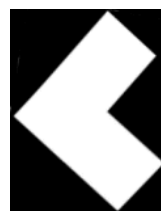


Town of LaCrosse, Virginia
Comprehensive Annual Financial Report
Year Ended June 30, 2014



***Creedle, Jones
& Alga, P.C.***
Certified Public Accountants

Town of LaCrosse, Virginia

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FINANCIAL SECTION



**Creedle
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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of LaCrosse, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of LaCrosse, Virginia, as of and for the year ended June 30, 2014, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, and each major fund of the Town of LaCrosse, Virginia, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 through 8 and 42 through 46 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, on our consideration of the Town of LaCrosse, 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 LaCrosse, Virginia's internal control over financial reporting and compliance.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
March 13, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of LaCrosse, Virginia presents the following discussion and analysis as an overview of the Town of LaCrosse, Virginia's financial activities for the fiscal year ending June 30, 2014. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

FINANCIAL HIGHLIGHTS

Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town exceeded its liabilities by \$913,304. Of this amount, \$230,092 is an unrestricted deficit for governmental activities. For business-type activities, it was \$914,557 of which \$292,446 is unrestricted.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$1,002,251 and expenses amounted to \$1,329,845. The Town's total net position decreased \$224,875.
- For business-type activities, revenues were \$297,627 and expenses were \$268,630. The net position decreased by \$73,722.

Highlights for Fund Financial Statements

- As of June 30, 2014, the Town's Governmental Funds reported combined fund balances of \$49,861 an increase of \$113,547 in comparison with the prior year. The unassigned portion of fund balance is \$21,621.
- The General Fund reported a fund balance of \$21,621 an increase of \$114,176 from June 30, 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements report information about the Town as a whole using accounting methods similar to those found in the private sector. They also report the Town's net position and how they have changed during the fiscal year.

Statement of Net Position: presents information on all of the Town's assets and liabilities. The difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources can be used as one way to measure the Town's financial health or financial condition. Over time, increases or decreases in the net position can be one indicator of whether the Town's financial condition is improving or deteriorating. Other nonfinancial factors will also need to be considered, such as changes in the Town's property tax base and the condition of Town facilities.

Statement of Activities: presents information using the accrual basis accounting method and shows how the Town's net position changed during the fiscal year. All of the current year's revenues and expenses are shown in the Statement of Activities, regardless of when cash is received or paid.

The government-wide financial statements distinguish governmental activities from business-type activities identified as the primary government. The governmental activities of the Town include general government administration, public safety, public works, parks, recreation and cultural, and community development. Public utilities represent the business-type activities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole. Major funds are separately reported.

The Town has two types of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Capital Projects Fund, and the Special Revenue Fund, all of which are considered to be major funds.

Proprietary Funds – The Town uses an Enterprise Fund which operates in a manner similar to private business enterprises. Costs are recovered primarily through user charges. Proprietary Fund financial statements provide both long and short-term financial information.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedule.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

Summary of Net Position

As of June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Assets						
Current and other assets	\$ 350,456	\$ 237,155	\$ 326,361	\$ 328,876	\$ 676,817	\$ 566,031
Capital assets (net)	<u>1,471,857</u>	<u>1,512,607</u>	<u>622,111</u>	<u>681,668</u>	<u>2,093,968</u>	<u>2,194,275</u>
Total Assets	<u>\$ 1,822,313</u>	<u>\$ 1,749,762</u>	<u>\$ 948,472</u>	<u>\$ 1,010,544</u>	<u>\$ 2,770,785</u>	<u>\$ 2,760,306</u>
Liabilities						
Other liabilities	\$ 288,099	\$ 286,298	\$ 33,915	\$ 22,265	\$ 322,014	\$ 308,563
Long-term liabilities	<u>620,910</u>	<u>325,285</u>	<u>-</u>	<u>-</u>	<u>620,910</u>	<u>325,285</u>
Total Liabilities	<u>909,009</u>	<u>611,583</u>	<u>33,915</u>	<u>22,265</u>	<u>942,924</u>	<u>633,848</u>
Net Position						
Net investment in capital assets	1,143,396	1,187,322	622,111	681,668	1,765,507	1,868,990
Unrestricted	<u>(230,092)</u>	<u>(49,143)</u>	<u>292,446</u>	<u>306,611</u>	<u>62,354</u>	<u>257,468</u>
Total Net Position	<u>913,304</u>	<u>1,138,179</u>	<u>914,557</u>	<u>988,279</u>	<u>1,827,861</u>	<u>2,126,458</u>
Total Liabilities and Net Position	<u>\$ 1,822,313</u>	<u>\$ 1,749,762</u>	<u>\$ 948,472</u>	<u>\$ 1,010,544</u>	<u>\$ 2,770,785</u>	<u>\$ 2,760,306</u>

Statement of Activities

The following table summarizes revenues and expenses for the primary government:

Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program Revenues						
Charges for services	\$ 190,178	\$ 126,263	\$ 297,627	\$ 299,436	\$ 487,805	\$ 425,699
Operating grants and contributions	498,233	145,628	-	-	498,233	145,628
General Revenues						
General property taxes, real and personal	108,344	102,717	-	-	108,344	102,717
Other taxes	78,223	105,854	-	-	78,223	105,854
Noncategorical aid from state	34,385	23,822	-	-	34,385	23,822
Use of property	21,032	27,735	-	-	21,032	27,735
Investment earnings	114	397	-	-	114	397
Miscellaneous	71,742	62,828	-	-	71,742	62,828
Total Revenues	1,002,251	595,244	297,627	299,436	1,299,878	894,680
Expenses						
General government administration	198,056	191,883	-	-	198,056	191,883
Public safety	229,326	233,458	-	-	229,326	233,458
Public works	421,829	176,447	-	-	421,829	176,447
Parks, recreation, and cultural	8,825	18,501	-	-	8,825	18,501
Community development	455,431	66,744	-	-	455,431	66,744
Water and sewer	-	-	268,630	231,213	268,630	231,213
Interest on long-term debt	16,378	2,829	-	-	16,378	2,829
Total Expenses	1,329,845	689,862	268,630	231,213	1,598,475	921,075
Increase (Decrease) in Net Position Before Transfers	(327,594)	(94,618)	28,997	68,223	(298,597)	(26,395)
Transfers	102,719	106,784	(102,719)	(106,784)	-	-
Increase (Decrease) in Net Position	(224,875)	12,166	(73,722)	(38,561)	(298,597)	(26,395)
Beginning Net Position	1,138,179	1,110,964	988,279	1,026,840	2,126,458	2,137,804
Prior Period Adjustment	-	15,049	-	-	-	15,049
Ending Net Position	\$ 913,304	\$ 1,138,179	\$ 914,557	\$ 988,279	\$ 1,827,861	\$ 2,126,458

Governmental activities decreased the Town's net position by \$224,875 for fiscal year 2014. Revenues from governmental activities totaled \$1,002,251. Grants comprise the largest source of these revenues, totaling \$498,233 or 49.7 percent of all governmental activities revenue.

