>\$ 14,168</u>	<u>\$ 14,168</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 budge 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.

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Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 7—Long-Term Obligations:

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2013:

	Balance July 1, 2012	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2013	Amounts Due Within One Year
Governmental Obligations:					
Notes Payable	\$ 138,551	\$ -	\$ 125,063	\$ 13,488	\$ 10,737
General Obligation Bond	-	109,166	-	109,166	9,828
Compensated absences	20,239	-	2,363	17,876	1,788
Total Governmental Obligations	<u>\$ 158,790</u>	<u>\$ 109,166</u>	<u>\$ 127,426</u>	<u>\$ 140,530</u>	<u>\$ 22,353</u>
Business-type Activities:					
Revenue Bonds	\$ 679,390	\$ -	\$ 679,390	\$ -	\$ -
Notes Payable	97,485	-	97,485	-	-
General Obligation Bond	321,196	1,204,725	321,196	1,204,725	80,172
Compensated absences	22,821	2,152	-	24,973	2,497
Total Business-type Activities	<u>\$ 1,120,892</u>	<u>\$ 1,206,877</u>	<u>\$ 1,098,071</u>	<u>\$ 1,229,698</u>	<u>\$ 82,669</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 7—Long-Term Obligations: (Continued)

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

Year Ending June 30,	Governmental Activities			
	Notes Payable		General Obligation Bond	
	Principal	Interest	Principal	Interest
2014	\$ 10,737	\$ 343	\$ 9,828	\$ 2,203
2015	2,751	18	10,153	2,004
2016	-	-	10,316	1,793
2017	-	-	10,559	1,578
2018	-	-	10,803	1,359
2019	-	-	10,965	1,134
2020	-	-	11,290	905
2021	-	-	11,453	671
2022	-	-	11,778	432
2023	-	-	12,021	187
Totals	<u>\$ 13,488</u>	<u>\$ 361</u>	<u>\$ 109,166</u>	<u>\$ 12,266</u>

Year Ending June 30,	Business-type Activities	
	General Obligation Bonds	
	Principal	Interest
2014	\$ 80,172	\$ 18,777
2015	82,847	16,336
2016	84,185	14,612
2017	85,941	12,860
2018	87,697	11,072
2019	89,535	9,247
2020	91,710	7,385
2021	93,547	5,477
2022	95,722	3,527
2023	98,478	1,532
USDA Bond not fully drawn down	<u>314,891</u>	<u>-</u>
Totals	<u>\$ 1,204,725</u>	<u>\$ 100,825</u>

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

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:						
Note Payable	3.99%	09/11/09	09/11/2014	\$ 50,150	\$ 13,488	\$ 10,737
General Obligation Bond, split between Governmental and Business-type activities	2.07%	01/16/13	2/1/2013	999,000	109,166	9,828
Compensated absences					17,876	1,788
Total Long-Term Obligations - Governmental Activities					\$ 140,530	\$ 22,353
					<u>Balance Business-type Activities</u>	<u>Amount Due Within One Year</u>
Business-type Activities:						
General Obligation Bond	2.07%	01/16/13	2/1/2013	\$ 999,000	\$ 889,834	\$ 80,172.00
General Obligation Bond, not fully drawn down yet	2.75%	06/19/13	6/19/2053	1,984,000	314,891	-
Compensated Absences					24,973	2,497
Total Long-Term Obligations - Business-Type Activities					\$ 1,229,698	\$ 82,669
Total Primary Government Long-Term Obligations					<u>\$ 1,370,228</u>	<u>\$ 105,022</u>

Note 8—Unavailable Revenue:

Unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. The Town reports unavailable revenue totaling \$30,065 at June 30, 2013 which is comprised of the following:

Unavailable Property Tax Revenue - Revenue representing uncollected tax billings not available for funding of current expenditures totaled \$27,956 at June 30, 2013.

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$2,109 at June 30, 2013.

Note 9—Litigation:

At June 30, 2013, 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—Defined Benefit Pension Plan:

Primary Government:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan
Administering Entity:	Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2:

- Members hired before July 1, 2010 and who were vested as January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with a least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

Note 11—Defined Benefit Pension Plan: (Continued)

Primary Government: (Continued)

A. Plan Description (Continued)

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation.

Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

Retirees are eligible for an annual cost-of-living adjustment (COLA) effective July 1 of the second calendar year of retirement. Under Plan 1, the COLA cannot exceed 5.00%; under Plan 2, the COLA cannot exceed 6.00%. During years of no inflation or deflation, the COLA is 0.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at: <http://www.varetire.org/Pdf/Publications/2012-annual-report.pdf> or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 7.96% of annual covered payroll.

