

INCORPORATED TOWN OF DUMFRIES, VIRGINIA

Financial Statements
For The Year Ended June 30, 2014

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Financial Statements
For The Year Ended June 30, 2014

Johnson Certified Public Accountant, PLLC & Consulting
2501 Franklin Turnpike
Danville, Virginia 24540
Phone: (434) 836-4498
Fax: (434) 836-4493
www.cpa-johnson.com
Email: rjohnson@cpa-johnson.com

Incorporated Town of Dumfries, Virginia
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For the Year Ended June 30, 2014

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INTRODUCTORY SECTION

Incorporated Town Of Dumfries, Virginia
Directory of Town Officials and Council Members
For the Year Ended June 30, 2014

Mayor

Gerald M. Foreman

Vice-Mayor

Willie J. Toney

Town Council

Kristin W. Forrester

Gwen P. Washington

Derrick R. Wood

Helen Reynolds

Charles Brewer

Town Manager

Daniel Taber

Deputy Town Clerk / Treasurer

Retta S. Ladd

Public Works Director

Richard West

Chief of Police

Rebbeca Edwards

Town Attorney

Olaun Simmons

FINANCIAL SECTION

Incorporated Town of Dumfries, Virginia
Independent Auditor's Report
For the Year Ended June 30, 2014

To the Honorable Members of the Town Council
Incorporated Town of Dumfries, Virginia

I have audited the accompanying financial statements of the governmental activities, the, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Incorporated Town of Dumfries, 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Incorporated Town of Dumfries, 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 6 – 10 and 17 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

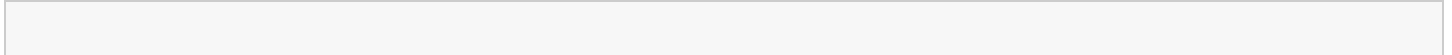
Incorporated Town of Dumfries, Virginia
Independent Auditor's Report (Continued)
For the Year Ended June 30, 2014

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Town of Dumfries, Virginia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.



Johnson Certified Public Accountant, PLLC & Consulting

Johnson Certified Public Accountant, PLLC & Consulting
June 9, 2015

Incorporated Town of Dumfries, Virginia
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*
For the Year Ended June 30, 2014

To the Honorable Members of Town Council
Incorporated Town of Dumfries, Virginia

I 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 and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Incorporated Town of Dumfries, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Incorporated Town of Dumfries, Virginia's basic financial statements and have issued my report thereon dated June 9, 2015.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Incorporated Town of Dumfries, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Incorporated Town of Dumfries, Virginia's internal control. Accordingly, I do not express an opinion on the effectiveness of the Incorporated Town of Dumfries, Virginia's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, findings 14-1, 14-2, 14-3, 14-5 and 14-5 pages 34 – 36.

The Incorporated Town of Dumfries, Virginia's Response to Findings

The Town of Dumfries Virginia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses, pages 34 - 36. The Town of Dumfries Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

Firm's Signature

Johnson, Certified Public Accountant, PLLC and Consulting

Johnson Certified Public Accountant, PLLC & Consulting
June 9, 2015

Incorporated Town of Dumfries, Virginia
Summary of Compliance Matters
For the Year Ended June 30, 2013

As more fully described in the “Independent Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*,” I performed tests of the Incorporated Town of Dumfries, Virginia’s compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws
Cash and Investments Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds
Police Grants

Incorporated Town of Dumfries, Virginia Management's Discussion and Analysis

As management of the Town of Dumfries, we offer readers of the Town of Dumfries' financial statements this narrative overview and analysis of the financial activities of the Town of Dumfries for the fiscal year ended June 30, 2014.

Financial Highlights

- The assets of the Town of Dumfries exceeded its liabilities at the close of the most recent fiscal year. The net assets are \$4,381,530.
 - The government's total net assets increased by \$798,103.
 - As of the close of fiscal year 2014, the Town of Dumfries governmental funds reported combined ending fund balances of \$5,202,161. Of this total amount, \$2,042,822 is available for spending at the government's discretion (unassigned fund balance).
- The Town of Dumfries total debt decreased by 2.26 percent during the current fiscal year.

Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Dumfries' basic financial statements. The Town of Dumfries' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during FY 2014. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing* of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable* resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Dumfries maintains two individual governmental funds. 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. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Dumfries adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for all of the funds to demonstrate compliance with this budget. This can be found on page 16 of this report.

The basic governmental fund financial statements can be found on pages 12-14 of this report.

Proprietary funds. The Town of Dumfries maintains no proprietary funds.

Capital projects fund. Over the past several years, the Town has funding earmarked for various capital projects. The Town has designated approximately \$2.8 Million in bond funds for Streetscape Revitalization on Main Street, as well as Storm water management and road improvements in Tripoli Heights. Revenue sharing funds have also been earmarked for the Tripoli Heights project, and the Town will apply for additional revenue sharing funds for both projects. It is anticipated that the Tripoli Heights project will be completed by the end of 2015. The Town also has earmarked funds for phase two of our Multi-Modal program, improvements to the intersection at Graham Park Road/Curtis Drive, and Route 1/Fraley Boulevard improvements all of which will move forward in FY 14-15. At this point, it is anticipated that the phase two of the multi-modal project will be completed in the fall of 2015 and the intersection improvements will be completed by 2017. In addition, a primary focus will also be the widening of Route 1 which will take several years to complete and will rely heavily on funds provided by the state.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-28 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Dumfries' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Dumfries, assets exceeded liabilities by \$4,381,530 at the close of FY 2014.

A major portion of the Town of Dumfries total assets (38.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related depreciation. The Town of Dumfries uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dumfries' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government's net assets increased by \$798,103 during FY 2014. This increase represents the degree to which Town Management curtailed Town expenditures while working to increase revenues.