The total cost of all governmental activities for this fiscal year was \$1,329,845. Community development was the Town's largest program with expenses totaling \$455,431. Public works, which totals \$421,829, represents the second largest expense.

Business-type activities decreased the Town's net position by \$73,722. Revenues from business-type activities totaled \$297,627 for the fiscal year ended June 30, 2014, compared to \$299,436 in the prior fiscal year. Expenses for the business-type activities totaled \$268,630 for the fiscal year ended June 30, 2014, compared to \$231,213 in the prior fiscal year.

For the Town's governmental activities, the net expense (total cost less fees generated by the activities and program-specific governmental aid) is illustrated in the following table:

Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 198,056	\$ (198,056)	\$ 191,883	\$ (191,883)
Public safety	229,326	(93,173)	233,458	(125,259)
Public works	421,829	(360,695)	176,447	(71,264)
Parks, recreation, and cultural	8,825	37,817	18,501	(18,501)
Community development	455,431	(10,949)	66,744	(8,235)
Interest on long-term debt	<u>16,378</u>	<u>(16,378)</u>	<u>2,829</u>	<u>(2,829)</u>
Total	<u>\$ 1,329,845</u>	<u>\$ (641,434)</u>	<u>\$ 689,862</u>	<u>\$ (417,971)</u>

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2014, the Town's Governmental Funds reported a combined ending fund balance of \$49,861 an increase of \$113,547 in comparison with the prior year.

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$21,621. The General Fund's liquidity can be measured by comparing both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 2.47 percent of total expenditures.

- The Water and Sewer Fund contributed \$102,719 in operating funds to finance the General Fund's operations.

BUDGETARY HIGHLIGHTS

General Fund

The following table provides a comparison of original budget, final budget, and actual revenues and expenditures in the General Fund:

Budgetary Comparison

General Fund

For the Fiscal Years Ended June 30, 2014 and 2013

	<u>2014</u>			<u>2013</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues						
Taxes	\$ 110,000	\$ 110,000	\$ 110,391	\$ 119,000	\$ 119,000	\$ 103,223
Fines and forfeitures	110,000	110,000	122,659	115,000	115,000	65,286
Other	218,700	218,700	224,557	200,200	200,200	242,016
Intergovernmental	<u>27,700</u>	<u>27,700</u>	<u>88,136</u>	<u>26,350</u>	<u>26,350</u>	<u>110,941</u>
Total Revenues	466,400	466,400	545,743	460,550	460,550	521,466
Expenditures	<u>615,250</u>	<u>615,250</u>	<u>874,531</u>	<u>598,200</u>	<u>598,200</u>	<u>917,698</u>
Excess (Deficiency) of Revenues Over Expenditures	(148,850)	(148,850)	(328,788)	(137,650)	(137,650)	(396,232)
Other Financing Sources (Uses)						
Transfers in	<u>148,850</u>	<u>148,850</u>	<u>442,964</u>	<u>137,650</u>	<u>137,650</u>	<u>404,994</u>
Total	<u>148,850</u>	<u>148,850</u>	<u>442,964</u>	<u>137,650</u>	<u>137,650</u>	<u>404,994</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,176</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,762</u>

The original and final budgets are the same.

Actual revenues were more than budget amounts by \$79,343, or 17 percent, while actual expenditures were \$259,281, or 42 percent more than final budget amounts.

The High Street Planning Project and the Hotel Project exceeded budgeted amounts by \$160,620 and \$63,859, respectively, which explains some of this variance.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

As of June 30, 2014, the Town's net investment in capital assets totals \$1,143,396, which is net capital assets less related debt for governmental activities and \$622,111 for business-type activities.

During fiscal year 2014, the Town's net capital assets (including additions, decreases, and depreciation) decreased \$40,750, or 2.7 percent, for governmental activities and decreased \$59,557, or 8.7 percent, for business-type activities as summarized in the following table:

Change in Capital Assets

Governmental Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Land and land improvements	\$ 69,776	\$ -	\$ 69,776
Buildings and improvements	906,386	-	906,386
Furniture, equipment, and vehicles	<u>1,152,023</u>	<u>27,833</u>	<u>1,179,856</u>
Total Capital Assets	2,128,185	27,833	2,156,018
Less: Accumulated depreciation and amortization	<u>(615,578)</u>	<u>(68,583)</u>	<u>(684,161)</u>
Total Capital Assets, Net	<u>\$ 1,512,607</u>	<u>\$ (40,750)</u>	<u>\$ 1,471,857</u>

Business-Type Activities

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Buildings and systems	\$ 2,243,051	\$ -	\$ 2,243,051
Furniture, equipment, and vehicles	<u>41,321</u>	<u>-</u>	<u>41,321</u>
Total Capital Assets	2,284,372	-	2,284,372
Less: Accumulated depreciation and amortization	<u>(1,602,704)</u>	<u>(59,557)</u>	<u>(1,662,261)</u>
Total Capital Assets, Net	<u>\$ 681,668</u>	<u>\$ (59,557)</u>	<u>\$ 622,111</u>

Long-Term Debt

As of June 30, 2014, the Town's long-term obligations total \$620,910.

	<u>Balance July 1, 2013</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2014</u>
Governmental Activities			
Long-term debt	<u>\$ 325,285</u>	<u>\$ 295,625</u>	<u>\$ 620,910</u>
 Total Governmental Activities and Primary Government	 <u>\$ 325,285</u>	 <u>\$ 295,625</u>	 <u>\$ 620,910</u>

More detailed information on the Town's long-term obligations is presented in Notes 9 and 19 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- The average unemployment rate for the Town of LaCrosse, Virginia in June 2014, which uses Mecklenburg County, Virginia's rate, was 9.0 percent. This compares unfavorably to the state's rate of 5.4 percent and the national rate of 6.3 percent.
- According to the 2010 U.S. Census, the population in the Town of LaCrosse, Virginia was 604.
- The per capita income in the Town of LaCrosse, Virginia was \$13,882, compared to \$27,705 for the state, according to the 2010 U.S. Census data.
- The Town's adopted 2014-2015 budgeted revenues for the general fund are \$473,736.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to Willis A. Woodall, Mayor, Town of LaCrosse, Virginia, 115 South Main Street, LaCrosse, Virginia 23950, telephone 434-757-7366.