Note 11—Defined Benefit Pension Plan: (Continued)

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$39,396 was equal to the Town's required and actual contributions.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2013	\$ 39,396	100.00%	\$ -
6/30/2012	17,717	100.00%	-
6/30/2011	17,750	100.00%	-

(1) Employer portion only

The fiscal year 2013 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan 1 employees and 2.25% for Plan 2 employees. Both the investment rate of return and the projected salary increases include an inflation component of 2.50%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 89.46% funded. The actuarial accrued liability for benefits was \$1,515,722, and the actuarial value of assets was \$1,355,946, resulting in an unfunded actuarial accrued liability (UAAL) of \$159,776. The covered payroll (annual payroll of active employees covered by the plan) was \$516,868, and ratio of the UAAL to the covered payroll was 30.91%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Town of Victoria, Virginia

Notes to Financial Statements (Continued)

As of June 30, 2013

Note 12–Surety Bonds:

VML Insurance Programs:

Town employees - blanket bond \$ 300,000

Note 13–Commitments and Contingencies:

The following construction contracts were outstanding at June 30, 2013:

<u>Fund</u>	<u>Project</u>	<u>Contractor</u>	<u>Amount Of Contract</u>	<u>Contract Outstanding at June 30, 2013</u>
Water	Nottoway Falls	Precision Pipes	\$ 348,490	\$ 348,490
Water	Nottoway Falls	Lee's Excavating	762,473	762,473

REQUIRED SUPPLEMENTARY INFORMATION

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Town of Victoria, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 200,795	\$ 200,795	\$ 176,627	\$ (24,168)
Other local taxes	257,065	257,065	224,784	(32,281)
Permits, privilege fees, and regulatory licenses	650	650	900	250
Fines and forfeitures	10,000	10,000	9,896	(104)
Revenue from the use of money and property	1,310	1,310	7,924	6,614
Charges for services	94,800	94,800	97,095	2,295
Miscellaneous	7,009	7,009	11,514	4,505
Recovered costs	17,500	17,500	18,994	1,494
Intergovernmental revenues:				
Commonwealth	50,288	50,288	141,190	90,902
Federal	533,361	533,361	532,192	(1,169)
Total revenues	<u>\$ 1,172,778</u>	<u>\$ 1,172,778</u>	<u>\$ 1,221,116</u>	<u>\$ 48,338</u>
EXPENDITURES				
Current:				
General government administration	\$ 174,784	\$ 174,784	\$ 165,283	\$ 9,501
Public safety	293,191	293,191	285,985	7,206
Public works	204,406	204,406	195,078	9,328
Parks, recreation, and cultural	14,368	14,368	12,580	1,788
Nondepartmental	47,523	47,523	46,142	1,381
Capital projects	566,384	566,384	397,394	168,990
Debt service:				
Principal retirement	114,745	114,745	114,745	-
Interest and other fiscal charges	11,557	11,557	2,729	8,828
Total expenditures	<u>\$ 1,426,958</u>	<u>\$ 1,426,958</u>	<u>\$ 1,219,936</u>	<u>\$ 207,022</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (254,180)</u>	<u>\$ (254,180)</u>	<u>\$ 1,180</u>	<u>\$ 255,360</u>
OTHER FINANCING SOURCES (USES)				
Issuance of notes payable	\$ 127,878	\$ 127,878	\$ 109,166	\$ (18,712)
Total other financing sources (uses)	<u>\$ 127,878</u>	<u>\$ 127,878</u>	<u>\$ 109,166</u>	<u>\$ (18,712)</u>
Net change in fund balances	\$ (126,302)	\$ (126,302)	\$ 110,346	\$ 236,648
Fund balances - beginning	126,302	126,302	295,034	168,732
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,380</u>	<u>\$ 405,380</u>

Town of Victoria, Virginia
Schedule of Pension Funding Progress - Virginia Retirement System
For the Year Ended June 30, 2013

Primary Government: Town Retirement Plan

Valuation as of (1)	Actuarial Value of Assets (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded AAL (UAAL) (3) - (2) (4)	Funded Ratio Assets as % of AAL (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as a % of Covered Payroll (4)/(6) (7)
6/30/2012	\$ 1,355,946	\$ 1,515,722	\$ 159,776	89.46%	\$ 516,868	30.91%
6/30/2011	1,329,931	1,418,899	88,968	93.73%	495,368	17.96%
6/30/2010	1,279,934	1,257,312	(22,622)	101.80%	495,922	-4.56%
6/30/2009	1,232,054	1,086,345	(145,709)	113.41%	494,922	-29.44%
6/30/2008	1,180,635	1,063,747	(116,888)	110.99%	508,712	-22.98%
6/30/2007	1,046,642	995,808	(50,834)	105.10%	509,699	-9.97%
6/30/2006	913,636	896,235	(17,401)	101.94%	501,922	-3.47%
6/30/2005	839,159	852,968	13,809	98.38%	409,825	3.37%
6/30/2004	805,733	728,617	(77,116)	110.58%	362,030	-21.30%
6/30/2003	780,658	689,969	(90,689)	113.14%	456,042	-19.89%

