



TOWN OF MOUNT JACKSON, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014

**TOWN OF MOUNT JACKSON, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

**TOWN OF MOUNT JACKSON, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

	<u>Page</u>
Letter of Transmittal	1-6
Directory of Principal Officials	7
Independent Auditors' Report	8-10
Management's Discussion and Analysis.....	11-18
Financial Section:	
	<u>Page</u>
Basic Financial Statements:	
Government-wide Financial Statements:	
Exhibit 1 Statement of Net Position	19
Exhibit 2 Statement of Activities	20-21
Fund Financial Statements:	
Exhibit 3 Balance Sheet—Governmental Funds	22
Exhibit 4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	23
Exhibit 5 Statement of Revenues, Expenditures, and Changes in Fund Balances— Governmental Funds	24
Exhibit 6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement..... of Activities	25
Exhibit 7 Statement of Net Position—Proprietary Fund.....	26
Exhibit 8 Statement of Revenues, Expenses, and Changes in Fund Net Position— Proprietary Fund	27
Exhibit 9 Statement of Cash Flows—Proprietary Fund	28
Notes to Financial Statements	29-57
Required Supplementary Information:	
Exhibit 10 Schedule of Revenues, Expenditures, and Change in Fund Balance Budget and Actual—General Fund.....	58
Exhibit 11 Schedule of Revenues, Expenditures, and Change in Fund Balance Budget and Actual—Special Revenue Fund—Community Development Block Grant.....	59
Exhibit 12 Schedule of Pension Funding Progress	60

**TOWN OF MOUNT JACKSON, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2014 (CONTINUED)**

TABLE OF CONTENTS

	<u>Page</u>
Individual Fund Statements and Schedules:	
Exhibit 13 Schedule of Revenues, Expenditures, and Change in Fund Balance— Budget and Actual—Capital Projects Fund	61
Exhibit 14 Schedule of Revenues, Expenditures, and Change in Fund Balance— Budget and Actual—Nonmajor Capital Projects Fund	62
Exhibit 15 Balance Sheet—Nonmajor Governmental Fund	63
Exhibit 16 Statement of Revenues, Expenditures, and Change in Fund Balance— Nonmajor Governmental Fund	64
Supporting Schedules:	
Schedule 1 Schedule of Revenues—Budget and Actual—Governmental Funds	65-66
Schedule 2 Schedule of Expenditures—Budget and Actual—Governmental Funds	67-69
Compliance:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71



Town of Mount Jackson

In Shenandoah County, Virginia

P.O. Box 487, 5901 Main Street
MOUNT JACKSON, VIRGINIA 22842-0487
(540) 477-2121 – FAX (540) 477-2351

January 9, 2015

Honorable Mayor, Members of the Town Council, and Citizens of Mount Jackson:

We are pleased to submit to you the Financial Report of the Town of Mount Jackson for the year ended June 30, 2014. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the Town's financial affairs have been included. It is the responsibility of the management of the Town to prepare the Financial Report.

To facilitate your understanding of the Town's financial affairs, the Financial Report is divided into the following sections:

- Introductory Section—Includes a table of contents and a letter of transmittal.
- Financial Section—Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information.
- Compliance Section

The Town of Mount Jackson provides many municipal services including public safety, some streets, parks, general administration, and public utilities (water/sewer/trash collection). For financial reporting purposes, all funds, agencies, boards, commissions, trusts, and authorities involved in the provision of these services are included if the Town is financially accountable. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits, and separate legal entity status. After a careful evaluation of these factors, the Town has included in this financial report the Town's Enterprise Fund (water/sewer/trash collection), the Community Development Block Grant Fund, and the RBEG grant fund as well as all funds of the Town.

Governmental Structure

The Town operates under Virginia law as a Council-Manager form of government. The legislative authority of the Town is vested in the seven-member Town Council, one of whom is the Mayor. All are elected at large for staggered four-year terms. Two members of the Town Council and the Mayor are also members of the Economic Development Authority of the Town of Mount Jackson. The members of the Town Council appoint a Town Manager, who is the chief executive officer of the Town. They also appoint a Town Attorney, Clerk, Treasurer, and Police Chief. Responsibility for the day-to-day operations of the Town rests with the Town Manager.

Economic Condition and Outlook

Mount Jackson began as Mount Pleasant. The mill owned by Benjamin Allen was constructed prior to 1746, and around it grew the Village of Mount Pleasant. On January 27, 1826 an act of the General Assembly changed the name of the Town in honor of General Andrew “Old Hickory” Jackson. The annexation effective December 31, 2001, expanded the Town’s area from 1.21 square miles to 3.2 square miles and increased the estimated population from 1664 to 1870. There have been five minor additional annexations that added approximately 107 acres of commercial/industrial land since then. According to the U.S. Census Bureau, Mount Jackson had 2,016 residents as of July 1, 2013, a 21.2% increase from the 2000 Census.

The Town’s economic base centers on several manufacturing facilities, the county’s southern three-school campus, and tourism/service commerce related to Interstate I-81 which, along with U.S. Route 11, forms the north-south axis of the Town. Aside from the recent annexations, the Town has experienced modest population growth, primarily through in-fill housing construction, but the construction of two significant discount stores within the town limits will bring substantial additional retail sales to Mount Jackson in the future.

In October of 2010, Bowman Apple Products, begun by the Bowman family in 1939, became 100% employee owned and then, in the Spring of 2011, 70% of the business was sold to European-based food processor Andros et Cie to create Bowman Andros Products, LLC. Besides hiring to fill additional work shifts, in Fiscal 2012 the new company added a 27,000—sq. ft. expansion to its applesauce plant, which created 50 additional jobs.

The Route 11 Potato Chips plant in Mount Jackson has been in full production for more than three years now and the company celebrated its 20th year of chip-making in 2012. Aside from being a significant employer, it has become a popular tourist destination as well. Also, in 2012, Dollar General opened a new, 9,000-sq.-ft., stand-alone store on Main Street, increasing its space by an additional 25%, making it one of the largest Dollar General stores on the East Coast.

Fiscal 2013 saw the renovation and expansion of two core businesses at the north Interstate exit – the Denny’s restaurant and the Sheetz Travel Center. Near the southern exit, the modern Shenandoah Valley Campground and the Country Roads Gifts & Antiques opened, bringing additional business to the town. In 2014, work began on a new Family Dollar store, which will add significant retail sales in the future. In addition, several small businesses opened throughout town replacing an approximately equal number of similar sizes that had closed. These expansions represent reasonable growth and stability in assessable base, employment, and utility revenues considering the recent uncertain economy.

Major Initiatives

The Town of Mount Jackson’s primary goal is to provide quality public services. To achieve that goal the Town has, over the past ten years, undertaken significant rehabilitation of many aging facilities and equipment. Examples preceding the current fiscal year include: renovation of the Town swimming pool, two new water storage facilities and related interconnecting pipes, construction of new water lines and hydrants in Avondale Acres, construction of a new Visitors Center, library, museum, and Town offices, construction of Depot Street, construction of two public works storage sheds, establishment of an equipment replacement fund for Town equipment, drilling of two new wells for the water system, Community Development Block Grant renovations of downtown rental housing, park equipment renovation, instituted a Town newsletter, reconstructed Bank Street, resurfaced Short Street and Court Circle, created a Town web page, acquired emergency power generation capability for the water system, added dry hydrants in the river for fire protection, constructed Race Street public parking area, expanded the park system, constructed additional sidewalks along Main Street, resurfaced Wunder Street, began renovation of the old Triplett School into a Community Center and Town park, and constructed a swimming pool bath house. In fiscal 2009, the Town completed two of the largest public works projects in the

Town's history: The \$1.8 million reconstruction of more than 10,000 feet of sewer collection pipes (I&I Project) and the new \$8 million wastewater treatment plant (WWTP) replacement. Grants from the state and county offset approximately \$4,000,000 of the WWTP costs.

On Veterans Day, 2010, the Veterans Memorial Park, located at the intersection of Main and King Streets, was dedicated. Also completed was the next phase of improvements to the lower level of the Visitors Center, including a community meeting room and access elevator. The adjacent Visitors Center Park was finished as well. Furthermore, 473 trees were planted throughout Mount Jackson as part of the Town's Urban Forestry and Streetscape Plan. Additionally, the Town wrapped up its work on a significant extension of the water distribution system in the Caverns Road area, made significant improvements to the Wastewater Treatment Plant and completely redesigned and rebuilt the Kids Cove playground at the Town Park, in conjunction with the Mount Jackson Lions Club and Moose Lodge. In 2012, the Town completed the replacement of a water main that crosses the North Fork of the Shenandoah River as well as refurbishing the Community Center cafeteria and gymnasium.

In 2013 the Town Hall/Visitors Center complex improvements were completed, providing more meeting space for the public in the council chambers, expanding the police department, adding restroom facilities to the downstairs public area and finishing the historical and welcoming appearance envisioned for the Visitors Center Main Hall when originally designed. Also completed that year were significant repairs, resurfacing, sidewalk and drainage improvements on King Street and improvements to the water supply infrastructure in the Avondale area.

In 2014, work toward the long-term goal of providing sidewalks and other significant enhancements along Main Street and a portion of Conicville Boulevard continued and grant applications have been approved to finance a significant portion (80%) of the plan. Also approved was a contract to repair and repaint the town's landmark 150-foot water tower. The Town Council has also given its approval to proceed with a plan to incorporate two additional existing wells and additional storage capacity into the Town's water supply system in the coming year.