Town of Dumfries' Changes in Net Assets

	<u>2014</u>	<u>2013</u>
Program revenue:		
Charge for services	\$ 2,464	\$ 4,349
Operating grants and contributions	699,394	581,723
Capital grants and contributions		
General Revenue		
Property taxes	1,066,225	1,025,775
Other taxes	3,206,420	2,863,925
Other	175,095	146,386
Total revenue	<u>4,447,740</u>	<u>4,662,158</u>
Expenses:		
General government	1,023,143	1,054,806
Public safety	1,273,211	1,210,039
Highways and streets	129,924	186,854

Public Works	911,123	1,016,661
Culture and recreation	125,704	163,158
Community development	8,150	7,425
Interest on long-term debt	233,129	61,689
Miscellaneous 2,991		
Total expenses	<u>3,707,375</u>	<u>3,700,732</u>
Increase in net assets before transfers	740,365	921,526
Transfers		
Increase in net assets	<u>740,365</u>	<u>921,526</u>
Net assets beginning of year	<u>3,641,165</u>	<u>2,661,901</u>
Prior period adjustment		63,383
Net assets end of year	<u>\$ 4,381,530</u>	<u>\$ 3,583,427</u>

Governmental activities. Governmental activities increased the Town of Dumfries net assets by \$409,841, thereby accounting for 100 percent of the total increase in the net assets of the Town of Dumfries. Key elements of this increase are as follows:

- # Property taxes increased by \$40,450 during the year.
- # Charges for service decreased by \$1,885.
- # Operating grants and contributions decreased by \$117,671. Grant awards furnished resources to support Public Safety, Highways and Streets, and Culture and Recreation.
- # There was consistent increase in meals tax revenue in FY14 with no significant increase or decrease in other areas.

Expenditures increased by \$6,643 between 2013 and 2014 with the largest increases being in Interest rate payments in the amount of \$171,440.

Financial Analysis of the Government's Funds

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

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

The initial distinction that is made in reporting fund balance information is identifying amounts that are considered non-spendable such as inventories. The Town had no non-spendable funds at June 30, 2014.

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority, The Town Council. Amounts in the *assigned* fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, Assigned fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance as of June 30, 2014:

Restricted	\$1,270,068
Committed	102,337
Assigned	93,050
Unassigned	<u>2,042,822</u>
Total Fund Balance	3,508,277

As of the end of FY 2014, the Town of Dumfries governmental funds reported combined ending fund balances of \$3,508,277, an increase of \$636,675 in comparison with the prior year.

The unassigned fund balance is available for spending at the government's discretion. The restricted, committed and assigned fund balance are reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the Town of Dumfries. At the end of FY 2014, unassigned fund balance of the general fund was \$2,042,822 while total fund balance reached \$3,508,277. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 55.1 percent of total general fund expenditures, while total fund balance represents 94.6 percent of that same amount. The fund balance of the Town of Dumfries' general fund increased by \$636,675 during the fiscal year. The key reasons for the increase were greater restrictions on spending by Town Management combined with a diligent effort to increase overall revenues.

Capital Asset and Debt Administration

Capital assets. The Town of Dumfries' investment in capital assets for its governmental and business type activities as of June 30, 2014, amounted to \$3,824,368 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and infrastructure. The total increase in the Town of Dumfries' investment in capital assets for FY 2014 was 10.0 percent, which was primarily due to the annual depreciation. Major capital asset events during the current fiscal year included the following:

- Buildings
- Equipment

Additional information on the Town of Dumfries' capital assets can be found on page 21.

Long-term debt. At the end of FY 2014, the Town of Dumfries had a total bonded debt outstanding of \$4,645,000.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Dumfries is \$359,345,592 (not including percentage of Public Service Assessments) which is significantly in excess of the Town of Dumfries' outstanding general obligation debt. The current bonded debt ratio is 1.24 percent, compared to 1.40 percent in FY 2013. The decrease in percentage is a result of the regular bond payments. It should be noted that 1.24 percent compares quite favorably with the maximum allowable bonded debt ceiling of 10%.

Additional information on the Town of Dumfries' long-term debt can be found on pages 24 of this report.

A synopsis of the budgetary amounts and the amounts actually incurred for the fiscal year June 30, 2014 are as follows:

	<u>Original/Amended Budget</u>		<u>Actual</u>	Differences <u>Favorable (Unfavorable)</u>
	Original/Final Budget	Amended Budget	Actual	Favorable (Unfavorable)
<u>Revenues</u>				
General Property Taxes	\$ 987,836	\$ -	\$ 1,066,225	\$ 78,389
Other Local Taxes	2,394,747	-	1,934,150	(460,597)
Permits and Privilege Fees	451,500	-	709,415	257,915
Fines and Forfeitures	80,000	-	62,117	(17,883)
Revenue from Use of Money and Property	500	-	1,797	1,297
Charges for Services	15,000	-	29,803	14,803
Recreational and Cultural Fees	24,629	-	21,367	(3,262)

Miscellaneous Revenues	3,000	-	-	(3,000)
Intergovernmental Revenues	474,642	-	622,864	148,222
Total Revenues	4,431,854	-	4,447,738	15,884

Expenditures

General Government Administration	1,307,250	-	1,638,880	(331,630)
Public Safety	1,255,887	-	1,135,714	120,173
Public Works	1,221,159	-	911,123	310,036
Recreational and Cultural	245,107	-	125,704	119,403
Non-Departmental Debt Service	14,650	-	8,150	6,500
	387,801	-	388,129	(328)
Total Expenditures	4,431,854	-	4,207,700	224,154

Economic Factors and Next Year's Budgets and Rates

- The regional housing market continues to slowly improve with assessment rates beginning to show slight increases.
- There are plans for a major development in the Town that has an initial estimated cost of approximately \$40M. Included in the current plan are approximately 235 apartments over retail, and two additional buildings for retail and commercial business space.
- Although there is little undeveloped land available for residential or commercial purposes within the Town, there are opportunities for redevelopment and several initial discussions regarding this will take place in FY 15.
- There are indicators that assessments of residential and individual properties are slowly increasing and this will be taken into account as we move into FY15.
- It is expected that the real estate tax rate will be reduced in FY15.