OTHER SUPPLEMENTARY INFORMATION

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*COMBINING AND INDIVIDUAL FUNDS STATEMENTS AND
SCHEDULES*

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Town of Victoria, Virginia
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
Revenue from the use of money and property	\$ 36,819	\$ 36,819	\$ 44	\$ (36,775)
Total revenues	\$ 36,819	\$ 36,819	\$ 44	\$ (36,775)
EXPENDITURES				
Current:				
Community development	\$ 25,738	\$ 25,738	\$ 25,738	\$ -
Debt service:				
Principal retirement	10,318	10,318	10,318	-
Interest and other fiscal charges	763	763	763	-
Total expenditures	\$ 36,819	\$ 36,819	\$ 36,819	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ (36,775)	\$ (36,775)
Net change in fund balances	\$ -	\$ -	\$ (36,775)	\$ (36,775)
Fund balances - beginning	-	-	58,106	58,106
Fund balances - ending	\$ -	\$ -	\$ 21,331	\$ 21,331

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Town of Victoria, Virginia
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue				Permanent Funds		Total Nonmajor Governmental Funds
	Centennial Fund	Progressive Citizens Fund	Roundhouse Campgrounds Fund	Rails to Trails Fund	Oakwood Cemetery Perpetual Care Fund	Lakeview Cemetery Perpetual Care Fund	
ASSETS							
Cash and cash equivalents	\$ 6,484	\$ 727	\$ 1,811	\$ 248	\$ 27,074	\$ 140,339	\$ 176,683
Total assets	<u>\$ 6,484</u>	<u>\$ 727</u>	<u>\$ 1,811</u>	<u>\$ 248</u>	<u>\$ 27,074</u>	<u>\$ 140,339</u>	<u>\$ 176,683</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ 260	\$ -	\$ -	\$ -	\$ 260
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260</u>
Fund balances:							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 27,074	\$ 140,339	\$ 167,413
Restricted	6,484	727	1,551	248	-	-	9,010
Total fund balances	<u>\$ 6,484</u>	<u>\$ 727</u>	<u>\$ 1,551</u>	<u>\$ 248</u>	<u>\$ 27,074</u>	<u>\$ 140,339</u>	<u>\$ 176,423</u>
Total liabilities and fund balances	<u>\$ 6,484</u>	<u>\$ 727</u>	<u>\$ 1,811</u>	<u>\$ 248</u>	<u>\$ 27,074</u>	<u>\$ 140,339</u>	<u>\$ 176,683</u>

Town of Victoria, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue			
	Centennial Fund	Progressive Citizens Fund	Roundhouse Campgrounds Fund	Rails to Trails Fund
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Miscellaneous	410	-	-	1,103
Total revenues	<u>\$ 410</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,103</u>
EXPENDITURES				
Current:				
Community development	\$ 205	\$ -	\$ 255	\$ 968
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 205</u>	<u>\$ -</u>	<u>\$ (255)</u>	<u>\$ 135</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ -	\$ -
Total other financing sources and uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balances	\$ 205	\$ -	\$ (255)	\$ 135
Fund balances - beginning	6,279	727	1,806	113
Fund balances - ending	<u><u>\$ 6,484</u></u>	<u><u>\$ 727</u></u>	<u><u>\$ 1,551</u></u>	<u><u>\$ 248</u></u>

Exhibit 14

Permanent Funds			Total Nonmajor Governmental Funds
Oakwood Cemetery Perpetual Care Fund	Lakeview Cemetery Perpetual Care Fund		
\$ 719	\$ 3,560	\$ 4,279	
240	1,177	1,417	
-	-	1,513	
<u>\$ 959</u>	<u>\$ 4,737</u>	<u>\$ 7,209</u>	
\$ 1,817	\$ -	\$ 3,245	
\$ (858)	\$ 4,737	\$ 3,964	
\$ -	\$ (7,217)	\$ (7,217)	
\$ -	\$ (7,217)	\$ (7,217)	
\$ (858)	\$ (2,480)	\$ (3,253)	
27,932	142,819	179,676	
<u>\$ 27,074</u>	<u>\$ 140,339</u>	<u>\$ 176,423</u>	

Town of Victoria, Virginia
Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Centennial Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 205	\$ 205	\$ 410	\$ 205
Total revenues	\$ 205	\$ 205	\$ 410	\$ 205
EXPENDITURES				
Current:				
Community development	\$ 205	\$ 205	\$ 205	\$ -
Total expenditures	\$ 205	\$ 205	\$ 205	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 205	\$ 205
Net change in fund balances	\$ -	\$ -	\$ 205	\$ 205
Fund balances - beginning	-	-	6,279	6,279
Fund balances - ending	\$ -	\$ -	\$ 6,484	\$ 6,484

Progressive Citizens Fund						Roundhouse Campgrounds Fund					
Budgeted Amounts			Variance with Final Budget - Positive (Negative)			Budgeted Amounts			Variance with Final Budget - Positive (Negative)		
Original	Final	Actual Amounts				Original	Final	Actual Amounts			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 256	\$ -	\$ -	\$ (256)	\$ (256)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 256	\$ -	\$ -	\$ (256)	\$ (256)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 256	\$ 255	\$ 1	\$ 1	\$ 1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 256	\$ 256	\$ 255	\$ 1	\$ 1	\$ 1
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (255)	\$ (255)	\$ (255)	\$ (255)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (255)	\$ (255)	\$ (255)	\$ (255)
-	-	-	727	727	727	-	-	1,806	1,806	1,806	1,806
\$ -	\$ -	\$ -	\$ 727	\$ 727	\$ 727	\$ -	\$ -	\$ 1,551	\$ 1,551	\$ 1,551	\$ 1,551