BASIC FINANCIAL STATEMENTS

Town of LaCrosse, Virginia

Statement of Net Position

At June 30, 2014

Primary Government

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 336,960	\$ -	\$ 336,960
Receivables, net	12,496	46,114	58,610
Due from other governments	1,000	-	1,000
Due from other funds	-	280,247	280,247
Capital Assets			
Land	69,776	-	69,776
Other capital assets, net of accumulated depreciation	1,402,081	622,111	2,024,192
Capital Assets, Net	<u>1,471,857</u>	<u>622,111</u>	<u>2,093,968</u>
Total Assets	<u>\$ 1,822,313</u>	<u>\$ 948,472</u>	<u>\$ 2,770,785</u>
Liabilities			
Accounts payable and accrued expenses	\$ 7,852	\$ 19,397	\$ 27,249
Customer deposits	-	14,518	14,518
Due to other funds	280,247	-	280,247
Long-Term Liabilities			
<i>Due within one year</i>			
Bonds, loans, and capital leases payable	58,853	-	58,853
<i>Due in more than one year</i>			
Bonds, loans, and capital leases payable	<u>562,057</u>	<u>-</u>	<u>562,057</u>
Total Liabilities	909,009	33,915	942,924
Net Position			
Net investment in capital assets	1,143,396	622,111	1,765,507
Unrestricted	<u>(230,092)</u>	<u>292,446</u>	<u>62,354</u>
Total Net Position	<u>913,304</u>	<u>914,557</u>	<u>1,827,861</u>
Total Liabilities and Net Position	<u>\$ 1,822,313</u>	<u>\$ 948,472</u>	<u>\$ 2,770,785</u>

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

Town of LaCrosse, Virginia

Statement of Activities

For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>
Primary Government					
Governmental Activities					
General government administration	\$ 198,056	\$ -	\$ -	\$ (198,056)	\$ (198,056)
Public safety	229,326	122,659	13,494	(93,173)	(93,173)
Public works	421,829	60,074	1,060	(360,695)	(360,695)
Parks, recreation, and cultural	8,825	7,445	39,197	37,817	37,817
Community development	455,431	-	444,482	(10,949)	(10,949)
Interest on long-term debt	16,378	-	-	(16,378)	(16,378)
Total Governmental Activities	1,329,845	190,178	498,233	(641,434)	(641,434)
Business-Type Activities					
Water and Sewer Fund	268,630	297,627	-	-	\$ 28,997
Total Business-Type Activities	268,630	297,627	-	-	28,997
Total Primary Government	\$ 1,598,475	\$ 487,805	\$ 498,233	(641,434)	28,997
					(612,437)
General Revenues					
Taxes					
General property taxes, real and personal				108,344	-
Other local taxes				78,223	-
Noncategorical aid from state				34,385	-
Use of property				21,032	-
Investment earnings				114	-
Miscellaneous				71,742	-
Transfers				102,719	(102,719)
Total General Revenues and Transfers				416,559	(102,719)
Change in Net Position				(224,875)	(73,722)
Net Position - Beginning of Year				1,138,179	988,279
Net Position - End of Year				\$ 913,304	\$ 914,557
					\$ 1,827,861

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

Town of LaCrosse, Virginia

Balance Sheet

Governmental Funds

At June 30, 2014

	<u>General Fund</u>	<u>Capital Project CDBG High Street Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and investments	\$ 308,720	\$ 196	\$ 28,044	\$ 336,960
Property taxes receivable, net	12,496	-	-	12,496
Due from other governments	1,000	-	-	1,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 322,216</u>	<u>\$ 196</u>	<u>\$ 28,044</u>	<u>\$ 350,456</u>
Liabilities				
Accounts payable	\$ 7,208	\$ -	\$ -	\$ 7,208
Accrued liabilities	644	-	-	644
Due to other funds	280,247	-	-	280,247
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	288,099	-	-	288,099
Deferred Inflows of Resources				
Unavailable revenue	12,496	-	-	12,496
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	12,496	-	-	12,496
Fund Balance				
Restricted	-	196	-	196
Assigned	-	-	28,044	28,044
Unassigned	21,621	-	-	21,621
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>21,621</u>	<u>196</u>	<u>28,044</u>	<u>49,861</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 322,216</u>	<u>\$ 196</u>	<u>\$ 28,044</u>	<u>\$ 350,456</u>

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

Town of LaCrosse, Virginia

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

At June 30, 2014

Total Fund Balances for Governmental Funds	\$	49,861
Total net position reported for governmental activities in the Statement of Net Position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$	69,776
Buildings and improvements, net of accumulated depreciation		799,260
Furniture, equipment, and vehicles, net of accumulated depreciation		<u>602,821</u>
Total Capital Assets		1,471,857
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Unavailable revenue		12,496
Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		
Balances of long-term liabilities affecting net position are as follows:		
Bonds and notes payable		<u>(620,910)</u>
Total		<u>(620,910)</u>
Total Net Position of Governmental Activities	\$	<u><u>913,304</u></u>

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

Town of LaCrosse, Virginia

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	<u>General Fund</u>	<u>Capital Project CDBG High Street Fund</u>	<u>Special Revenue Cemetery Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 110,391	\$ -	\$ -	\$ 110,391
Other local taxes	78,223	-	-	78,223
Fines and forfeitures	122,659	-	-	122,659
Use of money and property	14,518	-	6,628	21,146
Charges for services	60,074	-	7,445	67,519
Miscellaneous	71,742	-	-	71,742
<i>Intergovernmental</i>				
Revenue from the Commonwealth of Virginia	47,052	-	-	47,052
Revenue from the Federal Government	41,084	444,482	-	485,566
Total Revenues	545,743	444,482	14,073	1,004,298
Expenditures				
Current				
General government administration	168,406	-	-	168,406
Public safety	221,291	-	-	221,291
Public works	190,693	-	-	190,693
Parks, recreation, and cultural	1,205	-	7,620	8,825
Community development	11,112	444,319	-	455,431
Capital projects	228,071	-	-	228,071
Debt service	53,753	-	-	53,753
Total Expenditures	874,531	444,319	7,620	1,326,470
Excess (Deficiency) of Revenues Over Expenditures	(328,788)	163	6,453	(322,172)
Other Financing Sources (Uses)				
Proceeds from loans	333,000	-	-	333,000
Transfers from other funds	109,964	-	-	109,964
Transfers to other funds	-	-	(7,245)	(7,245)
Total Other Financing Sources (Uses)	442,964	-	(7,245)	435,719
Net Change in Fund Balance	114,176	163	(792)	113,547
Fund Balance (Deficit) - Beginning of Year	(92,555)	33	28,836	(63,686)
Fund Balance - End of Year	\$ 21,621	\$ 196	\$ 28,044	\$ 49,861

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

Town of LaCrosse, Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities

Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$	113,547	
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 capital outlays are less than depreciation in the current period.			(40,750)
Revenues in the Statement of Activities that do not provide current financial resources are deferred in the fund statements. This negative amount represents that there were additional amounts deferred in the prior year which were recorded as revenue in the fund statements in the current year, but had already been recognized in the Statement of Activities during the previous year.			(2,047)
Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases the long-term liabilities and does not affect the Statement of Activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the Statement of Net Position.			
Proceeds of debt	\$	(333,000)	
Repayments on debt		<u>37,375</u>	
Net Adjustment			<u>(295,625)</u>
Change in Net Position of Governmental Activities	\$		<u>(224,875)</u>