All of these factors will be considered in preparing the budget for the 2014-2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Dumfries finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Daniel E. Taber
Town Manager
The Town of Dumfries
17755 Main Street
Dumfries, VA 22026

BASIC FINANCIAL STATEMENTS

Incorporated Town of Dumfries, Virginia
Statement of Net Assets
As of June 30, 2014

	Primary Government Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 2,914,516
Investments	\$ 2,890,541
Receivables, net of allowance for uncollectibles of \$11,501	\$ 274,469
<i>Total Current Assets</i>	<u>\$ 6,079,526</u>
Fixed Assets, net of accumulated depreciation of \$2,535,948	\$ 3,824,368
<i>Total Long-Term Assets</i>	<u>\$ 3,824,368</u>
<i>Total Assets</i>	<u><u>\$ 9,903,894</u></u>
Liabilities	
Accounts Payable	\$ 179,758
Accrued Liabilities	\$ 627,363
Current Portion of Bonds Payable	\$ 160,000
<i>Total Current Liabilities</i>	<u>\$ 967,121</u>
Accrued Compensation	\$ 70,243
Long Term Portion of Bonds Payable	\$ 4,485,000
<i>Total Long-Term Liabilities</i>	<u>\$ 4,555,243</u>
<i>Total Liabilities</i>	<u>\$ 5,522,364</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 890,875
Restricted	\$ -
Unrestricted	\$ 3,490,655
<i>Total Net Assets</i>	<u>\$ 4,381,530</u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 9,903,894</u></u>

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Statement of Activities

Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
Functions/programs				
Primary Government:				
Governmental Activities				
General government	\$ 1,023,143	\$ -	\$ -	(1,023,143)
Public safety	1,273,211	-	168,124	(1,105,087)
Highway and streets	129,924	-	509,903	379,979
Public works	911,123	1,184	-	(909,939)
Culture and recreation	125,704	-	21,367	(104,337)
Community development/planning	8,150	1,280	-	(6,870)
Miscellaneous	2,991			(2,991)
Interest on long-term debt	233,129	-	-	(233,129)
	<u>3,707,375</u>	<u>2,464</u>	<u>699,394</u>	<u>(3,005,517)</u>
Total primary government				
General revenue:				
Taxes:				
Property taxes				\$ 1,066,225
Sales taxes				457,623
Franchise taxes				70,685
Motor vehicle taxes				54,708
Bank stock taxes				49,514
Transient taxes				136,298
Meal taxes				644,394
Business licenses and permits				405,410
Fines				62,117
Rental tax				55,930
Telecom phone tax				186,815
Utility taxes				167,187
Cigarette taxes				213,881
Right of way use				22,484
Stormwater management				150,813
Interest Income				<u>1,798</u>
Total general revenues and transfers				<u>3,745,882</u>
Change in net assets				740,365
Net assets beginning of year				<u>3,641,165</u>
Net assets end of year				<u>\$ 4,381,530</u>

Incorporated Town of Dumfries, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	Capital Project Funds	Total Governmental Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,914,516	\$ -	\$ 2,914,516
Investments	1,196,657	1,693,884	2,890,541
Taxes receivable, net of allowances for uncollectible amounts of \$11,501	71,731	-	71,731
Sanitation receivable	-	-	-
Other receivables	202,737	-	202,737
Total Assets	<u>\$ 4,385,641</u>	<u>\$ 1,693,884</u>	<u>\$ 6,079,525</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 179,758	\$ -	\$ 179,758
Accrued expenses	\$ 118,005	-	118,005
Deferred revenue	579,601	-	579,601
Due to other funds	-	-	-
Total Liabilities	<u>877,364</u>	<u>\$ -</u>	<u>877,364</u>
<u>FUND EQUITY</u>			
Fund balance - Nonspendable	-	-	-
Fund balance - Restricted	1,270,068	1,693,884	2,963,952
Fund balance - Committed	102,337	-	102,337
Fund balance - Assigned	93,050	-	93,050
Fund balance - Unassigned	2,042,822	-	2,042,822
Total Fund Balance	<u>3,508,277</u>	<u>1,693,884</u>	<u>5,202,161</u>
Total Liabilities and Fund Equity	<u>\$ 4,385,641</u>	<u>\$ 1,693,884</u>	<u>\$ 6,079,525</u>

Reconciliation of amounts reported for governmental activities in the
statement of net assets are different because:

Total fund equity	\$ 6,079,525
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,824,368
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,715,243)
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	(807,120)
Net assets of governmental activities	<u>\$ 4,381,530</u>

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Government Funds
For The Year Ended June 30, 2014

	General Fund	Capital Project Fund	Total Governmental Fund
<u>Revenues</u>			
General Property Taxes	\$ 1,066,225	\$ -	\$ 1,066,225
Other Local Taxes	1,934,150	-	1,934,150
Permits and Privilege Fees	709,415	-	709,415
Fines and Forfeitures	62,117	-	62,117
Recreational and cultural fees	21,367	-	21,367
Charges for services	29,803	-	29,803
Revenue from use of money and property	1,609	188	1,797
Intergovernmental Revenues	622,864	-	622,864
Total Revenues	4,447,550	188	4,447,738
<u>Expenditures</u>			
General Government Administration	1,298,958	339,922	1,638,880
Public Safety	1,135,714	-	1,135,714
Public Works	911,123	-	911,123
Recreational, cultural and planning	125,704	-	125,704
Non-Departmental	8,150	-	8,150
Debt service	388,129	-	388,129
Total Expenditures	3,867,778	339,922	4,207,700
<u>Changes In Fund Balance</u>			
<i>Excess (Deficiency) of Revenues over Expenditures</i>	579,772	(339,734)	240,038
Fund Balance at Beginning of Year	2,871,602	2,033,618	4,905,220
Prior Period Adjustment	56,903	-	56,903
Fund Balance at End of Year	\$ 3,508,277	\$ 1,693,884	\$ 5,202,161

The accompanying notes are an integral part of these financial statements

Incorporated Town of Dumfries, Virginia
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance Government
Funds to the Statement of Activities: Governmental Funds
For The Year Ended June 30, 2014

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

Net change in fund balances-total governmental funds	\$	240,038
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period adjustment	\$	56,903
-------------------	----	--------

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

		348,127
--	--	---------

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

		(188)
--	--	-------

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

		155,000
--	--	---------

Some expenses reported in the statement of activities do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds.