Town of Victoria, Virginia
Nonmajor Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	Rails to Trails Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 968	\$ 968	\$ 1,103	\$ 135
Total revenues	\$ 968	\$ 968	\$ 1,103	\$ 135
EXPENDITURES				
Current:				
Community development	\$ 968	\$ 968	\$ 968	\$ -
Total expenditures	\$ 968	\$ 968	\$ 968	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 135	\$ 135
Net change in fund balances	\$ -	\$ -	\$ 135	\$ 135
Fund balances - beginning	-	-	113	113
Fund balances - ending	\$ -	\$ -	\$ 248	\$ 248

*DISCRETELY PRESENTED COMPONENT UNIT
INDUSTRIAL DEVELOPMENT AUTHORITY*

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Town of Victoria, Virginia
Statement of Net Position
Discretely Presented Component Unit - Industrial Development Authority
June 30, 2013

ASSETS

Current assets:

Cash and cash equivalents	\$ 60,751
Property held for resale	151,287
Total assets	<u>\$ 212,038</u>

NET POSITION

Unrestricted

Total net position

\$ 212,038
<u>\$ 212,038</u>

Town of Victoria, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2013

OPERATING REVENUES

Charges for services:

Lease revenue

\$ 25,000

Miscellaneous

5,000

Total operating revenues

\$ 30,000**OPERATING EXPENSES**

Contractual services

\$ 8,740

Other charges

200

Total operating expenses

\$ 8,940

Operating income (loss)

\$ 21,060**NONOPERATING REVENUES (EXPENSES)**

Investment income

\$ 201

Total nonoperating revenues (expenses)

\$ 201

Change in net position

\$ 21,261

Total net position - beginning

190,777

Total net position - ending

\$ 212,038

Town of Victoria, Virginia
Statement of Cash Flows
Discretely Presented Component Unit - Industrial Development Authority
For the Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 25,000
Receipts for miscellaneous items	5,000
Payments for operating activities	(8,940)
Net cash provided by (used for) operating activities	<u>\$ 21,060</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	\$ 201
Net cash provided by (used for) investing activities	<u>\$ 201</u>

Net increase (decrease) in cash and cash equivalents	\$ 21,261
--	-----------

Cash and cash equivalents - beginning	39,490
Cash and cash equivalents - ending	<u><u>\$ 60,751</u></u>

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

Operating income (loss)	<u>\$ 21,060</u>
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SUPPORTING SCHEDULES

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Town of Victoria, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 3

<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	\$ 200,795	\$ 200,795	\$ 156,465	\$ (44,330)
Delinquent property taxes	-	-	11,865	11,865
Penalty and interest	-	-	5,957	5,957
DMV stop payments	-	-	2,340	2,340
Total general property taxes	<u>\$ 200,795</u>	<u>\$ 200,795</u>	<u>\$ 176,627</u>	<u>\$ (24,168)</u>
Other local taxes:				
Local sales and use taxes	\$ 30,500	\$ 30,500	\$ 31,658	\$ 1,158
Consumers' utility taxes	90,875	90,875	39,147	(51,728)
Consumption tax	3,050	3,050	5,309	2,259
Meals tax	44,440	44,440	58,247	13,807
Business license taxes	30,000	30,000	34,369	4,369
Motor vehicle licenses	25,200	25,200	22,745	(2,455)
Bank stock taxes	33,000	33,000	33,309	309
Total other local taxes	<u>\$ 257,065</u>	<u>\$ 257,065</u>	<u>\$ 224,784</u>	<u>\$ (32,281)</u>
Permits, privilege fees, and regulatory licenses:				
Permits and other licenses	<u>\$ 650</u>	<u>\$ 650</u>	<u>\$ 900</u>	<u>\$ 250</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,896</u>	<u>\$ (104)</u>
Revenue from use of money and property:				
Revenue from use of money	<u>\$ 1,310</u>	<u>\$ 1,310</u>	<u>\$ 7,924</u>	<u>\$ 6,614</u>
Charges for services:				
Charges for refuse collection	<u>\$ 94,800</u>	<u>\$ 94,800</u>	<u>\$ 97,095</u>	<u>\$ 2,295</u>
Miscellaneous revenue:				
Miscellaneous	<u>\$ 7,009</u>	<u>\$ 7,009</u>	<u>\$ 11,514</u>	<u>\$ 4,505</u>
Recovered costs:				
Department of Motor Vehicles	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ 18,994</u>	<u>\$ 1,494</u>
Total recovered costs	<u>\$ 17,500</u>	<u>\$ 17,500</u>	<u>\$ 18,994</u>	<u>\$ 1,494</u>
Total revenue from local sources	<u>\$ 589,129</u>	<u>\$ 589,129</u>	<u>\$ 547,734</u>	<u>\$ (41,395)</u>
Intergovernmental Revenues:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Auto rental tax	\$ -	\$ -	\$ 25	\$ 25
Communications tax	-	-	52,474	52,474
Personal property tax relief funds	-	-	45,953	45,953
Total noncategorical aid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,452</u>	<u>\$ 98,452</u>