The 2001 Annexation created a large area surrounding the Town in which growth can occur. Before acting on any individual zoning applications within that area the Town Council and Planning Commission conducted thorough long range studies about the types of development the community desires, densities, and impact on the Town's utility system. This comprehensive planning process for the annexation area was broken into three parts: Caverns Road Area, Red Banks Road area, and the Northern/Western study area. Those plans now form the basis of the adopted policies that are applied to all new zoning or annexation cases.

Financial Information, Management, and Control

A detailed understanding of the financial position and operating results of the Town is provided in the Financial Report. Presented below is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information.

Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the account and reported in the financial statements. In the government-wide Statement of Net Position and Statement of Activities, the accrual basis of accounting is used, which means revenues are recognized when earned and expenses are recognized when incurred. In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. This means that revenues are recognized when they become measurable and available and expenditures are recognized when the related fund liability is incurred. All proprietary funds are accounted for using the accrual basis of accounting.

Accounting systems and budgetary control – In developing and evaluating the Town's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (a) to permit preparation of financial statements in conformity with generally accepted accounting principals or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (b) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control comprehends reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits. The benefits consist of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with the Code of Virginia, 1954, as amended, the Town has formally established budgetary accounting control for its operating funds. Budgetary control is maintained at the object category (personal services, materials and supplies, other services and charges, capital outlay, debt service) by department within each fund. The Town has adhered to these budgetary laws.

Fund Descriptions – The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of the funds is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and, as applicable, expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The funds used by the Town are grouped into three broad fund types and seven generic funds as follows:

Governmental funds – These funds are used to account for the programs and activities of the governmental functions of the Town.

General Fund – This fund serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

General Capital Projects and Equipment Replacement Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or replacement of equipment (other than those financed by Enterprise Funds).

Community Development Block Grant Fund – This fund is used to account for financial resources received from the U.S. Department of House and Urban Development through the Virginia Department of Housing and Community Development for the purpose of revitalizing the Town's downtown housing area.

Proprietary Funds – These funds are used to account for ongoing organizations and activities that are similar to those found in the private sector.

Enterprise Fund – This fund is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the revenues; (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or (c) has a pricing policy designed for the fees and charges to recover similar costs.

The funds are further classified as major and non-major. Major funds are determined by a percentage of assets, liabilities, revenues, or expenditures/expenses in relation to the totals of all funds in those categories. The General Fund will always be considered major; the Community Development Block Grant and Enterprise fund were also determined to be major.

Cash Management and Investments – The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Currently the Town has an automatic overnight sweep of all checking accounts into an interest bearing savings account. This strategy is reviewed as interest rates change.

The overall strategy of holding deposits and making investments is to expose the Town to a minimum amount of credit risk and market risk. All of the Town's bank accounts and investments are fully collateralized with securities held by the Town or by its agent in the Town's name.

Risk Management – The Town is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. Risk control techniques have been established to reasonably ensure that the Town's employees are aware of their responsibilities regarding loss exposures related to their duties and to reduce losses to property owned by or under the control of the Town.

Supervisors are responsible for monitoring risk control and employees are routinely involved in risk management through monthly safety committee meetings and input on purchases of safety equipment. The Town also provides all essential safety equipment and places high emphasis on compliance with OSHA standards.

The primary technique used in risk management is the purchase of insurance policies. The Town is an active participant in the pooled risk insurance programs of the Virginia Municipal League, which is the source of our insurance coverage. This non-profit, cooperative pooling arrangement provides lower cost coverage than the commercial market, offers extensive risk management training, and assists in funding the cost of additional safety equipment.

Independent Audit

The financial records, books of account, and transactions of the Town and its component units for the fiscal year ended June 30, 2014, have been audited by a firm of Independent Public Accountants, Robinson, Farmer, Cox Associates, Certified Public Accountants, and their opinion is included in the Financial Section of this report.

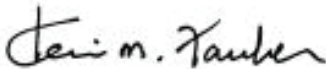
The financial statements are the responsibility of the Town. The responsibility of the Independent Public Accountants is to express an opinion on the Town's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Acknowledgement

We would like to thank our independent auditors, Robinson, Farmer, Cox Associates, for their professional guidance and experience.

Finally, to the Mayor and Town Council of the Town of Mount Jackson we extend heartfelt thanks for their support. It is their commitment to financial reporting excellence and top quality service to the community that allows the citizens of Mount Jackson to be fully informed about their municipal government finances. We are proud to convey the Mayor and Council's commitment to our citizens and to all readers of this Annual Financial Report for the year ended June 30, 2014.

Respectfully submitted,



Kevin M. Fauber
Town Manager



Neil D. Showalter
Finance Director/Treasurer

TOWN OF MOUNT JACKSON, VIRGINIA

Financial Report

Year Ended June 30, 2014

MEMBERS OF COUNCIL

J. G. Bucky Miller, Mayor

Whitney Miller

Donald I. Pifer

Roger Rudy

Rodney M. Shepherd

Dennis L. Andrick

Kenneth Hackenbracht

OFFICIALS

Kevin Fauber

Town Manager

Neil D. Showalter

Finance Director/Treasurer

Heather Taylor

Town Clerk

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF MOUNT JACKSON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Jackson, 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Jackson, 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, budgetary comparison information, and schedule of pension funding progress on pages 11-18, 58-59, and 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Jackson, Virginia's basic financial statements. The individual fund financial statements and schedules and the supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2015, on our consideration of the Town of Mount Jackson, 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 Mount Jackson, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 9, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Mount Jackson's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2014. Please read it in conjunction with the transmittal letter beginning on page 1 and the Town's financial statements, which begin on page 19.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 19-21) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the Town as a whole begins on page 19. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads and utility system, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- **Governmental activities** – Most of the Town's basic services are reported here, including the police, general administration, streets, and parks. Real estate taxes, personal property taxes, sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- **Business-type activities** – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Summary of Statement of Net Position
As of June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and						
other assets	\$ 2,436,186	\$ 1,970,838	\$ 1,023,775	\$ 1,301,200	\$ 3,459,961	\$ 3,272,038
Capital assets	<u>4,937,754</u>	<u>4,909,308</u>	<u>15,204,921</u>	<u>15,653,844</u>	<u>20,142,675</u>	<u>20,563,152</u>
Total assets	<u>\$ 7,373,940</u>	<u>\$ 6,880,146</u>	<u>\$ 16,228,696</u>	<u>\$ 16,955,044</u>	<u>\$ 23,602,636</u>	<u>\$ 23,835,190</u>
Liabilities:						
Current and other						
liabilities	\$ 75,414	\$ 80,408	\$ 677,323	\$ 685,174	\$ 752,737	\$ 765,582
Noncurrent						
liabilities	<u>716,420</u>	<u>758,092</u>	<u>6,151,730</u>	<u>6,742,099</u>	<u>6,868,150</u>	<u>7,500,191</u>
Total						
liabilities	<u>\$ 791,834</u>	<u>\$ 838,500</u>	<u>\$ 6,829,053</u>	<u>\$ 7,427,273</u>	<u>\$ 7,620,887</u>	<u>\$ 8,265,773</u>
Net Position:						
Net investment						
in capital						
assets	\$ 4,209,127	\$ 4,140,833	\$ 8,469,837	\$ 8,334,108	\$ 12,678,964	\$ 12,474,941
Unrestricted	<u>2,372,979</u>	<u>1,900,813</u>	<u>929,806</u>	<u>1,193,663</u>	<u>3,302,785</u>	<u>3,094,476</u>
Total net						
position	<u>\$ 6,582,106</u>	<u>\$ 6,041,646</u>	<u>\$ 9,399,643</u>	<u>\$ 9,527,771</u>	<u>\$ 15,981,749</u>	<u>\$ 15,569,417</u>

Changes in Net Position
Years Ended June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues						
Charges for services	\$ 39,408	\$ 32,642	\$ 1,623,324	\$ 1,498,577	\$ 1,662,732	\$ 1,531,219
Grants and contributions	159,594	88,285	-	-	159,594	88,285
Total program revenues	\$ 199,002	\$ 120,927	\$ 1,623,324	\$ 1,498,577	\$ 1,822,326	\$ 1,619,504
General revenues:						
General property taxes	\$ 435,636	\$ 402,888	\$ -	\$ -	\$ 435,636	\$ 402,888
Other local taxes	905,178	868,946	-	-	905,178	868,946
Intergovernmental, non-categorical aid	42,722	42,299	-	-	42,722	42,299
Use of money and property	11,324	18,993	2,792	9,294	14,116	28,287
Gain(loss) disposal of assets	10,200	2,855	24,975	(2,517)	35,175	338
Miscellaneous	18,192	35,221	-	-	18,192	35,221
Total general revenues	\$ 1,423,252	\$ 1,371,202	\$ 27,767	\$ 6,777	\$ 1,451,019	\$ 1,377,979
Total revenues	\$ 1,622,254	\$ 1,492,129	\$ 1,651,091	\$ 1,505,354	\$ 3,273,345	\$ 2,997,483
Expenses:						
General government administration	\$ 701,032	\$ 724,184	\$ -	\$ -	\$ 701,032	\$ 724,184
Public safety	381,926	376,139	-	-	381,926	376,139
Public works	462,047	376,808	-	-	462,047	376,808
Parks, recreation and cultural	49,829	56,307	-	-	49,829	56,307
Community and economic development	2,585	3,792	-	-	2,585	3,792
Interest	34,494	36,121	17,574	23,415	52,068	59,536
Water and sewer	-	-	1,216,526	1,215,471	1,216,526	1,215,471
Total expenses	\$ 1,631,913	\$ 1,573,351	\$ 1,234,100	\$ 1,238,886	\$ 2,866,013	\$ 2,812,237
Income before capital contributions and transfers	\$ (9,659)	\$ (81,222)	\$ 416,991	\$ 266,468	\$ 407,332	\$ 185,246
Capital contributions	\$ -	\$ -	\$ 5,000	\$ 36,801	\$ 5,000	\$ 36,801
Transfers	550,119	228,751	(550,119)	(228,751)	-	-
Change in net position	\$ 540,460	\$ 147,529	\$ (128,128)	\$ 74,518	\$ 412,332	\$ 222,047
Net position, beginning	6,041,646	5,894,117	9,527,771	9,453,253	15,569,417	15,347,370
Net position, ending	\$ 6,582,106	\$ 6,041,646	\$ 9,399,643	\$ 9,527,771	\$ 15,981,749	\$ 15,569,417