		(59,515)
--	--	----------

Change in net assets of governmental activities	\$	740,365
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The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Versus Actual
For The Year Ended June 30, 2014

	Original/Final Budget	Amended Budget	Actual	Variances Favorable (Unfavorable)
<u>Revenues</u>				
General Property Taxes	\$ 987,836	\$ -	\$ 1,066,225	\$ 78,389
Other Local Taxes	2,394,747	-	1,934,150	(460,597)
Permits and Privilege Fees	451,500	-	709,415	257,915
Fines and Forfeitures	80,000	-	62,117	(17,883)
Revenue from Use of Money and Property	500	-	1,797	1,297
Charges for Services	15,000	-	29,803	14,803
Recreational and Cultural Fees	24,629	-	21,367	(3,262)
Miscellaneous Revenues	3,000	-	-	(3,000)
Intergovernmental Revenues	474,642	-	622,864	148,222
Total Revenues	4,431,854	-	4,447,738	15,884
<u>Expenditures</u>				
General Government Administration	1,307,250	-	1,638,880	(331,630)
Public Safety	1,255,887	-	1,135,714	120,173
Public Works	1,221,159	-	911,123	310,036
Recreational and Cultural	245,107	-	125,704	119,403
Non-Departmental	14,650	-	8,150	6,500
Debt Service	387,801	-	388,129	(328)
Total Expenditures	4,431,854	-	4,207,700	224,154
<u>Changes In Fund Balance</u>				
<i>Excess (Deficiency) of Revenues over Expenditures</i>	-	-	240,038	240,038
<i>Excess (Deficiency) over Transfers</i>	\$ -	\$ -	240,038	\$ 240,038
Fund Balance at Beginning of Year			4,905,220	
Prior Period Adjustment			56,903	
Fund Balance at End of Year			\$ 5,202,161	

These schedules are prepared on the funds basis of accounting. The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Incorporated Town of Dumfries, Virginia. The Town has no blended component units, nor does the Town have any discretely presented component units. Furthermore, the Town has no related organizations, nor any jointly governed organizations.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town of Dumfries does not have proprietary funds or fiduciary funds.

Measurement Focus

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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.

Financial Statement Presentation

The financial statements of the Incorporated Town of Dumfries, Virginia conform to GAAP applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). As such, the accounts are organized on the basis of fund classifications, each of which is considered as a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues, and expenditures. The various funds are grouped in the financial statements as follows:

- *Governmental funds* – This group of funds account for expendable financial resources. The measurement focus is based upon determination of financial position and changes in financial position, rather than upon net income (as would apply to a commercial enterprise). The governmental funds consist of the general fund and the capital projects fund. The *general fund* accounts for all revenue and expenditures applicable to the general operations of the Town, while the *capital projects fund* accounts for the receipt and disbursement of resources for the purpose of building or procuring major capital assets.
- *Account groups* – These are used to account for *general long-term debt* and *general fixed assets*. Both of these account groups are included herein.

Total columns on the combined statements are captioned “Memorandum Only” because they are presented only to facilitate financial analysis. Data in these columns do not present the financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting for Governmental Funds

These funds utilize the modified accrual basis of accounting, under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. One exception is that property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or Utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or Utility, which is generally in the month 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 expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. Expenditures are recorded as the related fund liabilities are incurred. .

Budgets

The operating and capital budget includes proposed expenditures and the means of financing them. All budgets are adopted on a basis consistent with GAAP. Any residual appropriations lapse at year-end.

Formal budgetary integration is not employed within the accounting system. However, monthly financial statements are presented to the Town Council, which indicate the yearly budget, year-to-date amounts, and the percent of budget attained.

Before the close of the prior fiscal year-end, the Manager submitted to the Town Council a proposed operating and capital budget for the current fiscal year. A public hearing was conducted to obtain citizen comments. The budget was legally enacted at the regular Council meeting. All budget data is presented in the accompanying financial statements.

Cash and Cash Equivalents

All highly liquid investments are stated at cost, which approximates market unless otherwise indicated. These assets are recorded as cash and cash equivalents if they mature within three months or less at the end of the year.

Short-Term Inter-fund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as a "Due from Other Funds" or a "Due to Other Funds," respectively on the balance sheet.

Fixed Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Capital acquisitions and construction, including improvements, are reflected as expenditures in the general fund and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not added to the account group.

Property and equipment is recorded depreciated over their estimated useful lives. Depreciation expense is computed on the straight-line basis for financial reporting purposes. The town capitalizes any purchase over \$5,000.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives for purposes of computing depreciation are as follows:

Buildings and Improvements	20-30 years
Vehicles & Weapons	5 years
Furniture and Fixtures	5 years
Equipment	5 years

Inter-fund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure in the general fund. Amounts of accumulated vacation leave of the general fund that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group with no associated expenditure.

Accrued vacation leave payable is stated at the value of total leave accrued at current compensation rates. A maximum of 240 hours is allowed for employees active less than ten years. A maximum of 300 hours is allowed for employees active ten years or longer.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

General fund debt payments are recognized as expenditures during the year in which the payments are made. The remaining portion of the debt payable is recorded as a current liability and a long-term liability to the long-term debt account group.

Net Assets

It is the Town's policy to apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, and then general funds are reimbursed with earmarked or "restricted" funds.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County/City/Town classifies governmental fund balances as follows:

- Non-spendable: includes fund balance amounts that cannot be spent either because it spendable form or because of legal or contractual constraints.
- Restricted: includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed: includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned: includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the (fill in appropriated titles such as Clerk, Mayor, etc)
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balance.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

2. CASH AND CASH EQUIVALENTS

Deposits

At year-end, the carrying value of the Town's cash was \$5,805,057. Of this amount, \$150 was petty cash, kept on hand, and \$5,804,907 was deposits with banks and savings institutions. The bank balance was \$4,094,069, of which, \$4,094,069 was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. No balances were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2014.

Investments

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

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service.

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
TD Bank	\$ 1,693,884	PI Moody's
LGIP	603,062	LGIP
Road Funds, TD Bank	593,595	PI Moody's
Total Investment	<u>\$ 2,890,541</u>	

At year-end, the Town's deposits and investment balances were as follows.

Total Investments	\$ 2,890,541
Total Deposits	2,914,516
<i>Total Investments and Deposits</i>	<u><u>\$ 5,805,057</u></u>

3. ACCOUNTS RECEIVABLE - TAXES

Property values are determined by Prince William County. The County provides the Town with a listing of assessments and the Town prepares the billings. Town Residents are billed semi-annually on May 5th and November 5th and tax payments are due June 5th and December 5th. Taxes are considered delinquent if not paid by June 6th and December 6th. Penalties are assessed after June 6th and December 6th and interest is added to tax bills on July 1st.