Town of Victoria, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 2 of 3

<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 revenues: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid:				
Other categorical aid:				
Fire programs	\$ 8,000	\$ 8,000	\$ -	\$ (8,000)
Local law enforcement block grant	42,288	42,288	42,288	-
Disaster assistance	-	-	8	8
Forfeited assets	-	-	442	442
Total other categorical aid	<u>\$ 50,288</u>	<u>\$ 50,288</u>	<u>\$ 42,738</u>	<u>\$ (7,550)</u>
Total categorical aid	<u>\$ 50,288</u>	<u>\$ 50,288</u>	<u>\$ 42,738</u>	<u>\$ (7,550)</u>
Total revenue from the Commonwealth	<u>\$ 50,288</u>	<u>\$ 50,288</u>	<u>\$ 141,190</u>	<u>\$ 90,902</u>
Revenue from the federal government:				
Categorical aid:				
ISTEA grant	\$ 449,317	\$ 449,317	\$ 443,157	\$ (6,160)
Transportation safety grant	7,080	7,080	8,280	1,200
Safe routes to school grant	76,964	76,964	79,468	2,504
Disaster assistance	-	-	1,287	1,287
Total categorical aid	<u>\$ 533,361</u>	<u>\$ 533,361</u>	<u>\$ 532,192</u>	<u>\$ (1,169)</u>
Total revenue from the federal government	<u>\$ 533,361</u>	<u>\$ 533,361</u>	<u>\$ 532,192</u>	<u>\$ (1,169)</u>
Total General Fund	<u>\$ 1,172,778</u>	<u>\$ 1,172,778</u>	<u>\$ 1,221,116</u>	<u>\$ 48,338</u>
Special Revenue Funds:				
Centennial Fund:				
Revenue from local sources:				
Miscellaneous revenue:	<u>\$ 205</u>	<u>\$ 205</u>	<u>\$ 410</u>	<u>\$ 205</u>
Rails to Trails Fund:				
Revenue from local sources:				
Miscellaneous revenue:	<u>\$ 968</u>	<u>\$ 968</u>	<u>\$ 1,103</u>	<u>\$ 135</u>
Roundhouse Campgrounds Fund:				
Revenue from local sources:				
Miscellaneous revenue:	<u>\$ 256</u>	<u>\$ 256</u>	<u>\$ -</u>	<u>\$ (256)</u>
Total Special Revenue Funds	<u>\$ 1,429</u>	<u>\$ 1,429</u>	<u>\$ 1,513</u>	<u>\$ 84</u>

Town of Victoria, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 3 of 3

<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>
Capital Projects Fund:				
Industrial Development Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of property	\$ 36,819	\$ 36,819	\$ 44	\$ (36,775)
Total revenue from use of money and property	\$ 36,819	\$ 36,819	\$ 44	\$ (36,775)
 Total Capital Projects Fund	 \$ 36,819	 \$ 36,819	 \$ 44	 \$ (36,775)
 Permanent Funds:				
Lakeview Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 719	\$ 719
 Charges for services:				
Sale of cemetery lots	\$ -	\$ -	\$ 240	\$ 240
 Total Lakeview Cemetery Perpetual Care Fund	 \$ -	 \$ -	 \$ 959	 \$ 959
 Oakwood Cemetery Perpetual Care Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 3,560	\$ 3,560
 Charges for services:				
Sale of cemetery lots	\$ -	\$ -	\$ 1,177	\$ 1,177
 Total revenue from local sources	 \$ -	 \$ -	 \$ 4,737	 \$ 4,737
 Total Oakwood Cemetery Perpetual Care Fund	 \$ -	 \$ -	 \$ 4,737	 \$ 4,737
 Total Permanent Funds	 \$ -	 \$ -	 \$ 5,696	 \$ 5,696
 Total Primary Government	 \$ 1,211,026	 \$ 1,211,026	 \$ 1,228,369	 \$ 17,343

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Town of Victoria, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 1 of 2