Reporting the Town's Most Significant Funds

Fund Financial Statements

Our analysis of the Town's major funds begins on page 19. The fund financial statements begin on page 22 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use difference accounting approaches.

- Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE TOWN AS A WHOLE

The Town's combined Net Position increased by approximately \$412,332 in FY 2014. Of that total, Government Activities Net Position increased \$540,460 as revenues were sufficient to meet General Fund operating expenditures. The business-type activities net position decreased in FY 2014 by \$128,128. Water and sewer rates were sufficient to meet plant operating expenditures, service debt and current year fixed asset additions. Our analysis on the following page focuses on the net position and changes in net position of the Town's governmental and business-type activities.

Governmental Activities

There was a \$15,212 increase in the General Fund's fund balance during FY 2014. The predominate reasons for the changes in the General Fund condition during the fiscal year:

- Routine inflationary costs (fuel, utilities, insurance, compensation, etc.) added costs throughout all operations, resulting in an overall increase in General Fund expenditures of \$37,702 or 2.6%. However, revenues from taxes and receipts from the Federal government and the Commonwealth of Virginia exceeded total expenditures by \$107,812.
- Net transfers to other funds, primarily to acquire or construct capital assets, reduced the fund balance by \$92,600.

Business-type Activities

Water/Sewer/Trash Collection

The Town operates these utility services on a self supporting basis. These operations are supported by user fees, not by tax revenues. Rates for services are set to cover the cost of operations plus debt service and capital outlay. In 2003 the system completed construction of two new water storage facilities and interconnecting water mains. In FY 2004 the system began a multi-year program to reduce the amounts of Inflow and Infiltration (I&I) water that enter the sewer collection system during rainy seasons. Construction on I&I and the new 0.7 MGD Wastewater Treatment Plant was completed by the end of FY 2009. Payments on the zero percent interest bond issue for them began in FY 2009. Drilling of two new water supply wells was begun in FY 2009. Additional capital expense to connect them to the system is necessary and Town Council has given its approval to proceed with a plan to incorporate the wells and additional storage capacity into the Town's water supply system in the coming year.

In FY 2014, business-type fund operating revenues for the year exceeded operating expenses by \$406,798, increasing net position. Also adding to net position were connection fees of \$5,000 and gains on sales of equipment of \$24,975. However net interest expense of \$14,782 and net transfers to other Town funds of \$550,119 (primarily for current and planned capital asset acquisitions) resulted in an overall decrease of \$128,128 in total net position in the fund for Fiscal Year 2014.

Component Units

Economic Development Authority

In 2001 the Town created the Industrial Development Authority of the Town of Mount Jackson which provides incentives to enhance the economy of the community. The Authority is somewhat unique because it has dual purposes: the traditional role of encouraging development in the Town's Industrial/Technology Park, AND enhancing the development of small business opportunities in the downtown area. The Authority administers a loan program to encourage new small business in the community. It also provides grants to assist tourism activities in the community and to encourage new industries locating in the Town. It also has participated in several tax-exempt financing bond issues which do not create debt liabilities for the IDA or the Town. In 2006 the Authority changed its name to Economic Development Authority to reflect these dual missions.

Community Development Block Grant Program

This program completed all its work and exhausted all the grant funds in FY 2007. Some repayment proceeds from loans made from the program will be received in future years and will be available for minor additional projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund

The normal operating activities came reasonably close to budget in nearly all categories. While local revenues fell short of the FY 2014 budget by \$64,141, the shortfall was offset primarily by payments from the Commonwealth of Virginia and the federal government so that final Fund revenues fell short of the budgeted amount by \$52,628.

Favorable budget variances across the board in Public Works, Public Safety, and Administrative expenses led to a total positive General Fund expenditure variance of \$103,640.

Equipment Acquisition/Replacement Fund

Routine contributions to this fund from all operating funds were continued and the schedule of replacements remains essentially unchanged.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

This past year the Town completed several capital projects. The Town Hall/Visitors Center complex improvements were completed, providing more meeting space for the public in the council chambers, expanding the police department, adding restroom facilities to the downstairs public area and finishing the historical and welcoming appearance envisioned for the Visitors Center Main Hall when originally designed. Also completed this year were significant repairs, resurfacing, sidewalk and drainage improvements on King Street. Also, survey and design work was performed toward the long-term goal of providing sidewalks and other significant enhancements along Main Street and a portion of Conicville Boulevard. In total, \$216,205 in capital assets for governmental activities were added in 2014.

The Town also initiated significant improvements to the water supply infrastructure by commencing work to bring two existing production wells and additional storage into the water system. In total \$35,988 in capital assets used in business-type activities were acquired in Fiscal Year 2014.

In Fiscal 2014, the Town received a total of \$230,216 toward the cost of the aforementioned projects and for other town activities, including law enforcement, through federal and state grants, and through private contributions of individuals, businesses and civil organizations.

Summary of Statement of Capital Assets

As of June 30, 2014 and 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Capital assets not being depreciated:						
Land	\$ 413,135	\$ 413,135	\$ 361,551	\$ 361,551	\$ 774,686	\$ 774,686
Construction in progress	98,461	113,360	65,075	58,719	163,536	172,079
Total capital assets not being depreciated	\$ 511,596	\$ 526,495	\$ 426,626	\$ 420,270	\$ 938,222	\$ 946,765
Capital assets being depreciated:						
Buildings and improvements	\$ 4,954,670	\$ 4,890,040	\$ 575,384	\$ 565,009	\$ 5,530,054	\$ 5,455,049
Infrastructure	337,619	283,177	-	-	337,619	283,177
Distribution and collection system	-	-	18,446,135	18,438,093	18,446,135	18,438,093
Equipment	290,256	278,936	240,203	228,988	530,459	507,924
Vehicles	445,226	361,514	155,196	155,196	600,422	516,710
Total capital assets being depreciated	\$ 6,027,771	\$ 5,813,667	\$ 19,416,918	\$ 19,387,286	\$ 25,444,689	\$ 25,200,953
Less accumulated depreciation for:						
Buildings and improvements	\$ 1,115,995	\$ 1,007,109	\$ 339,812	\$ 321,444	\$ 1,455,807	\$ 1,328,553
Infrastructure	72,172	55,926	-	-	72,172	55,926
Distribution and collection system	-	-	4,012,819	3,578,575	4,012,819	3,578,575
Equipment	210,610	188,613	171,342	160,416	381,952	349,029
Vehicles	202,836	179,206	114,650	93,277	317,486	272,483
Total accumulated depreciation	\$ 1,601,613	\$ 1,430,854	\$ 4,638,623	\$ 4,153,712	\$ 6,240,236	\$ 5,584,566
Total capital assets being depreciated, net	\$ 4,426,158	\$ 4,382,813	\$ 14,778,295	\$ 15,233,574	\$ 19,204,453	\$ 19,616,387
Capital assets, net	\$ 4,937,754	\$ 4,909,308	\$ 15,204,921	\$ 15,653,844	\$ 20,142,675	\$ 20,563,152

Debt

No new debt instruments were issued by the Town during Fiscal Year 2014, and its long-term liability for compensated absences was reduced by a total of \$68. The total principal repaid by the Town on its existing obligations was \$624,500 for FY 2014.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund

For most of the last ten years, the entire Shenandoah County area has experienced growth pressures; however those pressures have temporarily subsided during the recent recession, but those pressures are expected to return again in the future. The 2001 annexation and our improvements (past and future) to the water and sewer system should make the Town well positioned to accommodate such growth without drastic changes in tax rates. The occupancy rate in Main Street commercial structures progressed from approximately 50% in 2000 to about 80% in FY 2014.

Mount Jackson is benefitting economically from the recent combination of Bowman Apple Products with European fruit processor Andros et Cie which is bringing an expansion of Bowman's local operations, resulting in additional employment in the immediate area. Route 11 Potato Chips has continued operations at their new factory in Mount Jackson since January 2008. Merrilat Cabinet manufacturer has reduced its workforce approximately 50%, but is continuing to operate and maintain modest production at this facility. Fast-growing retailer Dollar General invested in a brand new Main Street location. Similarly, Family Dollar will be opening a store in town in 2015. The Town's Interstate 81 interchanges continue to be an important source of cigarette and meals tax revenues.