All delinquent property taxes are considered collectible. For the Year Ended June 30, 2014, \$83,232. was classified as taxes receivable.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2013

4. INSURANCE COVERAGE

The following coverage is in effect through the Virginia Municipal Liability Pool.

Local Government Liability	\$ 1,000,000
Automobile	\$ 1,000,000
No Fault Property	\$ 10,000
Excess Liability	\$ 4,000,000
Property / Scheduled Equipment	\$ 6,360,317
Boiler & Machinery	\$ 1,000,000
Fidelity and Crime	\$ 20,000

5. ACCOUNTS RECEIVABLE - OTHER

At June 30, 2014, other accounts receivable consisted of the following.

Real Estate	\$37,851
Meals	57,371
Sales	73,206
Storm Water Mgt Fees	4,499
Transit Tax	16,435
Utility Taxes	13,375
<i>Total Accounts Receivable - Other</i>	<u><u>\$ 202,737</u></u>

6. RETIREMENT PLAN

Defined Benefit Pension Plan

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 schools of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into VRS.

Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously VRS service as credit in their plan.

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

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 are covered under plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with five years of service credit or age 50 with at least 10 years of service credit.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

6. RETIREMENT PLAN-(CONTINUED)

PLAN DESCRIPTION-(CONTINUED)

- Members hired or rehired on or after July 1, 2010 and who have no service credits before July 1, 2010 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail

Defined Pension Benefit Plan

superintendants is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advanced Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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. 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 June 30, 2013 contribution rate was 13.63 of the annual covered payroll. The Town's contribution rate includes the employee's share of 5% paid by the employer.

Annual Pension

For the fiscal year ended June 30, 2014, the Town annual pension cost of \$257,084 for VRS was equal to the required and actual contributions.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

6. RETIREMENT PLAN-(CONTINUED)

Annual Pension Cost

Three-Year Trend Information for Town

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2014	\$ 257,084	100%	\$ -
6/30/2013	\$ 271,998	100%	\$ -
6/30/2012	\$ 216,577	100%	\$ -

The FY 2014 required contribution was determined as part of the June 30, 2013 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2013 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year 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. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town assets is equal to the modified market value of assets. This method uses technique that smoothes the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 20 years.

Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 67.35% funded. The actuarial accrued liability for benefits was \$5,105,256, and the actuarial value of assets was \$3,438,165, resulting in an unfunded accrued liability (UAAL) of \$1,667,091. The covered payroll (annual payroll of active employees covered by the plan) was \$1,123,072, and the ratio of the UAAL to the covered payroll was 148.44%.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

7. GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in the general fixed assets account group is presented below.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 320,876	\$ -	\$ -	\$ 320,876
Construction in process	841,382	339,922	-	1,181,304
Total capital assets, not being depreciated	<u>1,162,258</u>	<u>339,922</u>	<u>-</u>	<u>1,502,180</u>
Capital assets, being depreciated:				
Buildings	974,253	-	-	974,253
Furniture and Fixtures	105,862	-	-	105,862
Equipment	1,082,685	97,282	155,844	1,024,074
Infrastructure	<u>2,693,896</u>	<u>60,052</u>	<u>-</u>	<u>2,753,948</u>
Total capital assets being depreciated	<u>4,856,696</u>	<u>157,334</u>	<u>155,844</u>	<u>4,858,137</u>
Less accumulated depreciation for:				
Buildings	(748,445)	(13,786)	-	(762,231)
Furniture and Fixtures	(105,862)	-	-	(105,862)
Equipment	(930,848)	(60,533)	-	(991,381)
Infrastructure	<u>(757,747)</u>	<u>-</u>	<u>-</u>	<u>(757,747)</u>
Total accumulated depreciation	<u>(2,542,902)</u>	<u>(148,940)</u>	<u>155,894</u>	<u>(2,535,948)</u>
Total capital assets, being depreciated, net	<u>2,313,794</u>	<u>8,394</u>	<u>311,738</u>	<u>2,322,189</u>
Governmental activities capital assets, net	<u>\$ 3,476,052</u>	<u>\$ 348,316</u>	<u>\$ 311,738</u>	<u>\$ 3,824,369</u>

Included within General Fixed Assets are the Weems Botts Museum and Merchant Park, which are leased to Historic Dumfries, Virginia Inc. at a cost of \$1 per annum. The Town is responsible for grounds maintenance and development. Historic Dumfries is responsible for operating expenses and receives all proceeds derived from operations.

All depreciation expense is included in the general government expenditures in the statement of activities.

8. LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

Revenue Bonds

The Town has three revenue bonds. The balances for these three revenue bonds are presented below:

	6/30/2013	Increase	Decrease	6/30/2014
2010A Revenue Bond	\$ 1,445,000	\$ -	\$ 80,000	\$ 1,365,000
2012B Revenue Bond	480,000	-	25,000	455,000
2012 IDA Bond	<u>2,875,000</u>	<u>-</u>	<u>50,000</u>	<u>2,825,000</u>
<i>Total Liabilities</i>	<u>4,800,000</u>	<u>-</u>	<u>105,000</u>	<u>4,645,000</u>
Less Current maturities	<u>(155,000)</u>	<u>-</u>	<u>-</u>	<u>(160,000)</u>
<i>Total long-term Liabilities</i>	<u>\$ 4,645,000</u>	<u>\$ -</u>	<u>\$ 105,000</u>	<u>\$ 4,485,000</u>

A \$2,100,000.00 Virginia Resource Authority Bond was issued June 2002 for infrastructure of the Town. The bond matures annually in amounts ranging from \$49,442.50 to \$99,442.50 through April 30, 2027, with interest paid semi-annually at 3.1% to 5.225%.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

8. LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT-(CONTINUED)

Revenue Bonds-(continued)

A summary of payments due is presented below,

Fiscal Year Ending	Principal	Interest
June 30, 2015	\$80,000	\$56,700
June 30, 2016	85,000	53,950
June 30, 2017	85,000	50,619
June 30, 2018	90,000	46,863
June 30, 2019	95,000	42,488
June 2020-2024	545,000	114,657
June 2025-2027	385,000	26,866
<i>Totals</i>	<u>\$ 1,365,000</u>	<u>\$ 392,143</u>

A \$750,000 Virginia Resource Authority Bond was issued May 22, 2003 for infrastructure of the Town. The bond matures annually in amounts ranging from \$10,959.09 to \$30,291.75 through April 1, 2028 with interest paid semi-annually at 3.1% to 4.7%. A summary of payments is presented below.