<u>Fund, Function, Element and Activity</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town council	\$ 6,150	\$ 6,150	\$ 6,150	\$ -
General and financial administration:				
Town manager	\$ 132,442	\$ 132,442	\$ 132,442	\$ -
Legal services	4,235	4,235	4,234	1
Independent auditor	15,500	15,500	6,000	9,500
Finance	16,457	16,457	16,457	-
Total general and financial administration	\$ 168,634	\$ 168,634	\$ 159,133	\$ 9,501
Total general government administration	\$ 174,784	\$ 174,784	\$ 165,283	\$ 9,501
Public safety:				
Law enforcement and traffic control:				
Police department	\$ 215,326	\$ 215,326	\$ 215,320	\$ 6
Total law enforcement and traffic control	215,326	215,326	215,320	6
Fire and rescue services:				
Volunteer fire and rescue departments	\$ 77,865	\$ 77,865	\$ 70,665	\$ 7,200
Total public safety	\$ 293,191	\$ 293,191	\$ 285,985	\$ 7,206
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	\$ 94,360	\$ 94,360	\$ 85,297	\$ 9,063
Streetlights	35,586	35,586	34,510	1,076
Total maintenance of highways, streets, bridges & sidewalks	\$ 129,946	\$ 129,946	\$ 119,807	\$ 10,139
Sanitation and waste removal:				
Refuse collection and disposal	\$ 58,972	\$ 58,972	\$ 60,665	\$ (1,693)
Maintenance of general buildings and grounds:				
Municipal building	\$ 15,488	\$ 15,488	\$ 14,606	\$ 882
Total public works	\$ 204,406	\$ 204,406	\$ 195,078	\$ 9,328
Parks, recreation, and cultural:				
Parks and recreation:				
Caboose fund	\$ 1,400	\$ 1,400	\$ -	\$ 1,400
Park and recreation	12,968	12,968	12,580	388
Total parks, recreation, and cultural	\$ 14,368	\$ 14,368	\$ 12,580	\$ 1,788
Nondepartmental:				
Public transportation	\$ 5,320	\$ 5,320	\$ 5,320	\$ -
Department of motor vehicles	3,770	3,770	3,769	1
Contingencies and miscellaneous	38,433	38,433	37,053	1,380
Total nondepartmental	\$ 47,523	\$ 47,523	\$ 46,142	\$ 1,381
Capital projects:				
Streetscape project	\$ 566,384	\$ 566,384	\$ 397,394	\$ 168,990
Total capital projects	\$ 566,384	\$ 566,384	\$ 397,394	\$ 168,990

Town of Victoria, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 2 of 2

<u>Fund, Function, Element and Activity</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal retirement	\$ 114,745	\$ 114,745	\$ 114,745	\$ -
Interest and other fiscal charges	11,557	11,557	2,729	8,828
Total debt service	<u>\$ 126,302</u>	<u>\$ 126,302</u>	<u>\$ 117,474</u>	<u>\$ 8,828</u>
 Total General Fund	 <u>\$ 1,426,958</u>	 <u>\$ 1,426,958</u>	 <u>\$ 1,219,936</u>	 <u>\$ 207,022</u>
Special Revenue Funds:				
Centennial Fund:				
Community Development:				
Community development:	<u>\$ 205</u>	<u>\$ 205</u>	<u>\$ 205</u>	<u>\$ -</u>
 Rails to Trails Fund:				
Community Development:				
Community development	<u>\$ 968</u>	<u>\$ 968</u>	<u>\$ 968</u>	<u>\$ -</u>
 Roundhouse Campgrounds Fund:				
Community Development:				
Community development	<u>\$ 256</u>	<u>\$ 256</u>	<u>\$ 255</u>	<u>\$ 1</u>
 Total Special Revenue Funds	 <u>\$ 1,429</u>	 <u>\$ 1,429</u>	 <u>\$ 1,428</u>	 <u>\$ 1</u>
 Capital Projects Fund:				
Industrial Development Fund:				
Community development:				
Planning and community development:				
Community development	<u>\$ 25,738</u>	<u>\$ 25,738</u>	<u>\$ 25,738</u>	<u>\$ -</u>
 Debt service:				
Principal retirement	\$ 10,318	\$ 10,318	\$ 10,318	\$ -
Interest and other fiscal charges	763	763	763	-
Total debt service	<u>\$ 11,081</u>	<u>\$ 11,081</u>	<u>\$ 11,081</u>	<u>\$ -</u>
 Total Capital Projects Fund	 <u>\$ 36,819</u>	 <u>\$ 36,819</u>	 <u>\$ 36,819</u>	 <u>\$ -</u>
 Total Primary Government	 <u>\$ 1,465,206</u>	 <u>\$ 1,465,206</u>	 <u>\$ 1,258,183</u>	 <u>\$ 207,023</u>

STATISTICAL INFORMATION

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Table 1

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

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Interest on Long-Term Obligations	Business-type Activities	Total
2004	\$ 85,003	\$ 215,201	\$ 130,660	\$ 21,820	\$ 18,711	\$ 144,409	\$ -	\$ 824,008	\$1,439,812
2005	118,945	239,316	181,523	28,903	50,032	120,110	1,681	757,834	1,498,344
2006	122,885	255,875	135,569	41,922	7,500	77,457	3,305	1,000,812	1,645,325
2007	138,642	306,828	126,916	27,649	4,145	149,126	3,600	1,069,787	1,826,693
2008	134,735	369,854	206,266	41,540	47,318	117,109	5,614	977,280	1,899,716
2009	232,310	343,652	114,336	41,753	46,927	-	3,624	1,084,268	1,866,870
2010	166,336	342,000	113,502	43,930	73,631	-	7,036	1,175,023	1,921,458
2011	158,345	347,213	196,324	54,427	13,832	-	4,514	1,013,176	1,787,831
2012	185,036	316,728	124,282	59,046	16,571	-	2,472	1,142,893	1,847,028
2013	201,928	284,246	211,675	55,507	34,303	-	3,492	1,266,259	2,057,410