Unemployment in Shenandoah County rose to a high of 10.2% in February 2010, but has improved to 5.4% by September 2014, according to the U.S. Bureau of Labor Statistics. However, tepid economic conditions are expected to continue throughout FY 2015 and the Town's expected revenues and expenses have been budgeted accordingly.

Replacement schedules for major equipment are in place and fully funded again this year.

Water/Sewer/Trash Collection

Annual cost of living increases and fuel surcharges to refuse collection contracts are anticipated. These will cause a slight increase in rates.

Cost of living and fuel/utility costs created some upward pressure on water/sewer rates. A complete rate study was completed in FY 2007 and a five-year phased implementation of higher rates was selected after public hearings. These increases are necessary to accommodate the higher operating costs of the new wastewater treatment plant and the debt service on the loans for those projects. Debt service on those zero-percent bonds began in FY 2009. In 2012, the rates were again studied and beginning in FY 2013, the Town Council lowered the minimum billing amount from 3,000 gallons per month to 2,000 gallons, thus rewarding water conservation by low volume users. Rate increases the last three years have been limited to the percentage change in CPI.

Since the new Wastewater Treatment Plant has been completed, Bowman Andros Products has significantly increased the amount wastewater it discharges into the Town's system. This constitutes a significant customer in the system's revenue stream, but has also added significant operating costs as well.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at P.O. Box 487, 5901 Main Street, Mount Jackson, VA 22842.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Town of Mount Jackson, Virginia
Statement of Net Position
June 30, 2014

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,345,570	\$ 875,129	\$ 3,220,699
Receivables (net of allowance for uncollectibles):			
Taxes receivable	18,574	-	18,574
Accounts receivable	49,336	148,646	197,982
Due from other governmental units	22,706	-	22,706
Capital assets (net of accumulated depreciation):			
Land	413,135	361,551	774,686
Buildings and improvements	3,838,675	235,572	4,074,247
Equipment	79,646	68,861	148,507
Infrastructure	265,447	14,433,316	14,698,763
Vehicles	242,390	40,546	282,936
Construction in progress	98,461	65,075	163,536
Total assets	<u>\$ 7,373,940</u>	<u>\$ 16,228,696</u>	<u>\$ 23,602,636</u>
LIABILITIES			
Accounts payable	\$ 24,158	\$ 34,642	\$ 58,800
Accrued payroll and benefits	9,646	1,534	11,180
Customer deposits	-	48,672	48,672
Accrued interest payable	-	1,895	1,895
Long-term liabilities:			
Due within one year	41,610	590,580	632,190
Due in more than one year	716,420	6,151,730	6,868,150
Total liabilities	<u>\$ 791,834</u>	<u>\$ 6,829,053</u>	<u>\$ 7,620,887</u>
NET POSITION			
Net investment in capital assets	\$ 4,209,127	\$ 8,469,837	\$ 12,678,964
Unrestricted	2,372,979	929,806	3,302,785
Total net position	<u>\$ 6,582,106</u>	<u>\$ 9,399,643</u>	<u>\$ 15,981,749</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

Town of Mount Jackson, Virginia
Statement of Activities
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 701,032	\$ 1,990	\$ -	\$ -
Public safety	381,926	23,344	67,256	-
Public works	462,047	-	79,035	13,303
Parks, recreation, and cultural	49,829	14,074	-	-
Community development	2,585	-	-	-
Interest on long-term debt	34,494	-	-	-
Total governmental activities	<u>\$ 1,631,913</u>	<u>\$ 39,408</u>	<u>\$ 146,291</u>	<u>\$ 13,303</u>
Business-type activities:				
Water & Sewer	\$ 1,234,100	\$ 1,623,324	\$ -	\$ 5,000
Total business-type activities	<u>\$ 1,234,100</u>	<u>\$ 1,623,324</u>	<u>\$ -</u>	<u>\$ 5,000</u>
Total primary government	<u>\$ 2,866,013</u>	<u>\$ 1,662,732</u>	<u>\$ 146,291</u>	<u>\$ 18,303</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Meals tax

Cigarette tax

Business licenses tax

Motor vehicle taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (699,042)	\$ -	\$ (699,042)
(291,326)	-	(291,326)
(369,709)	-	(369,709)
(35,755)	-	(35,755)
(2,585)	-	(2,585)
(34,494)	-	(34,494)
<u>\$ (1,432,911)</u>	<u>\$ -</u>	<u>\$ (1,432,911)</u>
\$ -	\$ 394,224	\$ 394,224
\$ -	\$ 394,224	\$ 394,224
<u>\$ (1,432,911)</u>	<u>\$ 394,224</u>	<u>\$ (1,038,687)</u>
\$ 435,636	\$ -	\$ 435,636
122,045	-	122,045
54,613	-	54,613
312,522	-	312,522
191,010	-	191,010
104,202	-	104,202
43,592	-	43,592
77,194	-	77,194
11,324	2,792	14,116
18,192	-	18,192
42,722	-	42,722
10,200	24,975	35,175
550,119	(550,119)	-
<u>\$ 1,973,371</u>	<u>\$ (522,352)</u>	<u>\$ 1,451,019</u>
\$ 540,460	\$ (128,128)	\$ 412,332
6,041,646	9,527,771	15,569,417
<u>\$ 6,582,106</u>	<u>\$ 9,399,643</u>	<u>\$ 15,981,749</u>

FUND FINANCIAL STATEMENTS

Town of Mount Jackson, Virginia
Balance Sheet
Governmental Funds
June 30, 2014

Exhibit 3

	General	Community Development Block Grant	General Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 616,875	\$ 15,826	\$ 1,186,858	\$ 526,011	\$ 2,345,570
Receivables (net of allowance for uncollectibles):					
Taxes receivable	18,574	-	-	-	18,574
Accounts receivable	49,336	-	-	-	49,336
Due from other governmental units	22,706	-	-	-	22,706
Total assets	<u>\$ 707,491</u>	<u>\$ 15,826</u>	<u>\$ 1,186,858</u>	<u>\$ 526,011</u>	<u>\$ 2,436,186</u>
LIABILITIES					
Accounts payable	\$ 18,540	\$ -	\$ 5,618	\$ -	\$ 24,158
Accrued payroll and benefits	9,646	-	-	-	9,646
Total liabilities	<u>\$ 28,186</u>	<u>\$ -</u>	<u>\$ 5,618</u>	<u>\$ -</u>	<u>\$ 33,804</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 15,828	\$ -	\$ -	\$ -	\$ 15,828
Total deferred inflows of resources	<u>\$ 15,828</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,828</u>
FUND BALANCES					
Restricted:					
Community development block grant	\$ -	\$ 15,826	\$ -	\$ -	\$ 15,826
Assigned:					
Capital projects funds	-	-	1,181,240	-	1,181,240
Equipment replacement	-	-	-	526,011	526,011
Unassigned, reported in:					
General fund	663,477	-	-	-	663,477
Total fund balances	<u>\$ 663,477</u>	<u>\$ 15,826</u>	<u>\$ 1,181,240</u>	<u>\$ 526,011</u>	<u>\$ 2,386,554</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 707,491</u>	<u>\$ 15,826</u>	<u>\$ 1,186,858</u>	<u>\$ 526,011</u>	<u>\$ 2,436,186</u>

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

Town of Mount Jackson, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2014

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 2,386,554
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,937,754
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	15,828
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(758,030)</u>
Net position of governmental activities	<u>\$ 6,582,106</u>

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

Town of Mount Jackson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

Exhibit 5

	General	Community Development Block Grant	General Capital Projects	Other Governmental Funds	Total
REVENUES					
General property taxes	\$ 436,369	\$ -	\$ -	\$ -	\$ 436,369
Other local taxes	905,178	-	-	-	905,178
Permits, privilege fees, and regulatory licenses	1,990	-	-	-	1,990
Fines and forfeitures	23,344	-	-	-	23,344
Revenue from the use of money and property	10,304	-	-	1,020	11,324
Charges for services	14,074	-	-	-	14,074
Miscellaneous	27,900	492	-	-	28,392
Intergovernmental revenues:					
Commonwealth	184,585	-	-	-	184,585
Federal	4,428	-	13,303	-	17,731
Total revenues	<u>\$ 1,608,172</u>	<u>\$ 492</u>	<u>\$ 13,303</u>	<u>\$ 1,020</u>	<u>\$ 1,622,987</u>
EXPENDITURES					
Current:					
General government administration	\$ 600,106	\$ -	\$ -	\$ -	\$ 600,106
Public safety	388,776	-	-	-	388,776
Public works	388,992	-	-	-	388,992
Parks, recreation, and cultural	45,559	-	-	-	45,559
Community development	2,585	-	-	-	2,585
Capital projects	-	-	91,070	108,845	199,915
Debt service:					
Principal retirement	39,848	-	-	-	39,848
Interest and other fiscal charges	34,494	-	-	-	34,494
Total expenditures	<u>\$ 1,500,360</u>	<u>\$ -</u>	<u>\$ 91,070</u>	<u>\$ 108,845</u>	<u>\$ 1,700,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 107,812</u>	<u>\$ 492</u>	<u>\$ (77,767)</u>	<u>\$ (107,825)</u>	<u>\$ (77,288)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 64,800	\$ -	\$ 496,400	\$ 176,400	\$ 737,600
Transfers out	(157,400)	-	(24,773)	(5,308)	(187,481)
Total other financing sources (uses)	<u>\$ (92,600)</u>	<u>\$ -</u>	<u>\$ 471,627</u>	<u>\$ 171,092</u>	<u>\$ 550,119</u>
Net change in fund balances	\$ 15,212	\$ 492	\$ 393,860	\$ 63,267	\$ 472,831
Fund balances - beginning	648,265	15,334	787,380	462,744	1,913,723
Fund balances - ending	<u>\$ 663,477</u>	<u>\$ 15,826</u>	<u>\$ 1,181,240</u>	<u>\$ 526,011</u>	<u>\$ 2,386,554</u>