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

Town of LaCrosse, Virginia

Statement of Net Position

Proprietary Funds

At June 30, 2014

**Business-Type
Activities -
Enterprise Funds
Water and
Sewer Fund**

Assets**Current Assets**

Due from other funds	\$ 280,247
Accounts receivable (net of allowance for bad debts)	<u>46,114</u>

Total Current Assets	326,361
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Capital Assets, net

	<u>622,111</u>
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Total Assets	<u><u>\$ 948,472</u></u>
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Liabilities**Current Liabilities**

Accounts payable	\$ <u>19,397</u>
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Total Current Liabilities	19,397
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Noncurrent Liabilities

Customer deposits	<u>14,518</u>
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Total Noncurrent Liabilities	<u>14,518</u>
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Total Liabilities	33,915
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Net Position

Net investment in capital assets	622,111
Unrestricted	<u>292,446</u>

Total Net Position	<u>914,557</u>
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Total Liabilities and Net Position	<u><u>\$ 948,472</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Town of LaCrosse, Virginia

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

Year Ended June 30, 2014

	<u>Business-Type Activities - Enterprise Funds Water and Sewer Fund</u>
Operating Revenues	
Charges for services, net	\$ 297,627
Total Operating Revenues	297,627
Operating Expenses	
Water purchased	81,965
Sewer treatment	67,349
Other water and sewer	59,759
Depreciation	<u>59,557</u>
Total Operating Expenses	<u>268,630</u>
Operating Income	28,997
Nonoperating Revenues (Expenses)	
Water planning grant	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>
Income Before Operating Transfers	28,997
Operating Transfers Out	<u>(102,719)</u>
Change in Net Position	(73,722)
Total Net Position - Beginning of Year	<u>988,279</u>
Total Net Position - End of Year	<u><u>\$ 914,557</u></u>

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

Town of LaCrosse, Virginia

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2014

	Business-Type Activities - Enterprise Funds Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 301,742
Payments to personnel and suppliers	<u>(199,023)</u>
Net Cash Provided by Operating Activities	102,719
Cash Flows from Noncapital Financing Activities	
Payments made as interfund transfers	<u>(102,719)</u>
Net Cash Used in Noncapital Financing Activities	(102,719)
Cash Flows from Financing Capital and Related Activities	
Purchase for capital assets	-
Payments from a planning grant	<u>-</u>
Net Cash Provided by Financing Capital and Related Activities	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash - Beginning of Year	<u>-</u>
Cash - End of Year	<u><u>\$ -</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 28,997
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation expense	59,557
Changes in assets and liabilities	
Receivables, net	2,515
Customer water deposits	1,600
Accounts payable and accrued expenses	<u>10,050</u>
Net Cash Provided by Operating Activities	<u><u>\$ 102,719</u></u>

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

Town of LaCrosse, Virginia

Notes to the Financial Statements

Year Ended June 30, 2014

1 Summary of Significant Accounting Policies

Narrative Profile

The Town of LaCrosse, Virginia (the "Town") is located in the Southside area in Southeastern Virginia. The Town is governed by an appointed Town Manager, an elected Mayor, and a six-member Town Council with each serving administrative and legislative functions.

The Town of LaCrosse, Virginia is governed under the Town Executive – Town Council form of government. The Town of LaCrosse, Virginia engages in a comprehensive range of municipal services, including general government administration, public safety, public works, parks, recreation, cultural, and community development.

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

1-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 LaCrosse, Virginia (the primary government).

Exclusions from the Reporting Entity

Jointly Governed Organization

Jointly governed organizations are regional governments or other multi-governmental arrangements that are governed by representation from each of the governments that create the organizations, and the participants do not retain an ongoing financial interest or responsibility in the organization. The Town of LaCrosse, Virginia contributed \$1,980 in fiscal year 2014 to Mecklenburg-Brunswick Airport Commission.

1-B. Financial Reporting Model

The Town's Comprehensive Annual Financial Report includes management's discussion and analysis, the basic financial statements, and other supplementary information, described as follows:

Management's Discussion and Analysis – The basic financial statements are accompanied by a narrative introduction as well as an analytical overview of the Town's financial activities.

Government-wide Financial Statements – The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the Town as a whole. These financial statements focus on the primary government; as such, individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and grants and the Town's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position presents the financial position of the governmental and business-type activities of the Town at year end.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and for each identifiable activity of the business-type activities of the Town. Direct expenses are those that are specifically associated with a function and, therefore, clearly identifiable to that particular function. The Town does not allocate indirect expenses to functions in the Statement of Activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for *charges for services* is which function *generates* the revenue. For *grants and contributions*, the determining factor is to which function the revenues are *restricted*.

Other revenue sources not considered to be program revenues are reported as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the Town.

Fund Financial Statements – During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. Fund financial statements are provided for governmental and proprietary funds.

Major individual governmental and proprietary funds are reported in separate columns.

Reconciliation of Government-wide and Fund Financial Statements – Since the governmental funds financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a summary reconciliation of the difference between total fund balances as reflected on the governmental funds balance sheet and total governmental activities net position as shown on the government-wide Statement of Net Position is presented. In addition, a summary reconciliation of the difference between the total net change in fund balances as reflected on the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances, and the change in net position of governmental activities as shown on the government-wide Statement of Activities is presented.

1-C. Financial Statement Presentation

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. The following is a brief description of the funds reported by the Town in each of its fund types in the financial statements:

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The Town reports the difference between its governmental fund assets and deferred outflows of resources and its liabilities and deferred inflows of resources as fund balance. The following are the Town's major governmental funds:

Major Governmental Funds

General Fund – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants.

Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting due to legal or regulatory provisions or administrative action. Special Revenue Funds include the following:

Cemetery Fund – This fund accounts for Town revenues collected and disbursed for maintenance of the Cemetery Fund controlled by the Town.

Capital Projects Funds – The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

CDBG High Street Fund – This fund accounts for community development block grant funds being used for the High Street Project in the Town.

Proprietary Funds – Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The Town has one enterprise fund, the Water and Sewer Fund, which accounts for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges.

Fiduciary Funds – (Agency Funds) – Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. Agency funds utilize the accrual basis of accounting. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements. The Town has no fiduciary funds at this time.

1-D. Measurement Focus and Basis of Accounting

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, as is the proprietary fund financial statements. 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 (general government administration, public safety, public works, parks, recreation, and cultural, etc.) which are otherwise being supported by general government revenues, (property taxes, 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 (general government administration, public safety, public works, parks, recreation, and cultural, etc.) or a business-type activity.