Table 2

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

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES					
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Total
2004	\$ 979,769	\$ 261,122	\$ -	\$ 93,151	\$ 214,463	\$ 35,068	\$ 116,821	\$ 44,065	\$ 1,744,459
2005	1,018,157	1,087,775	253,855	107,189	235,783	38,489	139,536	46,270	2,927,054
2006	1,070,854	198,805	79,204	106,985	225,896	51,594	142,983	45,837	1,922,158
2007	1,151,469	253,299	-	114,894	219,381	33,945	152,944	48,143	1,974,075
2008	1,290,283	479,591	-	115,925	236,145	33,015	20,712	45,953	2,221,624
2009	1,228,173	214,821	-	139,559	235,455	52,576	28,122	45,953	1,944,659
2010	1,215,185	91,370	-	143,073	208,225	51,378	46,644	99,639	1,855,514
2011	1,256,348	681,379	100,000	153,938	227,950	93,234	21,019	99,374	2,633,242
2012	1,251,023	286,697	107,928	103,179	221,573	58,523	37,209	98,288	2,164,420
2013	1,229,909	56,912	522,625	202,285	224,784	18,224	25,976	98,452	2,379,167

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
2004	\$ 98,971	\$ 232,051	\$ 130,357	\$ -	\$ -	\$ 144,409	\$ -	\$ 605,788
2005	129,369	241,473	188,520	333,792	-	120,110	8,527	1,021,791
2006	133,253	263,788	228,523	40,312	7,500	77,457	18,664	769,497
2007	149,652	333,863	173,524	3,654	7,500	149,126	26,352	843,671
2008	149,576	383,096	177,935	2,203	-	117,109	49,412	879,331
2009	124,356	326,307	214,110	2,416	9,555	139,936	46,553	863,233
2010	129,180	329,117	153,692	55,815	37,392	56,322	45,745	807,263
2011	132,910	332,199	166,288	11,500	119,748	48,905	35,707	847,257
2012	160,250	307,623	149,587	16,119	17,571	54,645	14,792	720,587
2013	165,283	285,985	195,078	12,580	28,983	46,142	128,555	862,606

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

Table 4

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
2004	\$ 98,687	\$ 214,463	\$ -	\$ 8,244	\$ 3,817	\$ 89,652	\$ 8,802	\$ 12,223	\$ 139,399	\$ 575,287
2005	98,540	235,783	-	4,604	5,491	97,064	22,217	12,297	373,012	849,008
2006	111,223	225,896	-	7,160	11,274	99,023	16,940	11,753	190,182	673,451
2007	107,662	219,381	-	8,391	19,081	93,024	41,380	25,616	117,228	631,763
2008	109,907	236,145	-	12,937	19,231	92,751	12,268	18,140	121,792	623,171
2009	146,956	235,455	272	5,793	24,669	96,619	28,122	16,076	260,774	814,736
2010	134,862	208,225	1,450	12,882	23,378	95,016	41,106	17,108	191,009	725,036
2011	137,909	227,950	925	18,787	2,234	95,133	19,519	19,135	305,894	827,486
2012	136,692	221,573	1,370	18,697	28,207	96,929	23,290	19,614	296,771	843,143
2013	176,627	224,784	900	9,896	12,203	98,512	13,027	18,994	673,382	1,228,325

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

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
2004	\$ 146,303	\$ 123,396	84.34%	\$ 14,858	\$ 138,254	94.50%	\$ 29,768	20.35%
2005	138,484	126,522	91.36%	13,915	140,437	101.41%	22,333	16.13%
2006	146,936	127,147	86.53%	27,724	154,871	105.40%	29,308	19.95%
2007	148,127	134,608	90.87%	19,007	153,615	103.70%	29,424	19.86%
2008	148,808	133,046	89.41%	18,533	151,579	101.86%	31,801	21.37%
2009	186,231	162,625	87.32%	23,271	185,896	99.82%	32,770	17.60%
2010	178,819	167,300	93.56%	6,476	173,776	97.18%	33,261	18.60%
2011	178,952	169,650	94.80%	7,815	177,465	99.17%	42,976	24.02%
2012	180,028	169,089	93.92%	8,885	177,974	98.86%	35,294	19.60%
2013	211,526	202,418	95.69%	11,865	214,283	101.30%	35,403	16.74%

(1) Exclusive of penalties and interest.

(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	
2004	\$38,011,150	\$ 8,690,396	\$ 52,790	\$ 365,900	\$ 2,117,129	\$ -	\$ 49,237,365
2005	52,845,245	7,746,092	52,750	274,400	2,497,123	-	63,415,610
2006	53,468,800	8,618,104	100,705	283,500	2,417,304	-	64,888,413
2007	53,686,100	8,792,670	60,180	271,700	1,954,829	-	64,765,479
2008	54,284,455	8,752,214	112,600	271,700	1,981,736	-	65,402,705
2009	65,094,700	8,950,289	112,600	234,600	2,565,952	-	76,958,141
2010	65,589,329	8,245,367	271,570	239,700	2,412,222	-	76,758,188
2011	66,127,600	8,271,551	228,780	225,800	2,419,274	-	77,273,005
2012	66,812,300	8,158,265	326,215	237,800	2,683,394	-	78,217,974
2013	65,796,000	8,248,173	243,308	229,500	2,644,492	-	77,161,473