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

Town of Mount Jackson, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2014

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ 472,831
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	28,446
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(733)
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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	39,848
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.	<u>68</u>
Change in net position of governmental activities	<u>\$ 540,460</u>

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

Town of Mount Jackson, Virginia
Statement of Net Position
Proprietary Fund
June 30, 2014

Exhibit 7

	<u>Enterprise Fund Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 875,129
Accounts receivables, net of allowances for uncollectibles	148,646
Total current assets	<u>\$ 1,023,775</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable:	
Land	\$ 361,551
Construction in progress	65,075
Depreciable:	
Capital assets	19,416,918
Accumulated depreciation	<u>(4,638,623)</u>
Total noncurrent assets	<u>\$ 15,204,921</u>
Total assets	<u>\$ 16,228,696</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 34,642
Customer deposits	48,672
Accrued payroll and benefits	1,534
Accrued interest payable	1,895
Bonds payable, current portion	590,580
Total current liabilities	<u>\$ 677,323</u>
Noncurrent liabilities:	
Bonds payable, net of current portion	\$ 6,144,504
Compensated absences	<u>7,226</u>
Total noncurrent liabilities	<u>\$ 6,151,730</u>
Total liabilities	<u>\$ 6,829,053</u>
NET POSITION	
Net investment in capital assets	\$ 8,469,837
Unrestricted	<u>929,806</u>
Total net position	<u><u>\$ 9,399,643</u></u>

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

Town of Mount Jackson, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
Year Ended June 30, 2014

Exhibit 8

	<u>Enterprise Fund Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 418,376
Sewer revenues	1,004,561
Trash collection revenues	102,756
Recoupment of penalties and other direct expenses	95,831
Miscellaneous	1,800
Total operating revenues	<u>\$ 1,623,324</u>
OPERATING EXPENSES	
Personal services	\$ 115,031
Fringe benefits	43,594
Contractual services	12,555
Other charges	560,435
Depreciation	484,911
Total operating expenses	<u>\$ 1,216,526</u>
Net operating income (loss)	<u>\$ 406,798</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 2,792
Gain on sale of equipment	24,975
Interest expense	(17,574)
Total nonoperating revenues (expenses)	<u>\$ 10,193</u>
Net income before capital contributions and transfers	\$ 416,991
Capital contributions	5,000
Transfers in	30,081
Transfers out	<u>(580,200)</u>
Change in net position	\$ (128,128)
Net position - beginning	<u>9,527,771</u>
Net position - ending	<u><u>\$ 9,399,643</u></u>

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

Town of Mount Jackson, Virginia
Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2014

Exhibit 9

	Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,538,585
Payments to suppliers	(587,859)
Payments to employees	(159,238)
Other receipts (payments)	95,831
Net cash provided by (used for) operating activities	<u>\$ 887,319</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 30,081
Transfers to other funds	(580,200)
Net cash provided by (used for) noncapital financing activities	<u>\$ (550,119)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	\$ (35,988)
Capital contributions	5,000
Proceeds from sale of equipment	24,975
Principal paid on bonds	(584,652)
Interest payments	(18,165)
Net cash provided by (used for) capital and related financing activities	<u>\$ (608,830)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 2,792
Net cash provided by (used for) investing activities	<u>\$ 2,792</u>
Net increase (decrease) in cash and cash equivalents	\$ (268,838)
Cash and cash equivalents - beginning	\$ 1,143,967
Cash and cash equivalents - ending	<u><u>\$ 875,129</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 406,798
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:	
Depreciation expense	484,911
(Increase) decrease in accounts receivable	8,587
Increase (decrease) in customer deposits	2,505
Increase (decrease) in accounts payable	(14,869)
Increase (decrease) in accrued payroll and benefits	(761)
Increase (decrease) in compensated absences	148
Total adjustments	<u>\$ 480,521</u>
Net cash provided by (used for) operating activities	<u><u>\$ 887,319</u></u>

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

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. FINANCIAL REPORTING ENTITY:

The financial statements of the Town of Mount Jackson, Virginia (the Town) conform with accounting principles generally accepted in the United States of America as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the town's accounting policies are described below.

The Town of Mount Jackson, Virginia was incorporated in 1826 and provides a wide range of municipal services contemplated by statute or charter.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town's financial position. In determining component units, the Town considered the financial relationship with the Economic Development Authority (EDA) of the Town of Mount Jackson. However, it was determined that the EDA is not a component unit, an entity for which the Town is considered to be financially accountable or blended component unit, a legally separate entity which is in substance part of the Town's operations.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Town and include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed. These statements distinguish between the government and business-type activities of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements: The fund financial statements provide information about the Town's funds and separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (CONTINUED).

Capital Projects Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the acquisition or construction of major capital projects.

Community Development Block Grant Fund

This fund is used to account for and report funds received from the United States Department of Housing and Urban Development for the purpose of revitalizing the Town's downtown housing area.

The Town reports the following major enterprise fund:

Water and Sewer Fund

The Water and Sewer Fund accounts for services to the general public are financed primarily by charges to users of those services.

Additionally, the Town reports the following nonmajor governmental funds:

Equipment Replacement Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for the acquisition of capital assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (CONTINUED)

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The Net Position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for business-type activities of the Town for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. *Program revenues* include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days of year-end, except property taxes which are recognized as revenue if they have been collected within 45 days of year-end. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1) Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2) Property Taxes Receivable

Property taxes are recognized as a receivable when levied as of November 5 and are due on or before January 31. That portion of the taxes receivable which is not collected within 45 days is shown as unavailable revenue. All unpaid taxes are subject to penalty of 10% on February 1, and on July 1 the Town can attach an enforceable lien for real property tax and add interest of 10%.

3) Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental, or business-type activities, or proprietary fund columns in the financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$2,500, and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Maintenance, repairs and minor renewals are charged to operations when incurred. Expenditures/expenses which materially increase values or extend useful lives are capitalized.

As allowed by GASB standards, the Town elected not to capitalize infrastructure already in place as of June 30, 2003. Beginning July 1, 2003, the Town began capitalizing all infrastructure additions that met the aforementioned capitalization requirements.

Capital asset lives are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Distribution and collection systems	20-40 years
Equipment	3-25 years
Vehicles	5 years
Infrastructure	20-30 years

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

4) Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees can earn up to 192 hours of vacation annually depending on their years of service and can accumulate up to 30 days of vacation. Employees retiring from Town service under the provisions set forth in the Virginia Retirement System or under social security and having 10 years of accumulated Town service, are eligible to retire early by utilizing all sick leave accrued, but not used, at the rate of one day for every three accrued and unused sick leave up to a maximum of 60 days. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

5) Long-term Obligations

In the government-wide financial statements, and proprietary fund type 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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts are reported as other financing uses.

6) Fund Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

6) Fund Equity (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

7) Net Position

Net position represents the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. 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.

8) Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g. restricted bond and grant proceeds) and unrestricted resources, in order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

9) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

10) Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and in certain cases, specific account analysis. At June 30, 2014 the allowance amounted to \$18,477 for property taxes and \$3,000 for the water and sewer accounts receivable.

11) 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 (expense) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the 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. The Town reported deferred inflows of resources of \$15,828 in the governmental funds balance sheet. Under the accrual basis, amounts prepaid on subsequent tax assessments are reported as deferred inflows of resources. The Town did not have any prepaid amounts to report under the accrual basis.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 2—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 position

The governmental fund balance sheet includes reconciliation between the *fund balances—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this (\$758,030) difference for the Town is as follows:

Bonds and notes payable	\$	(728,627)
Compensated absences		<u>(29,403)</u>
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net position-governmental activities</i>	\$	<u><u>(758,030)</u></u>

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

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 position 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 detail of this \$28,446 difference for the Town is as follows:

Capital outlay	\$	216,205
Depreciation expense		<u>(187,759)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>28,446</u></u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 2—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 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The detail of this \$39,848 difference in the Town is as follows:

Principal repayments:

Bonds payable	\$	24,026
Notes payable		<u>15,822</u>

Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>39,848</u></u>
---	----	----------------------

Another element of that reconciliation states that “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 detail of this \$68 difference for the Town is as follows:

Compensated absences	\$	<u>68</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$	<u><u>68</u></u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

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

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the function level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.
8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

NOTE 4—RECEIVABLES:

Receivables at June 30, 2014, including applicable allowances for uncollectible amounts are as follows:

	General Fund	Water and Sewer Fund	Totals
Property taxes	\$ 37,051	\$ -	\$ 37,051
Trade and other accounts	49,336	151,646	200,982
Gross Receivables	\$ 86,387	\$ 151,646	\$ 238,033
Less allowance for uncollectible accounts	(18,477)	(3,000)	(21,477)
Net Receivables	<u>\$ 67,910</u>	<u>\$ 148,646</u>	<u>\$ 216,556</u>

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$18,477 and \$3,000 at June 30, 2014 for the General Fund and Water and Sewer Fund, respectively.