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

1-E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Equity

1-E-1 Cash and Cash Equivalents

The Town operates a cash and investment pool which all funds utilize. The Town pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

The Town allocates investment earnings of the cash and investment pool to each participating fund on a monthly basis in accordance with that fund's average equity balance in the pool for that month.

1-E-2 Investments

Investments are stated at fair value which approximates market; no investments are valued at cost. Certificates of deposit and short-term repurchase agreements are reported in the accompanying financial statements as cash and cash equivalents.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

1-E-3 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). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as internal balances.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. There is no allowance at this time.

Real and Personal Property Tax Data

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

Real Property Personal Property

Due Date	January 1	January 1
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The Town bills and collects its own property taxes.

A five percent penalty is levied on all taxes not collected on or before their due date.

1-E-4 Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable as this amount is not available for general appropriation.

1-E-5 Capital Assets

General capital assets are those capital assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The Town reports these assets in the governmental activities column of the government-wide Statement of Net Position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the enterprise funds' Statement of Net Position.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized; however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Description</u>	<u>Estimated Lives</u>
Buildings and improvements	25 to 50 years
Furniture and other equipment	3 to 10 years
Vehicles	5 to 25 years
Infrastructure	15 to 50 years

1-E-6 Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources until then.

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 until that time. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

1-E-7 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Town will compensate the employees for the benefits through paid time off or some other means.

All compensated absence liabilities include salary-related payments, where applicable.

The Town does not accrue compensated absences (annual leave benefits) at this time because of the immaterial amount of these benefits.

1-E-8 Retirement Plan

Retirement plan contributions are actuarially determined for the Virginia Retirement System (VRS) 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 at the actuarially determined rates.

1-E-9 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as fund balance. Fund equity for all other reporting is classified as net position.

Governmental Fund Balances – Generally, governmental fund balances represent the difference between the current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which resources can be spent. Fund balances are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – 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 of action to remove or change the constraint.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all amounts not classified as nonspendable, restricted, committed, or assigned.

Net Position – Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of cost of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. This net investment in capital assets amount also is adjusted by any bond issuance deferral amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

1-E-10 Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Town, these revenues are charges for services for water and sewer utilities. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All other items that do not directly relate to the principal and usual activity of the fund are recorded as nonoperating revenues and expenses. These items include investment earnings.

1-E-11 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after the non-operating revenues/expenses section in proprietary funds.

1-E-12 Long-Term Obligations

The Town reports long-term debt of Governmental Funds at face value in the general long-term debt account group. The face value of the debt is believed to approximate fair value. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities in the appropriate funds.

1-E-13 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2 Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The Town Council annually adopts budgets for the various funds of the primary government. All appropriations are legally controlled at the department level for the primary Government Funds. Unexpended appropriations lapse at the end of each fiscal year.

Budgetary Data

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

1. Prior to April 1, the Town Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing July 1. The operating budget 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, function, and departmental level. These appropriations for each fund, function, and department can be revised only by the Town Council.
5. Formal budgetary integration is employed as a management control device during the year and budgets are legally adopted for all major funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Supplemental Appropriations are adopted if necessary during the fiscal year.

Expenditures in Excess of Appropriations

Expenditures exceeded appropriations by \$252,281 primarily due to expenses on the Hotel Project and the High Street Project.

Fund Deficits

Deficits exist in the Governmental Activities unrestricted net position of \$230,092.

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, the State Treasurer's Local Government Investment Pool (LGIP), and the State Non-Arbitrage Program (SNAP).

The Town of LaCrosse, Virginia only invests in Certificates of Deposit at local banks. Therefore, there is no custodial risk, credit risk of debt securities, concentration of credit risk, or foreign currency risk. The only risk of interest rates is that associated with short-term rates at the local banks which are generally invested in Certificates of Deposit held less than one year.

The following is a summary of cash and cash equivalents:

<u>Asset Type</u>	<u>Carrying Amount</u>		
Petty cash	\$		40
Deposit accounts			<u>336,920</u>
Total Cash and Cash Equivalents	\$		<u>336,960</u>

<u>Primary Government</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ <u>336,960</u>	\$ -	\$ <u>336,960</u>
Total	\$ <u>336,960</u>	\$ -	\$ <u>336,960</u>

4 Receivables

Receivables at June 30, 2014 consist of the following:

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities Water and Sewer</u>	<u>Total Primary Government</u>
Property taxes	\$ 12,496	\$ -	\$ 12,496
Water and sewer	-	46,114	46,114
Total Receivables	<u>\$ 12,496</u>	<u>\$ 46,114</u>	<u>\$ 58,610</u>

Due from Other Governments Commonwealth of Virginia

Fire program	<u>\$ 1,000</u>
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5 Interfund Transfers

Interfund transfers for the year ended June 30, 2014 consisted of the following:

Primary Government

	<u>Transfer to</u>	<u>Transfer from</u>
General Fund		
From Water and Sewer Fund	\$ -	\$ 102,719
From Cemetery Fund	-	7,245
Water and Sewer Fund		
To General Fund	102,719	-
Cemetery Fund		
To General Fund	<u>7,245</u>	<u>-</u>
Total Transfers	<u>\$ 109,964</u>	<u>\$ 109,964</u>

6 Due to/from Other Funds

Details of the primary government interfund receivables and payables as of June 30, 2014 are as follows:

Primary Government

	<u>Due from</u>	<u>Due to</u>
General Fund		
Due to Water Fund	\$ -	\$ 280,247
Water and Sewer Fund		
Due from General Fund	<u>280,247</u>	<u>-</u>
Total Due To/Due From's	<u>\$ 280,247</u>	<u>\$ 280,247</u>

7 Capital Assets

Following is a summary of changes in capital assets:

Governmental Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land and land improvements	\$ 69,776	\$ -	\$ -	\$ 69,776
Total Capital Assets Not Being Depreciated	69,776	-	-	69,776
Other Capital Assets				
Buildings and improvements	906,386	-	-	906,386
Furniture, equipment, and vehicles	1,152,023	27,833	-	1,179,856
Total Other Capital Assets	2,058,409	27,833	-	2,086,242
Less: Accumulated depreciation for				
Buildings and improvements	77,476	29,650	-	107,126
Furniture, equipment, and vehicles	538,102	38,933	-	577,035
Total Accumulated Depreciation	615,578	68,583	-	684,161
Other Capital Assets, Net	1,442,831	(40,750)	-	1,402,081
Net Capital Assets	\$ 1,512,607	\$ (40,750)	\$ -	\$ 1,471,857

Depreciation expense was allocated as follows:

General government administration	\$ 29,650
Public safety	35,868
Public works	3,065
Total Depreciation Expense	\$ 68,583

Business-Type Activities

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land and land improvements	\$ -	\$ -	\$ -	\$ -
Total Capital Assets Not Being Depreciated	-	-	-	-
Other Capital Assets				
Buildings and systems	2,243,051	-	-	2,243,051
Furniture, equipment, and vehicles	41,321	-	-	41,321
Total Other Capital Assets	2,284,372	-	-	2,284,372
Less: Accumulated depreciation for				
Buildings and systems	1,564,546	59,100	-	1,623,646
Furniture, equipment, and vehicles	38,158	457	-	38,615
Total Accumulated Depreciation	1,602,704	59,557	-	1,662,261
Other Capital Assets, Net	681,668	(59,557)	-	622,111
Net Capital Assets	\$ 681,668	\$ (59,557)	\$ -	\$ 622,111
Depreciation expense was allocated to water/sewer		\$ 59,557		

8 Compensated Absences

Each Town employee earns vacation based on various years of service. A maximum of 240 hours may be accumulated and is paid upon termination at the current rate of pay. Sick leave is earned at 8 hours a month and none is paid upon termination. No provision has been booked for compensated absences due to lack of materiality.