June 30, 2015	\$25,000	\$20,928
June 30, 2016	25,000	20,047
June 30, 2017	25,000	19,041
June 30, 2018	25,000	17,909
June 30, 2019	25,000	23,216
June 2020-2024	165,000	52,966
June 2025-2028	165,000	14,634
<i>Totals</i>	<u>\$ 455,000</u>	<u>\$ 168,741</u>

A \$2,875,000 IDA of Stratford County and City of Staunton, VA Bond was issued in 2012 for infrastructure of the Town. The funds are administered by Wells Fargo Corp Trust. The bonds mature annually in amounts ranging from \$50,000.00 to \$190,000.00 through February 2041, with interest paid semi-annually at 3.0% to 5.5%.

Fiscal Year Ending	Principal	Interest
June 30, 2015	\$55,000	\$145,506
June 30, 2016	55,000	143,856
June 30, 2017	60,000	142,206
June 30, 2018	60,000	139,806
June 30, 2019	60,000	137,406
June 2020-2024	355,000	643,806
June 2025-2029	450,000	545,938
June 2030-2034	585,000	414,564
June 2035-2039	775,000	238,025
June 1, 2041	370,000	30,800
<i>Totals</i>	<u>\$ 2,825,000</u>	<u>\$ 2,581,913</u>

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

9. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.”

The details of the \$3,824,368 difference are as follows:

Fixed Assets	\$ 6,360,316
Accumulated Depreciation	(2,535,948)
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 3,824,368</u>

Another element of the reconciliation is the assets that are not available for current period expenditures and are therefore deferred. The details of the \$76,865 are as follows:

Real estate taxes, net	\$ 71,731
to arrive at <i>net assets-governmental activities</i>	<u>\$ 71,731</u>

Explanations of certain differences between the governmental fund statement of revenues expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$(88,093) are as follows:

Capital Outlay	\$ 524,610
Depreciation Expense	(148,940)
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at changes in <i>net assets-governmental activities</i>	<u>\$ 375,670</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2014

9. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues expenditures, and changes in fund balances and the government-wide statement of activities (Continued)

Another element of that reconciliation states the "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,552) are as follows:

Compensated absences	\$ 70,243
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at changes in <i>net assets-governmental activities</i>	<u>\$ 70,243</u>

10. LITIGATION

Per correspondence with the Town's attorney, there was no pending litigation that would have a material effect on the financial statements as of June 30, 2014 and through June 9, 2015.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Financial Statements report release date of June 9, 2015.

12. PRIOR PERIOD ADJUSTMENT

The Town has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the Governmental Fund Statements an adjustment of \$56,903 was made to increase the opening balance of Fund Balance in the Capital Project Fund. This represents cash investments not recorded in previous years.

	Fund Balance as Previously Reported	Restatement	Fund Balance as Restated
Fund Balance	\$ 2,871,602	\$ 56,903	\$ 2,928,505

REQUIRED SUPPLEMENTAL INFORMATION

Incorporated Town of Dumfries, Virginia
Schedule of Annual Required Contribution Rate and Funding Progress for Defined Benefit Plan
As of June 30, 2014

A. Annual Required Contribution Rate

Annual Required Contribution Rate	June 30, 2013	June 30, 2013	June 30, 2012
a. Contribution Rate	16.53%	16.53%	19.65%
b. Funding Period in Years	30 years	30 years	29 years
c. Amortization Factor based on funding period	18.2204	18.2204	17.8892

B. Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 3,438,165	\$ 5,105,256	\$ 1,667,091	67.35%	\$ 1,123,072	148.44%
6/30/2012	\$ 3,361,533	\$ 5,262,981	\$ 1,901,448	63.87%	\$ 1,147,058	167.77%
6/30/2011	\$ 3,411,855	\$ 5,461,421	\$ 2,049,566	62.47%	\$ 1,134,844	180.60%
6/30/2010	\$ 3,415,549	\$ 4,536,006	\$ 1,120,457	75.30%	\$ 1,426,624	78.54%
6/30/2009	\$ 3,172,819	\$ 4,403,377	\$ 1,230,557	72.05%	\$ 1,664,950	73.91%
6/30/2008	\$ 2,866,735	\$ 3,899,656	\$ 1,032,921	73.51%	\$ 1,560,248	66.20%

OTHER SUPPLEMENTAL INFORMATION

Incorporated Town of Dumfries, Virginia
Combining Balance Sheet
Governmental Funds
As of June 30, 2014

	Governmental Funds		Account Groups		Totals
	General Fund	NonMajor Fund	Debt Service	General Fixed Assets	(Memorandum Only)
<u>Assets</u>					
Cash and cash equivalents	\$ 2,914,516	\$ -	\$ -	\$ -	\$ 2,914,516
Investments	1,196,657	1,693,884	-	-	2,890,541
Taxes receivables, net of allowance for uncollectible amount of \$11,346	71,731	-	-	-	71,731
Other receivable	202,737	-	-	-	202,737
Due from other funds	-	-	-	-	-
<i>Total Current Assets</i>	4,385,641	1,693,884	-	-	6,079,525
Net Fixed Assets	-	-	-	3,824,368	3,824,368
Amounts to be provided for Long-term	-	-	4,715,243	-	4,715,243
<i>Total Long-Term Assets</i>	-	-	4,715,243	3,824,368	8,539,611
<i>Total Assets</i>	\$ 4,385,641	\$ 1,693,884	\$ 4,715,243	\$ 3,824,368	\$ 14,619,136
<u>Liabilities</u>					
Accounts Payable	\$ 179,758	\$ -	\$ -	\$ -	\$ 179,758
Accrued Liabilities	118,005	-	-	-	118,005
Deferred Revenue	579,601	-	-	-	579,601
Current Portion of Notes Payable	-	-	160,000	-	160,000
<i>Total Current Liabilities</i>	877,364	-	160,000	-	1,037,364
Accrued Liability	-	-	70,243	-	70,243
Lease Payable	-	-	-	-	-
Bond Payable	-	-	4,485,000	-	4,485,000
<i>Total Long-Term Liabilities</i>	-	-	4,555,243	-	4,555,243
<i>Total Liabilities</i>	877,364	-	4,715,243	-	5,592,607
<u>Fund Equity</u>					
Fund Balance - Restricted	-	-	-	-	-
Fund Balance - Unassigned	3,508,277	1,693,884	-	-	5,202,161
Investment in General Fixed Assets	-	-	-	3,824,368	3,824,368
<i>Total Fund Equity</i>	3,508,277	1,693,884	-	3,824,368	9,026,529
<i>Total Liabilities and Fund Equity</i>	\$ 4,385,641	\$ 1,693,884	\$ 4,715,243	\$ 3,824,368	\$ 14,619,136