TOWN OF MOUNT JACKSON, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014 (CONTINUED)**

NOTE 5—DUE FROM OTHER GOVERNMENTS:

The following amounts were due from other governments at June 30, 2014:

General Fund:

Commonwealth of Virginia:

Sales tax	\$	21,706
Fire services program		<u>1,000</u>
Total General Fund	\$	<u><u>22,706</u></u>

NOTE 6—CAPITAL ASSETS:

Governmental Activities:

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 413,135	\$ -	\$ -	\$ -	\$ 413,135
Construction in progress	113,360	47,588	-	(62,487)	98,461
Total capital assets not being depreciated	<u>\$ 526,495</u>	<u>\$ 47,588</u>	<u>\$ -</u>	<u>\$ (62,487)</u>	<u>\$ 511,596</u>
Other capital assets:					
Buildings and improvements	\$ 4,890,040	\$ 12,258	\$ -	\$ 52,372	\$ 4,954,670
Equipment	278,936	11,320	-	-	290,256
Infrastructure	283,177	44,327	-	10,115	337,619
Vehicles	361,514	100,712	(17,000)	-	445,226
Total other capital assets	<u>\$ 5,813,667</u>	<u>\$ 168,617</u>	<u>\$ (17,000)</u>	<u>\$ 62,487</u>	<u>\$ 6,027,771</u>
Accumulated depreciation:					
Buildings and improvements	\$ (1,007,109)	\$ (108,886)	\$ -	\$ -	\$ (1,115,995)
Equipment	(188,613)	(21,997)	-	-	(210,610)
Infrastructure	(55,926)	(16,246)	-	-	(72,172)
Vehicles	(179,206)	(40,630)	17,000	-	(202,836)
Total accumulated depreciation	<u>\$ (1,430,854)</u>	<u>\$ (187,759)</u>	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ (1,601,613)</u>
Other capital assets, net	<u>\$ 4,382,813</u>	<u>\$ (19,142)</u>	<u>\$ -</u>	<u>\$ 62,487</u>	<u>\$ 4,426,158</u>
Net capital assets	<u><u>\$ 4,909,308</u></u>	<u><u>\$ 28,446</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,937,754</u></u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2013	Increases	Decreases	Transfers	Balance June 30, 2014
<i>Water and Sewer Fund</i>					
Capital assets not being depreciated:					
Land	\$ 361,551	\$ -	\$ -	\$ -	\$ 361,551
Construction in progress	58,719	16,731	-	(10,375)	65,075
Total capital assets not being depreciated	<u>\$ 420,270</u>	<u>\$ 16,731</u>	<u>\$ -</u>	<u>\$ (10,375)</u>	<u>\$ 426,626</u>
Other capital assets:					
Buildings and improvements	\$ 565,009	\$ -	\$ -	\$ 10,375	\$ 575,384
Distribution and collection systems	18,438,093	8,042	-	-	18,446,135
Equipment	228,988	11,215	-	-	240,203
Vehicles	155,196	-	-	-	155,196
Total other capital assets	<u>\$ 19,387,286</u>	<u>\$ 19,257</u>	<u>\$ -</u>	<u>\$ 10,375</u>	<u>\$ 19,416,918</u>
Accumulated depreciation:					
Buildings and improvements	\$ (321,444)	\$ (18,368)	\$ -	\$ -	\$ (339,812)
Distribution and collection systems	(3,578,575)	(434,244)	-	-	(4,012,819)
Equipment	(160,416)	(10,926)	-	-	(171,342)
Vehicles	(93,277)	(21,373)	-	-	(114,650)
Total accumulated depreciation	<u>\$ (4,153,712)</u>	<u>\$ (484,911)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,638,623)</u>
Other capital assets, net	<u>\$ 15,233,574</u>	<u>\$ (465,654)</u>	<u>\$ -</u>	<u>\$ 10,375</u>	<u>\$ 14,778,295</u>
Net capital assets	<u>\$ 15,653,844</u>	<u>\$ (448,923)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,204,921</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental activities:

General government administration	\$ 107,469
Public safety	35,233
Public works	31,761
Parks, recreation, and cultural	13,296
Total depreciation expense-governmental activities	<u>\$ 187,759</u>

Business-type activities:

Water and sewer	\$ 484,911
Total depreciation expense-business type activities	<u>\$ 484,911</u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation activity for the year ended June 30, 2014:

	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 733,448	\$ -	\$ 24,026	\$ 709,422	\$ 25,176
Note payable	35,027	-	15,822	19,205	16,434
Subtotal	\$ 768,475	\$ -	\$ 39,848	\$ 728,627	\$ 41,610
Compensated absences	\$ 29,471	\$ -	\$ 68	\$ 29,403	\$ -
Governmental activities long-term liabilities	\$ 797,946	\$ -	\$ 39,916	\$ 758,030	\$ 41,610

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

Year Ended June 30,	Governmental Activities			
	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2015	\$ 25,176	\$ 32,280	\$ 16,434	\$ 452
2016	26,365	31,091	2,771	13
2017	27,611	29,845	-	-
2018	28,915	28,541	-	-
2019	30,282	27,174	-	-
2020	31,712	25,744	-	-
2021	33,210	24,246	-	-
2022	34,779	22,677	-	-
2023	36,422	21,034	-	-
2024	38,143	19,313	-	-
2025	39,945	17,511	-	-
2026	41,832	15,624	-	-
2027	43,808	13,648	-	-
2028	45,879	11,578	-	-
2029	48,046	9,410	-	-
2030	50,315	7,141	-	-
2031	52,692	4,764	-	-
2032	55,182	2,274	-	-
2033	19,108	1,883	-	-
Totals	\$ 709,422	\$ 345,778	\$ 19,205	\$ 465

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Note Payable

\$140,000 note payable, due in monthly installments of \$1,407 through August 2015, including interest at 3.85% \$ 19,205

General Obligation Bond

\$900,000 general obligation bond, series 2002, issued May 2002, due in monthly installments of \$4,788 through November 2032, plus interest payable semi-annually at 4.75% \$ 709,422

The following is a summary of long-term obligation activity for the Town's business-type activities:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Business-type activities:					
Compensated absences	\$ 7,078	\$ 148	\$ -	\$ 7,226	\$ -
General obligation bonds	1,920,705	-	204,487	1,716,218	207,778
VRA loan payable	5,149,088	-	321,818	4,827,270	321,818
Note Payable	<u>249,943</u>	<u>-</u>	<u>58,347</u>	<u>191,596</u>	<u>60,984</u>
Business-type activities long-term liabilities	\$ <u>7,326,814</u>	\$ <u>148</u>	\$ <u>584,652</u>	\$ <u>6,742,310</u>	\$ <u>590,580</u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ended June 30,	Enterprise Fund					
	General Obligation Bonds		Loan Payable		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 207,778	\$ 4,550	\$ 321,818	\$ -	\$ 60,984	7,684
2016	195,098	1,283	321,818	-	63,797	4,871
2017	114,193	-	321,818	-	66,815	1,505
2018	114,193	-	321,818	-	-	-
2019	114,193	-	321,818	-	-	-
2020	114,193	-	321,818	-	-	-
2021	114,193	-	321,818	-	-	-
2022	114,193	-	321,818	-	-	-
2023	114,193	-	321,818	-	-	-
2024	114,193	-	321,818	-	-	-
2025	114,193	-	321,818	-	-	-
2026	114,193	-	321,818	-	-	-
2027	114,193	-	321,818	-	-	-
2028	57,219	-	321,818	-	-	-
2029	-	-	321,818	-	-	-
Totals	\$ 1,716,218	\$ 5,833	\$ 4,827,270	\$ -	\$ 191,596	\$ 14,060

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

General Obligation Bonds and Notes

\$550,000 refunding note, series 2007, issued May 2007, with quarterly payments of \$17,167 including interest at 4.52%. Remaining principal due April 20, 2017.	\$ 191,596
\$6,478,763 waste water facilities revolving loan, initial draw received on June 28, 2007. Annual installments of \$323,938 at 0% interest are due on this loan.	4,827,270
\$2,854,435 water system bond, series 2000, issued September 2001, due in semi-annual installments of \$57,097 through July 2027 at 0% interest.	1,541,611
\$350,000 sewer system improvement general obligation bonds series 2011, issued April 1, 2011, due in monthly installments of \$6,406 through April 1, 2016 with an interest rate of 3.75%.	136,444
\$100,000 water system improvement tax exempt bonds series 2011, issued April 1, 2011, due in monthly installments of \$1,772 through April 1, 2016 with an interest rate of 2.43%.	<u>38,163</u>
Total General Obligation Bonds and Notes	<u>\$ 6,735,084</u>

The Town is limited by the Commonwealth of Virginia as to the amount of debt it can issue. The legal debt margin mandated is computed based upon 10% of the assessed value on real estate subject to taxation, less any outstanding bonded debt.

NOTE 8—PENSION PLAN:

A. Plan Description

Name of Plan:	Virginia Retirement System (VRS)
Identification of Plan:	Agent Multiple-Employer 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 below:

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

VRS – PLAN 1

1. **Plan Overview** - 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.
2. **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.
3. **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.