9 Long-Term Debt

PRIMARY GOVERNMENT

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

Year(s) Ended June 30,	Governmental Activities	
	Principal	Interest
2015	\$ 58,852	\$ 22,995
2016	61,005	20,842
2017	63,242	18,605
2018	65,568	16,279
2019	54,075	13,910
2020-2024	238,910	39,626
2025-2029	79,258	7,321
Total	\$ 620,910	\$ 139,578

Changes in Long-Term Debt

The following is a summary of changes in long-term obligations of the Town:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Primary Government					
Governmental Activities					
General Fund					
Promissory note dated January 16, 2013 for \$45,000 to First Citizens Bank & Trust Co. with annual payments of \$9,594.28 for 5 years at 2.17% interest for a 2013 Ford F350 brush truck and related equipment.	\$ 45,000	\$ -	\$ 8,618	\$ 36,382	\$ 8,805
Promissory note dated November 13, 2012 for \$247,000 to First Citizens Bank & Trust Co. with annual payments of \$21,644.54 for 15 years at 3.63% interest for a 2012 Kenworth Tanker Fire Truck and related equipment.	247,000	-	12,678	234,322	13,139
Promissory note dated June 10, 2014 for \$30,000 to Benchmark Community Bank with payments of \$6,351.50 annually for 5 years with an interest rate of 1.84% to purchase a vehicle.	-	30,000	-	30,000	5,810
Promissory note dated January 21, 2014 for \$303,000 to Citizens Community Bank with monthly payments of \$3,104.69 for 10 years with an interest rate of 4.25% .	-	303,000	10,551	292,449	25,303
Promissory note to Citizens Community Bank with monthly payments of \$583 for 15 years at 4.75% interest.	33,285	-	5,528	27,757	5,796
Total Governmental Activities and Primary Government	<u>\$ 325,285</u>	<u>\$ 333,000</u>	<u>\$ 37,375</u>	<u>\$ 620,910</u>	<u>\$ 58,853</u>

10 **Net Investment in Capital Assets**

The "net investment in capital assets" amount reported on the government-wide Statement of Net Position as of June 30, 2014 is determined as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>Type</u> <u>Activities</u>
Net Investment in Capital Assets		
Cost of capital assets	\$ 2,156,018	\$ 2,284,372
Less: Accumulated depreciation	(684,161)	(1,662,261)
Book value	1,471,857	622,111
Less: Capital related debt	(328,461)	-
Net Investment in Capital Assets	<u>\$ 1,143,396</u>	<u>\$ 622,111</u>

11 Deferred Inflows of Resources

Deferred inflows of resources from unavailable property taxes are comprised of the following:

Deferred Inflows of Resources

	Primary Government - General Fund
Delinquent taxes not collected within 60 days	\$ 12,496
Totals	\$ 12,496

12 Risk Management

The Town carries commercial insurance for risks of loss, including employee dishonesty and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13 Commitments and Contingencies

If applicable, federal programs in which the Town participates were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

14 Litigation

At June 30, 2014, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decisions or pending matters not be favorable to such entities.

15 Legal Compliance

Computation of Legal Debt Margin

Total Assessed Value of Taxed Real Estate	\$ 24,862,600
Debt Limit - 10 Percent of Total Assessed Value	\$ 2,486,260
Amount of Debt Applicable to Debt Limit General Obligation Debt	620,910
Legal Debt Margin	\$ 1,865,350

16 Surety Bond Information

The following bond was in effect at June 30, 2014:

The Cincinnati Insurance Company

Town Clerk / Treasurer - Ernestine T. Evans

\$ 100,000

Mayor - Willis A. Woodall

100,000

17 Defined Benefit Pension Plan

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. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees – Plan 1, Plan 2, and Hybrid. Each plan has different eligibility and benefit structures as set out in the table below:

VRS PLAN 1

About VRS Plan 1

VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

Hybrid Opt-In Election

VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

VRS PLAN 2

About VRS Plan 2

VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Eligible Members

Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.

Hybrid Opt-In Election

VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

HYBRID RETIREMENT PLAN

About the Hybrid Retirement Plan

The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")

- The defined benefit is based on a member's age, creditable service, and average final compensation at retirement using a formula.
- The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
- In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

Eligible Members

Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:

- State employees*
- School division employees
- Political subdivision employees*
- Judges appointed or elected to an original term on or after January 1, 2014
- Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1 - April 30, 2014; the plan's effective date for opt-in members was July 1, 2014

****Non-Eligible Members***

Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:

- Members of the State Police Officers' Retirement System (SPORS)
- Members of the Virginia Law Officers' Retirement System (VaLORS)
- Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

**VRS
PLAN 1**

Retirement Contributions

Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.

Creditable Service

Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Vesting

Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

**VRS
PLAN 2**

Retirement Contributions

Same as VRS Plan 1.

Creditable Service

Same as VRS Plan 1.

Vesting

Same as VRS Plan 1.

**HYBRID
RETIREMENT PLAN**

Retirement Contributions

A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Creditable Service

Defined Benefit Component:

Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit.

Defined Contribution Component:

Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Vesting

Defined Benefit Component:

Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component:

Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70 1/2.

**VRS
PLAN 1**

Calculating the Benefit

The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier, and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

Average Final Compensation

A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.

Normal Retirement Age

Age 65.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.

**VRS
PLAN 2**

Calculating the Benefit

See definition under VRS Plan 1.

Average Final Compensation

A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.

Service Retirement Multiplier

Same as Plan 1 for service earned, purchased, or granted prior to January 1, 2013. For non-hazardous duty members, the retirement multiplier is 1.65% for creditable service earned, purchased, or granted on or after January 1, 2013.

Normal Retirement Age

Normal Social Security retirement age.

Earliest Unreduced Retirement Eligibility

Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

Earliest Reduced Retirement Eligibility

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

**HYBRID
RETIREMENT PLAN**

Calculating the Benefit

Defined Benefit Component:

See definition under VRS Plan 1.