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
As of June 30, 2014

	General Fund	Capital Project Fund	Total Governmental Fund
<u>Revenues</u>			
General Property Taxes	\$ 1,066,225	\$ -	\$ 1,066,225
Other Local Taxes	1,934,150	-	1,934,150
Permits and Privilege Fees	709,415	-	709,415
Fines and Forfeitures	62,117	-	62,117
Recreational and cultural fees	21,367	-	21,367
Charges for services	29,803	-	29,803
Revenue from use of money and property	1,609	188	1,797
Intergovernmental Revenues	622,864	-	622,864
Total Revenues	4,447,550	188	4,447,738
<u>Expenditures</u>			
General Government Administration	1,298,958	339,922	1,638,880
Public Safety	1,135,714	-	1,135,714
Public Works	911,123	-	911,123
Recreational, cultural and planning	125,704	-	125,704
Non-Departmental	8,150	-	8,150
Debt service	388,129	-	388,129
Total Expenditures	3,867,778	339,922	4,207,700
<u>Changes In Fund Balance</u>			
<i>Excess (Deficiency) of Revenues over Expenditures</i>	579,772	(339,734)	240,038
Fund Balance at Beginning of Year	2,871,602	2,033,618	4,905,220
Prior Period Adjustment	56,903	-	56,903
Fund Balance at End of Year	\$ 3,508,277	\$ 1,693,884	\$ 5,202,161

The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION

Incorporated Town of Dumfries, Virginia
Statistical Section
As of June 30, 2014

Statement of Treasurer's Accountability

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 150
TD Bank - Checking Account	2,636,845
TD Bank - Saving Accounts	277,521
<i>Total Cash</i>	<u>2,914,516</u>
 <u>Other Investments</u>	
Local Government Investment Pool	603,062
Certificates of Deposits	593,595
Wells Fargo	1,693,884
<i>Total Other Investments</i>	<u>2,890,541</u>
 <i>Total Assets Held By Treasurer</i>	<u><u>\$ 5,805,057</u></u>
 <u>Liabilities Held By Treasurer</u>	
<u>Cash Allocated to Funds</u>	
General Fund	4,111,173
Capital Projects Fund	1,693,884
<i>Total Cash Allocated to Funds</i>	<u>5,805,057</u>
 <i>Total Liabilities Held By Treasurer</i>	<u><u>\$ 5,805,057</u></u>

Computation of Legal Debt Margin

Net Assessed Debt Value	\$ 339,310,600
Debt Limit Percentage	<u>10%</u>
Debt Limit Calculated	33,931,060
Total Long-Term Debt	4,645,000
<i>Legal Margin for Creation of Additional Debt</i>	<u><u>\$ 29,286,060</u></u>

The accompanying notes are an integral part of these financial statements

Incorporated Town of Dumfries, Virginia
Statistical Section
As of June 30, 2014

	FYE June 30, 2014	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005
General Fund Revenues by Source (for the past 10 years)										
General Property Taxes	\$1,066,225	\$ 1,006,758	\$ 1,009,185	\$ 1,039,493	\$ 1,052,180	\$ 748,870	\$ 834,730	\$ 954,704	\$ 802,928	\$ 425,431
Other Local Taxes	1,934,150	2,656,046	2,244,838	2,126,602	2,080,461	1,935,084	1,922,311	2,064,189	2,078,842	1,918,011
Permits & Privilege Fees	709,415	258,267	234,215	253,549	195,129	89,364	122,013	141,298	259,650	157,085
Fines & Forfeitures	62,117	102,690	80,063	51,181	69,351	92,394	76,658	61,106	48,408	49,398
Revenue from Use of										
Money and Property	1,609	1,031	858	962	4,417	34,640	65,715	56,498	25,701	7,671
Charges for Services	29,803	27,600	31,772	33,197	29,355	13,151	2,693	4,548	41,087	222,984
Recreational and Cultural Fees	21,367	20,236	18,470	9,934	12,310	10,087	27,174	29,281	14,076	13,933
Miscellaneous	-	552	19,833	743	28,041	12,847	45,584	-	76,138	18,020
Intergovernmental	622,864	578,385	504,934	463,308	439,078	422,909	450,327	456,192	467,141	420,704
Total Revenues	\$ 4,447,550	\$ 4,651,565	\$ 4,144,168	\$ 3,978,969	\$ 3,910,322	\$ 3,359,346	\$ 3,547,205	\$ 3,767,816	\$ 3,813,971	\$ 3,233,237

General Fund Expenditures by Function (for the past 10 years)										
General Administration	\$1,298,958	\$ 814,069	\$ 989,472	\$ 1,122,360	\$ 852,959	\$ 979,214	\$ 935,749	\$ 978,510	\$ 746,061	\$ 618,444
Public Safety	1,135,714	1,277,980	1,201,994	1,157,029	1,403,128	1,548,375	1,481,997	1,442,950	1,170,198	997,750
Public Works	911,123	1,203,515	1,214,505	1,141,320	1,120,386	1,159,419	1,144,155	826,975	697,498	762,722
Recreational and Cultural	125,704	170,583	114,253	48,416	120,655	157,528	140,589	131,764	98,007	106,210
Non-Departmental	8,150	80,607	137,803	112,093	-	-	(206,984)	-	-	-
Debt Service	388,129	211,689	105,000	105,000	242,503	202,154	200,009	197,471	199,865	287,409
Capital Outlays	-	-	86,701	86,349	79,523	72,798	19,800	221	185,680	533
Total Expenditures	\$ 3,867,778	\$ 3,758,443	\$ 3,849,728	\$ 3,772,567	\$ 3,819,154	\$ 4,119,488	\$ 3,715,315	\$ 3,577,891	\$ 3,097,309	\$ 2,773,068