4. **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.
5. **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.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

VRS – PLAN 1 (CONTINUED)

6. **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.

7. **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.

8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **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.

10. **Normal Retirement Age** - Age 65.

11. **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.

12. **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.

13. **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%.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

VRS – PLAN 1 (CONTINUED)

- 14. 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.

- 15. 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.

- 16. 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.

- 17. Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. 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.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

VRS – PLAN 2

1. **Plan Overview** - 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.
2. **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.
3. **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.

4. **Retirement Contributions** – Same as VRS Plan 1—Refer to Section 4.
5. **Creditable Service** – Same as VRS Plan 1— Refer to Section 5.
6. **Vesting** – Same as VRS Plan 1—Refer to Section 6.
7. **Calculating the Benefit** – Same as VRS Plan 1—Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **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.
10. **Normal Retirement Age** - Normal Social Security retirement age.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

VRS – PLAN 2 (CONTINUED)

- 11. 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.

- 12. 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.

- 13. 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%.

- 14. Eligibility** – Same as VRS Plan 1—Refer to Section 14.

- 15. Exceptions to COLA Effective Dates** – Same as VRS Plan 1—Refer to Section 15.

- 16. 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 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.

- 17. Purchase of Prior Service** – Same as VRS Plan 1—Refer to Section 17.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN

1. **Plan Overview** - 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.
2. **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
3. ***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.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

4. **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.

5. **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. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

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

6. **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.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

6. Vesting (Continued)

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 70½.

7. Calculating the Benefit

Defined Benefit Component – Same as VRS Plan 1—Refer to Section 7.

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.

- 8. Average Final Compensation** – Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

- 9. 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.

10. Normal Retirement Age

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

11. 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.

12. 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.

13. Cost-of-Living Adjustment (COLA) in Retirement

Defined Benefit Component – Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component – Not Applicable.

14. Eligibility – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. Exceptions to COLA Effective Dates – Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. Disability Coverage - Eligible political subdivision and school division members (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.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 8—PENSION PLAN: (Continued)

A. Plan Description (continued)

HYBRID RETIREMENT PLAN (CONTINUED)

17. **Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component – Not Applicable.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website at <http://www.varetire.org/Pdf/Publications/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 8.17% of annual covered payroll.

TOWN OF MOUNT JACKSON, VIRGINIA**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2014 (CONTINUED)**

NOTE 8—PENSION PLAN: (Continued)

C. Annual Pension Cost

For fiscal year 2014, Town's annual pension cost of \$50,669 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town of Mount Jackson, Virginia			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Pension Obligation
June 30, 2014	\$ 50,669	100%	\$ -
June 30, 2013	56,042	100%	-
June 30, 2012	50,868	100%	-

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. The 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. Funding Status and Progress

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan 72.65% funded. The actuarial accrued liability for benefits was \$2,178,700, and the actuarial value of assets was \$1,582,911, resulting in an unfunded actuarial accrued liability (UAAL) of \$595,789. The covered payroll (annual payroll of active employees covered by the plan) was \$653,342 and ratio of the UAAL to the covered payroll was 91.19%.

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

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 9—INTERFUND TRANSACTIONS AND BALANCES:

Operating Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 64,800	\$ 157,400
Capital Project Fund	496,400	24,773
Equipment Replacement Fund	176,400	5,308
Total Governmental Funds	\$ <u>737,600</u>	\$ <u>187,481</u>
Water and Sewer Fund	\$ 30,081	\$ 580,200
Total Proprietary Fund	\$ <u>30,081</u>	\$ <u>580,200</u>
Grand Total	\$ <u><u>767,681</u></u>	\$ <u><u>767,681</u></u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Internal Balances:

There were no internal balances at June 30, 2014.

NOTE 10—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has Workers Compensation coverage with the Virginia Municipal Group Self Insurance Association (Association) for workers compensation insurable risks identified by the Town. The Town has General Liability coverage with the Virginia Municipal Liability Pool (Pool) for all general liability risks. Each Association and Pool member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays the Association and Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and Pool, and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association or Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 (CONTINUED)

NOTE 11—CONTINGENT LIABILITIES:

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 12—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

The Town held no investments at June 30, 2014.

NOTE 13—LITIGATION:

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

NOTE 14—UPCOMING PRONOUNCEMENTS:

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27. This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Standards No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town believes the implementation of Statement No. 68 will significantly impact the Town's net position; however, no formal study or estimate of the impact of this standard has been performed.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
General property taxes	\$ 429,400	\$ 445,000	\$ 436,369	\$ (8,631)
Other local taxes	996,800	946,500	905,178	(41,322)
Permits, privilege fees, and regulatory licenses	5,000	5,000	1,990	(3,010)
Fines and forfeitures	17,100	17,100	23,344	6,244
Revenue from the use of money and property	21,100	15,100	10,304	(4,796)
Charges for services	11,500	13,500	14,074	574
Miscellaneous	41,100	41,100	27,900	(13,200)
Intergovernmental revenues:				
Commonwealth	95,900	177,500	184,585	7,085
Federal	-	-	4,428	4,428
Total revenues	<u>\$ 1,617,900</u>	<u>\$ 1,660,800</u>	<u>\$ 1,608,172</u>	<u>\$ (52,628)</u>
EXPENDITURES				
Current:				
General government administration	\$ 674,500	\$ 659,600	\$ 600,106	\$ 59,494
Public safety	410,600	425,200	388,776	36,424
Public works	367,300	392,000	388,992	3,008
Parks, recreation, and cultural	46,300	46,700	45,559	1,141
Community development	10,000	6,000	2,585	3,415
Debt service:				
Principal retirement	39,970	39,970	39,848	122
Interest and other fiscal charges	34,530	34,530	34,494	36
Total expenditures	<u>\$ 1,583,200</u>	<u>\$ 1,604,000</u>	<u>\$ 1,500,360</u>	<u>\$ 103,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 34,700</u>	<u>\$ 56,800</u>	<u>\$ 107,812</u>	<u>\$ 51,012</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 64,800	\$ 64,800	\$ 64,800	\$ -
Transfers out	(99,500)	(121,600)	(157,400)	(35,800)
Total other financing sources (uses)	<u>\$ (34,700)</u>	<u>\$ (56,800)</u>	<u>\$ (92,600)</u>	<u>\$ (35,800)</u>
Net change in fund balances	\$ -	\$ -	\$ 15,212	\$ 15,212
Fund balances - beginning	-	-	648,265	648,265
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,477</u>	<u>\$ 663,477</u>

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual
Special Revenue Fund - Community Development Block Grant
Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 492	\$ 492
Total revenues	\$ -	\$ -	\$ 492	\$ 492
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 492	\$ 492
Net change in fund balance	\$ -	\$ -	\$ 492	\$ 492
Fund balance - beginning	-	-	15,334	15,334
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,826</u>	<u>\$ 15,826</u>

Town of Mount Jackson, Virginia
Schedule of Pension Funding Progress
June 30, 2014

Exhibit 12

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/13 \$	1,582,911 \$	2,178,700 \$	595,789	72.65% \$	653,342	91.19%
06/30/12	1,526,124	2,071,605	545,481	73.67%	607,167	89.84%
06/30/11	1,471,822	1,633,409	161,587	90.11%	482,263	33.51%
06/30/10	1,364,838	1,679,533	314,695	81.26%	518,592	60.68%
06/30/09	1,301,231	1,461,738	160,507	89.02%	509,849	31.48%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

Capital Projects Fund

Year Ended June 30, 2014

	General Capital Projects Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues:				
Federal	\$ 400,000	\$ 70,000	\$ 13,303	\$ (56,697)
Total revenues	\$ 400,000	\$ 70,000	\$ 13,303	\$ (56,697)
EXPENDITURES				
Capital projects	\$ 485,000	\$ 146,500	\$ 91,070	\$ 55,430
Total expenditures	\$ 485,000	\$ 146,500	\$ 91,070	\$ 55,430
Excess (deficiency) of revenues over (under) expenditures	\$ (85,000)	\$ (76,500)	\$ (77,767)	\$ (1,267)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 85,000	\$ 76,500	\$ 496,400	\$ 419,900
Transfers out	-	-	(24,773)	(24,773)
Total other financing sources (uses)	\$ 85,000	\$ 76,500	\$ 471,627	\$ 395,127
Net change in fund balance	\$ -	\$ -	\$ 393,860	\$ 393,860
Fund balance - beginning	-	-	787,380	787,380
Fund balance - ending	\$ -	\$ -	\$ 1,181,240	\$ 1,181,240

Schedule of Revenues, Expenditures, and Change in Fund Balance - Budget and Actual

Nonmajor Capital Projects Fund

Year Ended June 30, 2014

	Equipment Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 1,020	\$ 1,020
Total revenues	\$ -	\$ -	\$ 1,020	\$ 1,020
EXPENDITURES				
Capital projects	\$ 108,200	\$ 176,400	\$ 108,845	\$ 67,555
Total expenditures	\$ 108,200	\$ 176,400	\$ 108,845	\$ 67,555
Excess (deficiency) of revenues over (under) expenditures	\$ (108,200)	\$ (176,400)	\$ (107,825)	\$ 68,575
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 108,200	\$ 176,400	\$ 176,400	\$ -
Transfers out	-	-	(5,308)	(5,308)
Total other financing sources (uses)	\$ 108,200	\$ 176,400	\$ 171,092	\$ (5,308)
Net change in fund balance	\$ -	\$ -	\$ 63,267	\$ 63,267
Fund balance - beginning	-	-	462,744	462,744
Fund balance - ending	\$ -	\$ -	\$ 526,011	\$ 526,011