Defined Contribution Component:

The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

Average Final Compensation

Same as VRS Plan 2. It is used in the retirement formula for the defined benefit component of the plan.

Service Retirement Multiplier

The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Normal Retirement Age

Defined Benefit Component:

Same as VRS Plan 2.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Unreduced Retirement Eligibility

Defined Benefit Component:

Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

Earliest Reduced Retirement Eligibility

Defined Benefit Component:

Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component:

Members are eligible to receive distributions upon leaving employment, subject to restrictions.

**VRS
PLAN 1**

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.

Eligibility:

For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

Exceptions to COLA Effective Dates:

The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**VRS
PLAN 2**

Cost-of-Living Adjustment (COLA) in Retirement

The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.

Eligibility:

Same as VRS Plan 1

Exceptions to COLA Effective Dates:

Same as VRS Plan 1

Disability Coverage

Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it is earned, purchased, or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**HYBRID
RETIREMENT PLAN**

Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component:

Same as VRS Plan 2

Defined Contribution Component:

Not applicable

Eligibility:

Same as VRS Plan 1 and VRS Plan 2

Exceptions to COLA Effective Dates:

Same as VRS Plan 1 and VRS Plan 2

Disability Coverage

Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

**VRS
PLAN 1**

Purchase of Prior Service

Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts towards vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

**VRS
PLAN 2**

Purchase of Prior Service

Same as VRS Plan 1

**HYBRID
RETIREMENT PLAN**

Purchase of Prior Service

Defined Benefit Component:

Same as VRS Plan 1

Defined Contribution Component:

Not applicable

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 2014 was **7.8%** of annual covered payroll.

C. *Annual Pension Cost*

For fiscal year 2014, the Town's annual pension cost of **\$13,131** was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2012	\$ 9,794	100.0%	\$ -
June 30, 2013	11,289	100.0%	-
June 30, 2014	13,131	100.0%	-

The FY 2014 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. Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls 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, 2013, the most recent actuarial valuation date, the plan was **140.73%** funded. The actuarial accrued liability for benefits was **\$169,167**, and the actuarial value of assets was **\$238,070**, resulting in an unfunded actuarial accrued liability (UAAL) of **\$(68,903)**. The covered payroll (annual payroll of active employees covered by the plan) was **\$148,493**, and ratio of the UAAL to the covered payroll was **(46.40)%**.

The schedule of funding progress, presented below, 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.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Funding Progress for Town

	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 194,681	\$ 132,317	\$ (62,364)	147.13%	\$ 112,534	-55.42%
June 30, 2012	212,342	150,031	(62,311)	141.53%	137,494	-45.32%
June 30, 2013	238,070	169,167	(68,903)	140.73%	148,493	-46.40%

Notes to Required Supplementary Information

This information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Payroll Growth Rate	3.00%
Remaining Amortization Period	30 Years (decreasing by one each year in subsequent valuations until reaching 0 years)
Asset Valuation Method	Five-Year Smoothed Market Value
Actuarial Assumptions	
a. Investment Rate of Return*	7.00%
b. Projected Salary Increases*	
1) Non-LEO members	3.50% - 5.35%
2) LEO members	3.50% - 4.75%
c. Cost-of-Living Adjustment	
1) Plan 1 Members	2.50%
2) Plan 2 Members	2.25%

*Includes Inflation of 2.5%

18 Fund Balances – Governmental Funds

As of June 30, 2014, fund balances are composed of the following:

<u>Fund</u>	<u>Assigned</u>	<u>Amount</u>
Cemetery Fund	Subsequent years' appropriations	<u>\$ 28,044</u>

<u>Fund</u>	<u>Restricted</u>	<u>Amount</u>
CDBG	Subsequent years' appropriations	<u>\$ 196</u>

19 Long-Term Commitments

The Town of LaCrosse, Virginia has entered into agreements with the Town of South Hill, Virginia for wastewater treatment capacity. In lieu of signing notes for financing the treatment facility, the Towns negotiated a rate that consists of two payment components. First, there is a flat monthly charge of \$1,456 based on the allotted capacity of the plant. This amount is due until January of 2035. Secondly, there is a variable monthly charge based on consumption. Collectively, the two payments are recorded in the water and sewer funds as sewer treatment expenses.

Long-Term Commitment to the Town of South Hill, Virginia for Operating Agreement

<u>Year(s) Ended June 30,</u>	<u>Water and Sewer Fund Annual Payments</u>
2015	\$ 17,471
2016	17,471
2017	17,471
2018	17,471
2019	17,471
2020-2024	87,355
2025-2029	87,355
2030-2034	87,355
2035	<u>8,757</u>
Total	<u>\$ 358,177</u>

There are 246 payments left as of
June 30, 2014 for \$1,456 per
month.

20 Implementation of GASB Statement No. 65

The Town implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in fiscal year ended June 30, 2014. These statements required changes in account captions in the Statement of Net Position and Governmental Funds Balance Sheet.

21 Subsequent Events

We have searched for events occurring subsequent to the date of the financial statements that may impact the financial data herein presented. When such events occur, we report the event and estimate, to the best of our ability, the potential measurable impact to the financial data reported. We are not aware of any material events occurring during the period of time that is subsequent to the date of the financial statements up to and including the date of the Independent Auditor's Report.

REQUIRED SUPPLEMENTARY INFORMATION

Town of LaCrosse, Virginia

Budgetary Comparison Schedule

Year Ended June 30, 2014

General Fund

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues				
General Property Taxes				
Real estate and personal property taxes	\$ 110,000	\$ 110,000	\$ 110,391	\$ 391
Total General Property Taxes	110,000	110,000	110,391	391
Other Local Taxes				
Local sales and use taxes	65,000	65,000	31,235	(33,765)
Motor vehicle licenses	6,000	6,000	5,267	(733)
Utility taxes and consumption taxes	28,500	28,500	14,172	(14,328)
Business license taxes	17,500	17,500	25,491	7,991
Meals tax	2,000	2,000	2,058	58
Total Other Local Taxes	119,000	119,000	78,223	(40,777)
Revenue from Use of Money and Property				
Rent - water tank antenna	-	-	14,432	14,432
Interest income	-	-	86	86
Total Revenue from Use of Money and Property	-	-	14,518	14,518
Charges for Services - Garbage Fees				
Garbage fees	60,000	60,000	60,074	74
Total Charges for Services - Garbage Fees	60,000	60,000	60,074	74
Fines and forfeitures	110,000	110,000	122,659	12,659
Miscellaneous				
Miscellaneous and other refunds	2,700	2,700	26,807	24,107
Police refunds	-	-	9,756	9,756
Fire department loan reimbursement	36,000	36,000	31,239	(4,761)
Fire department expense refund	-	-	2,328	2,328
LaCrosse Fest	1,000	1,000	1,612	612
Total Miscellaneous	39,700	39,700	71,742	32,042