	FYE June 30, 2014	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004
Property Tax Levies and Collections (for the past 10 years)											
Total Tax Levy	\$954,205	\$ 1,063,060	\$ 1,033,885	\$ 1,011,245	\$ 1,034,544	\$ 722,942	\$ 939,785	\$ 941,536	\$ 836,188	\$ 420,287	\$ 328,171
Total Tax Collections	962,884	1,006,758	1,009,185	1,039,493	1,052,180	748,870	876,238	931,799	773,498	416,818	322,020
Percent of Tax Collections to Tax Levy	100.91%	94.7%	97.6%	102.7%	101.70%	103.50%	93.20%	98.97%	92.50%	99.17%	98.13%
Outstanding Delinquent Taxes	83,233	\$ 88,366	\$ 78,083	\$ 67,923	\$ 64,508	\$ 75,052	\$ 60,902	\$ 53,869	\$ 37,815	\$ 31,906	\$ 29,048
Percent of Delinquent Taxes to Tax Levy	8.71%	8.30%	7.55%	6.72%	6.24%	10.38%	6.48%	5.72%	4.52%	7.59%	8.85%
Assessed Value of Taxable Property (for the past 10 years)											
Real Estate	\$359,345,592.00	\$ 339,310,600	\$ 310,196,400	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568
Total	\$ 359,345,592	\$ 339,310,600	\$ 310,196,400	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568
Property Tax Rates per \$100 of Assessed Value (for the past 10 years)											
Real Estate	0.2733	0.3133	0.3333	0.3533	0.3533	0.18	0.18	0.18	0.12	0.12	0.13
Ratio of Net General Bonded to Assessed Value											
Population	5,207	5,207	4,937	4,937	4,937	4,937	4,937	4,937	4,937	4,937	4,937
Assessed Value	\$359,345,592	\$ 339,310,600	\$ 310,196,400	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568

Incorporated Town of Dumfries, Virginia
Schedule of Finding and Responses
June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

1. An **unqualified opinion** was issued on the financial statements of the Town of Dumfries, Virginia (See Independent Auditor's Report.)
2. **Four material weaknesses** relating to the audit of the financial statements were reported in the 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.
3. **No instance of noncompliance** material to the financial statements, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
4. The Town of Dumfries has **no major federal award programs** during FY2014.
5. The Town of Dumfries was **not determined to be a low-risk auditee**.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

14-1: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

The Town of Dumfries has a small staff and it is not possible to segregate duties to more than the number of employees we have; however we will implement mitigating, overriding controls.

14-2: Auditor Adjustments (Material Weakness)

Condition:

We noted that there were errors which required adjustments to current year and prior period financial statements, indicating a material weakness in controls over financial reporting.

Recommendation:

The Town should implement steps to improve its financial reporting process.

Management's Response:

The Town of Dumfries will implement procedures to alleviate these adjustments.

Incorporated Town of Dumfries, Virginia
Schedule of Finding and Responses
June 30, 2014

14-3: No Separate Capital Project Fund (Material Weakness)

Condition:

The Town of Dumfries only has General Fund, which it does not have a Capital Project Fund to account for financial resources segregated for acquisition or construction of major general government capital facilities.

Recommendation:

It is recommend to the Town Manager to create a new Capital Project Fund. Required financial statements include: Balance sheet, Statement of revenues, expenditures, and changes in fund balance (GAAP basis); Statement of revenues, expenditures, and changes in fund balance-budget and actual (for CPFs with legally adopted annual budgets).

Management's Response:

The Town of Dumfries will create a Capital Project Fund with required financial statements.

14-4: The Tracking of Fix Asset (Material Weakness)

Condition:

The Town of Dumfries doesn't have any accounts to record the Fix Asset amounts.

Recommendation:

It is recommended that the town treasurer record fix assets. The town Manager should document a policy depicting the depreciation methods utilized. The treasurer should also develop and start procedures to keep up with the items that are fully depreciated indicating which items the Town owns and which items have been disposed of.

Management's Response:

The Town of Dumfries will initiate procedures to track purchases and disposition of fixed assets.

14-5: Bank Reconciliations and beginning balances (material weakness)

Condition:

The Town of Dumfries had difficulty in reconciling it's bank statements completely until late 2014 for 2013. This caused a delay in obtaining beginning balances for the fiscal year ended June 30, 2014.

Recommendation:

It is recommended that the town make a concerted effort to reconcile all bank accounts on a timely basis. The treasurer should also develop and start procedures to keep up with the reconciliations and report the same to the town manager and Council.

Management's Response:

The Town of Dumfries will initiate procedures to ensure a timely reconciliation of all bank statements.

SCHEDULE OF PRIOR YEAR FINDINGS

13-1: Segregation of Duties (Material Weakness)

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

The Town of Dumfries has a small staff and it is not possible to segregate duties to more than the number of employees we have; however we will implement mitigating, overriding controls.

13-2: Auditor Adjustments (Material Weakness)

Condition:

We noted that there were errors which required adjustments to current year and prior period financial statements, indicating a material weakness in controls over financial reporting.

Recommendation:

The Town should implement steps to improve its financial reporting process.

Management's Response:

The Town of Dumfries will implement procedures to alleviate these adjustments.

13-3: No Separate Capital Project Fund (Material Weakness)

Condition:

The Town of Dumfries only has General Fund, which it does not have a Capital Project Fund to account for financial resources segregated for acquisition or construction of major general government capital facilities.

Recommendation:

We recommend to the Town Manager to create a new Capital Project Fund. Required financial statements include: Balance sheet, Statement of revenues, expenditures, and changes in fund balance (GAAP basis); Statement of revenues, expenditures, and changes in fund balance-budget and actual (for CPFs with legally adopted annual budgets).

Management's Response:

The Town of Dumfries will create a Capital Project Fund with required financial statements.

13-4: The Tracking of Fix Asset (Material Weakness)

Condition:

The Town of Dumfries doesn't have any accounts to record the Fix Asset amounts.

Recommendation:

We recommend the town treasurer record fix assets. The town Manager should document a policy depicting the depreciation methods utilized. The treasurer should also develop and start procedures to keep up with the items that are fully depreciated indicating which items the Town owns and which items have been disposed of.

Management's Response:

The Town of Dumfries will initiate procedures to track purchases and disposition of fixed assets.