(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		
2004	\$	0.15	\$	0.98	\$	0.75	\$	0.15	\$	0.15	\$	0.98
2005		0.11		0.98		0.75		0.11		0.11		0.98
2006		0.11		0.98		0.75		0.11		0.11		0.98
2007		0.11		0.98		0.75		0.11		0.11		0.98
2008		0.11		0.98		0.75		0.11		0.11		0.98
2009		0.14		0.98		0.75		0.14		0.14		0.98
2010		0.14		0.98		0.75		0.14		0.14		0.98
2011		0.14		0.98		0.75		0.14		0.14		0.98
2012		0.14		0.98		0.75		0.14		0.14		0.98
2013		0.18		0.98		0.75		0.18		0.18		0.98

(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
2004	1,821	\$ 49,237,365	\$ -	0.00%	\$ -
2005	1,821	63,415,610	640,000	1.01%	351
2006	1,821	64,888,413	592,078	0.91%	325
2007	1,821	64,765,479	631,568	0.98%	347
2008	1,821	65,402,705	558,051	0.85%	306
2009	1,821	76,958,141	484,147	0.63%	266
2010	1,725	76,758,188	593,293	0.77%	344
2011	1,725	77,273,005	359,221	0.46%	208
2012	1,725	78,217,974	321,196	0.41%	186
2013	1,725	77,161,473	1,313,891	1.70%	762

(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.

Table 9

**Town of Victoria, Virginia
Computation of Legal Debt Margin
Year Ended June 30, 2013**

Total assessed value of real property (1).	<u>\$ 68,440,492</u>
Debt limit - 10% of total assessed value	<u>\$ 6,844,049</u>
Amount of debt applicable to debt limit:	
Gross debt (2)	\$ 1,313,891
Less: Water and sewer revenue bonds	<u>-</u>
Total amount of debt applicable to debt limit	<u>\$ 1,313,891</u>
Legal debt margin	<u>\$ 5,530,158</u>

(1) Includes public utility real property.

(2) Includes bonded debt.

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COMPLIANCE SECTION

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ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Town of Victoria Virginia, as of and for the year ended June 30, 2013, 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 June 30, 2014.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2013-01.

Compliance and Other Matters

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

Town of Victoria, Virginia's Response to Findings

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

Purpose of this Report

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

A handwritten signature in dark ink, appearing to read "D. Frick", followed by a long horizontal line extending to the right.

Richmond, Virginia
June 30, 2014

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Report on Compliance for Each Major Federal Program

We have audited Town of Victoria, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Victoria, Virginia's major federal programs for the year ended June 30, 2013. Town of Victoria, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Town of Victoria, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

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

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

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

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

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

Richmond, Virginia
June 30, 2014

Town of Victoria, Virginia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/State Pass-Through Grantor/ Program Title or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security: Pass Through Payments: Department of Emergency Management: Disaster Grants - Public Assistance	97.036	77602-155	\$ 1,287
Department of Transportation: Pass Through Payments: Department of Motor Vehicles: State and Community Highway Safety	20.600	60507-52230	\$ 8,280
Department of Transportation: Highway Planning and Construction (Federal-Aid Highway Program)	20.205	EN06-317-115	522,625
Total Department of Transportation			\$ 530,905
Department of the Agriculture: Direct payments: Water and Waste Disposal Systems for Rural Communities	10.760	N/A	\$ 314,891
Total Expenditures of Federal Awards			\$ 847,083

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

Town of Victoria, Virginia

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2013

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Victoria, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of the OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Town of Victoria, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of Town of Victoria, Virginia.

Note B - Summary of Significant Accounting Policies

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

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

Note C - Relationship to Financial Statements

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

Intergovernmental federal revenues per the basic financial statements:

Primary government:

General Fund	\$ <u>532,192</u>
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USDA Rural Development Loan	\$ <u>314,891</u>
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Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>847,083</u></u>
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Town of Victoria, Virginia
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

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

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes ✓ no

Significant deficiency(ies) identified? yes ✓ none reported

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

Any findings disclosed that are required to be
reported in accordance with section 510(a) of
Circular A-133? yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
20.205	Highway Planning and Construction (Federal-Aid Highway Program)

Dollar threshold used to distinguish between type A
and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 yes ✓ no

Town of Victoria, Virginia
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section II-Financial Statement Findings

2013-01

Financial Reporting

Criteria:	Per Statement of Auditing Standards 115 (SAS 115), identification of adjustments to the financial statements that was not detected by the entity's internal controls indicates that a material weakness exists. Internal controls should be in place that provide assurance that audited financial statements reconcile to the Town's internal documents.
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 more than a remote likelihood that a misstatement of the Town's financial statements or notes to the financial statements that is more than inconsequential will not be prevented or detected by the Town's internal controls over financial reporting.
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 FY14.

Section III-Federal Award Findings and Questioned Costs

None

Town of Victoria, Virginia
Schedule of Prior Year Findings
For the Year Ended June 30, 2013

There were no prior year Federal Award Findings and Questioned Costs. Financial Statement Finding 2012-1 has been repeated for FY13 as Finding 2013-01.

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