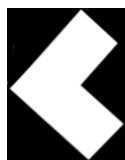
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Intergovernmental				
<i>Revenue from the Commonwealth of Virginia</i>				
Noncategorical Aid				
Rental tax	500	500	247	(253)
Communications tax	-	-	12,200	12,200
Law enforcement grant	15,000	15,000	14,428	(572)
Selective enforcement	-	-	2,117	2,117
Personal Property Tax Relief Act (PPTRA)	-	-	5,393	5,393
Categorical Aid				
Fire program	11,000	11,000	10,000	(1,000)
Selective enforcement grants	-	-	1,607	1,607
Litter prevention	1,200	1,200	1,060	(140)
Total Revenue from the Commonwealth of Virginia	27,700	27,700	47,052	19,352
<i>Revenue from the Federal Government</i>				
DMV Ground Transportation Safety Minigrants	-	-	1,887	1,887
High street planning grant	-	-	505	505
VDOT TEA Grant	-	-	38,692	38,692
Total Revenue from the Federal Government	-	-	41,084	41,084
Total Intergovernmental Revenue	27,700	27,700	88,136	60,436
Total Revenues	466,400	466,400	545,743	79,343
Expenditures				
Current				
<i>General Government Administration</i>				
Town council	7,040	7,040	4,795	2,245
Salaries	52,435	52,435	48,025	4,410
Health insurance	34,000	34,000	33,631	369
Payroll taxes	17,500	17,500	17,881	(381)
Retirement	16,000	16,000	13,231	2,769
Fees	-	-	300	(300)
Legal and accounting	18,000	18,000	8,984	9,016
Insurance and bonds	31,000	31,000	25,377	5,623
Office supplies and postage	-	-	9,648	(9,648)
Miscellaneous	3,000	3,000	6,241	(3,241)
Advertising	2,000	2,000	293	1,707
Total General Government Administration	180,975	180,975	168,406	12,569
<i>Public Safety</i>				
<i>Police Department</i>				
Salaries and fringes	97,318	97,318	91,917	5,401
Police department expenses	40,000	40,000	40,137	(137)
Total Police Department	137,318	137,318	132,054	5,264
Southside Rescue Squad	2,400	2,400	2,400	-

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<i>Fire Department Expenses</i>				
Capital outlay - new vehicle	-	-	27,833	(27,833)
Other fire department expenses	75,000	75,000	59,004	15,996
Total Fire Department	75,000	75,000	86,837	(11,837)
Total Public Safety	214,718	214,718	221,291	(6,573)
<i>Public Works</i>				
Salaries and fringes	102,697	102,697	96,998	5,699
Uniforms	4,000	4,000	4,734	(734)
Motor upkeep and fuel	20,000	20,000	32,474	(12,474)
New equipment	8,000	8,000	4,982	3,018
Electricity	23,000	23,000	18,608	4,392
Telephone	-	-	9,567	(9,567)
Town upkeep	24,481	24,481	23,330	1,151
Total Public Works	182,178	182,178	190,693	(8,515)
<i>Parks, Recreation, and Cultural</i>				
Rails to Trails	500	500	500	-
Parks and recreation	3,900	3,900	705	3,195
Total Parks, Recreation, and Cultural	4,400	4,400	1,205	3,195
<i>Community Development</i>				
Mecklenburg-Brunswick Regional Airport	1,980	1,980	1,980	-
Lake Country Area on Aging	2,537	2,537	2,705	(168)
LaCrosse Fest	4,000	4,000	6,427	(2,427)
Total Community Development	8,517	8,517	11,112	(2,595)
<i>Capital Projects</i>				
LaCrosse Hotel revitalization expense including land	3,495	3,495	67,354	(63,859)
High Street Planning Grant	-	-	160,620	(160,620)
VDOT TEA Grant expenses for hotel	-	-	97	(97)
Total Capital Projects	3,495	3,495	228,071	(224,576)
<i>Debt Service</i>	20,967	20,967	53,753	(32,786)
Total Expenditures	615,250	615,250	874,531	(259,281)
Excess (Deficiency) of Revenues Over Expenditures	(148,850)	(148,850)	(328,788)	(179,938)
Other Financing Sources (Uses)				
Proceeds from loans	-	-	333,000	333,000
Transfers from other funds	148,850	148,850	109,964	(38,886)
Total Other Financing Sources (Uses)	148,850	148,850	442,964	294,114
Net Change in Fund Balance	\$ -	\$ -	114,176	\$ 114,176
Fund Balance (Deficit) - Beginning of Year			(92,555)	
Fund Balance - End of Year			\$ 21,621	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
CDBG High Street Fund				
Revenues				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Revenue from the Federal Government	-	-	444,482	444,482
Total Revenues	-	-	444,482	444,482
Expenditures				
Current				
Community Development				
High Street Project expenditures	-	-	444,319	(444,319)
Excess (Deficiency) of Revenues Over Expenditures	-	-	163	163
Other Financing Sources (Uses)				
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	163	<u>\$ 163</u>
Fund Balance - Beginning of Year			33	
Fund Balance - End of Year			<u>\$ 196</u>	

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Cemetery Fund				
Revenues				
Revenue from Use of Money and Property				
Sale of lots	\$ -	\$ -	\$ 6,600	\$ 6,600
Interest income	-	-	28	28
Total Revenue from Use of Money and Property	-	-	6,628	6,628
Charges for Services				
Cemetery maintenance income	5,000	5,000	7,445	2,445
Total Revenues	5,000	5,000	14,073	9,073
Expenditures				
Current				
<i>Parks, Recreation, and Cultural</i>				
Cemetery maintenance	5,000	5,000	7,620	(2,620)
Total Parks, Recreation, and Cultural	5,000	5,000	7,620	(2,620)
Total Expenditures	5,000	5,000	7,620	(2,620)
Excess (Deficiency) of Revenues Over Expenditures	-	-	6,453	6,453
Other Financing Sources (Uses)				
Transfers to other funds	-	-	(7,245)	(7,245)
Total Other Financing Sources (Uses)	-	-	(7,245)	(7,245)
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(792)	<u>\$ (792)</u>
Fund Balance - Beginning of Year			28,836	
Fund Balance - End of Year			<u>\$ 28,044</u>	

COMPLIANCE SECTION



**Creedle
Jones
& Alga**

A Professional Corporation

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INDEPENDENT AUDITOR'S 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 Town Council
Town of LaCrosse, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of LaCrosse, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Town of LaCrosse, Virginia's basic financial statements and have issued our report thereon dated March 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of LaCrosse, 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 LaCrosse, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of LaCrosse, Virginia's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of LaCrosse, 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*.

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.

Creedle, Jones & Alga, P.C.

Creedle, Jones & Alga, P.C.
Certified Public Accountants

South Hill, Virginia
March 13, 2015