Town of Mount Jackson, Virginia
Balance Sheet
Nonmajor Governmental Fund
June 30, 2014

Exhibit 15

	<u>Capital Projects</u>
	<u>Equipment Replacement</u>
ASSETS	
Cash and cash equivalents	\$ 526,011
Total assets	\$ <u>526,011</u>
LIABILITIES AND FUND BALANCE	
Fund balance:	
Assigned:	
Capital projects	\$ 526,011
Total fund balance	\$ 526,011
Total liabilities and fund balance	\$ <u>526,011</u>

Town of Mount Jackson, Virginia
Statement of Revenues, Expenditures, and Change in Fund Balance
Nonmajor Governmental Fund
Year Ended June 30, 2014

	Capital Projects
	Equipment Replacement
REVENUES	
Revenue from the use of money and property	\$ 1,020
Total revenues	<u>\$ 1,020</u>
EXPENDITURES	
Capital projects	\$ 108,845
Total expenditures	<u>\$ 108,845</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (107,825)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 176,400
Transfers out	<u>(5,308)</u>
Total other financing sources (uses)	<u>\$ 171,092</u>
Net change in fund balance	\$ 63,267
Fund balance - beginning	<u>462,744</u>
Fund balance - ending	<u><u>\$ 526,011</u></u>

SUPPORTING SCHEDULES

Town of Mount Jackson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014

Schedule 1
Page 1 of 2

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 230,000	\$ 230,000	\$ 216,746	\$ (13,254)
Personal property taxes	196,400	212,000	216,530	4,530
Penalties and interest on delinquent taxes	3,000	3,000	3,093	93
Total general property taxes	<u>\$ 429,400</u>	<u>\$ 445,000</u>	<u>\$ 436,369</u>	<u>\$ (8,631)</u>
Other local taxes:				
Local sales and use taxes	\$ 135,000	\$ 130,000	\$ 122,045	\$ (7,955)
Consumer utility taxes	59,000	59,000	54,613	(4,387)
Consumption taxes	6,800	6,800	6,461	(339)
Transient occupancy taxes	43,000	43,000	34,871	(8,129)
Business license taxes	100,000	105,000	104,202	(798)
Motor vehicle taxes	44,000	44,000	43,592	(408)
Bank stock taxes	35,000	35,700	35,862	162
Meals taxes	344,000	320,000	312,522	(7,478)
Cigarette taxes	230,000	203,000	191,010	(11,990)
Total other local taxes	<u>\$ 996,800</u>	<u>\$ 946,500</u>	<u>\$ 905,178</u>	<u>\$ (41,322)</u>
Permits, privilege fees, and regulatory licenses:				
Zoning	\$ 5,000	\$ 5,000	\$ 1,990	\$ (3,010)
Total permits, privilege fees, and regulatory licenses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 1,990</u>	<u>\$ (3,010)</u>
Fines and forfeitures	<u>\$ 17,100</u>	<u>\$ 17,100</u>	<u>\$ 23,344</u>	<u>\$ 6,244</u>
Use of money and property:				
Revenue from use of money	\$ 12,000	\$ 6,000	\$ 1,994	\$ (4,006)
Revenue from use of property	9,100	9,100	8,310	(790)
Total use of money and property	<u>\$ 21,100</u>	<u>\$ 15,100</u>	<u>\$ 10,304</u>	<u>\$ (4,796)</u>
Charges for services:				
Pool admissions	\$ 8,500	\$ 8,500	\$ 9,579	\$ 1,079
Pool concessions	1,000	3,000	3,327	327
Other	2,000	2,000	1,168	(832)
Total charges for services	<u>\$ 11,500</u>	<u>\$ 13,500</u>	<u>\$ 14,074</u>	<u>\$ 574</u>
Miscellaneous revenue:				
Miscellaneous	\$ 36,100	\$ 36,100	\$ 17,700	\$ (18,400)
Sale of equipment	5,000	5,000	10,200	5,200
Total miscellaneous revenue	<u>\$ 41,100</u>	<u>\$ 41,100</u>	<u>\$ 27,900</u>	<u>\$ (13,200)</u>
Total revenue from local sources	<u>\$ 1,522,000</u>	<u>\$ 1,483,300</u>	<u>\$ 1,419,159</u>	<u>\$ (64,141)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 8,600	\$ 9,200	\$ 9,151	\$ (49)
Personal property tax relief funds	33,600	33,600	33,571	(29)
Mobile home titling tax	1,000	1,000	-	(1,000)
Total noncategorical aid	<u>\$ 43,200</u>	<u>\$ 43,800</u>	<u>\$ 42,722</u>	<u>\$ (1,078)</u>

Town of Mount Jackson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
Year Ended June 30, 2014 (Continued)

Schedule 1
Page 2 of 2

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Fire program	\$ -	\$ 17,000	\$ 18,000	\$ 1,000
Litter control grant	1,000	1,000	1,114	114
DJCP grant for law enforcement	41,200	41,200	41,240	40
Local law enforcement block grant	500	500	988	488
VDOT snow removal	10,000	74,000	77,921	3,921
Other	-	-	2,600	2,600
Total categorical aid	\$ 52,700	\$ 133,700	\$ 141,863	\$ 8,163
Total revenue from the Commonwealth	\$ 95,900	\$ 177,500	\$ 184,585	\$ 7,085
Revenue from the federal government:				
Categorical aid:				
DMV - ground transportation safety grant	\$ -	\$ -	\$ 4,428	\$ 4,428
Total revenue from the federal government	\$ -	\$ -	\$ 4,428	\$ 4,428
Total General Fund	\$ 1,617,900	\$ 1,660,800	\$ 1,608,172	\$ (52,628)
Special Revenue Fund:				
Community Development Block Grant Fund:				
Revenue from local sources:				
Miscellaneous revenue	\$ -	\$ -	\$ 492	\$ 492
Total miscellaneous revenue	\$ -	\$ -	\$ 492	\$ 492
Total revenue from local sources	\$ -	\$ -	\$ 492	\$ 492
Total Community Development Block Grant Fund	\$ -	\$ -	\$ 492	\$ 492
Capital Projects Funds:				
Equipment Replacement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 1,020	\$ 1,020
Total revenue from local sources	\$ -	\$ -	\$ 1,020	\$ 1,020
Total Equipment Replacement Fund	\$ -	\$ -	\$ 1,020	\$ 1,020
General Capital Projects Fund:				
Revenue from the federal government:				
Categorical aid:				
TEA grant	\$ 400,000	\$ 70,000	\$ 13,303	\$ (56,697)
Total categorical aid	\$ 400,000	\$ 70,000	\$ 13,303	\$ (56,697)
Total revenue from the federal government	\$ 400,000	\$ 70,000	\$ 13,303	\$ (56,697)
Total General Capital Projects Fund	\$ 400,000	\$ 70,000	\$ 13,303	\$ (56,697)
Total Primary Government	\$ 2,017,900	\$ 1,730,800	\$ 1,622,987	\$ (107,813)

Town of Mount Jackson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
Year Ended June 30, 2014

Schedule 2
Page 1 of 3

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personal services	\$ 4,700	\$ 4,700	\$ 4,643	\$ 57
Fringe benefits	400	400	355	45
Other charges	34,900	31,100	30,522	578
Total town council	\$ 40,000	\$ 36,200	\$ 35,520	\$ 680
Town Manager:				
Personal services	\$ 80,000	\$ 70,000	\$ 70,802	\$ (802)
Fringe benefits	28,700	19,600	18,723	877
Total town manager	\$ 108,700	\$ 89,600	\$ 89,525	\$ 75
Assistant Town Manager:				
Personal services	\$ -	\$ 38,000	\$ 25,841	\$ 12,159
Fringe benefits	-	3,000	1,977	1,023
Total assistant town manager	\$ -	\$ 41,000	\$ 27,818	\$ 13,182
Treasurer's office:				
Personal services	\$ 66,300	\$ 66,500	\$ 68,124	\$ (1,624)
Fringe benefits	29,400	28,900	27,043	1,857
Total treasurer's office	\$ 95,700	\$ 95,400	\$ 95,167	\$ 233
Total legislative	\$ 244,400	\$ 262,200	\$ 248,030	\$ 14,170
Administration:				
Personal services	\$ 91,100	\$ 97,200	\$ 99,116	\$ (1,916)
Fringe benefits	23,700	31,900	31,413	487
Legal and expert services	17,500	17,500	16,532	968
Independent auditor	25,000	25,000	21,700	3,300
Computer support	20,000	20,000	17,892	2,108
Contingency	73,100	15,000	-	15,000
Vehicle costs	12,000	12,000	9,875	2,125
Other	40,500	45,800	33,496	12,304
Total administration	\$ 302,900	\$ 264,400	\$ 230,024	\$ 34,376
Buildings and property:				
Municipal property	\$ 13,000	\$ 15,000	\$ 14,185	\$ 815
Community center	45,500	50,500	52,977	(2,477)
Union church	1,400	1,400	1,288	112
Museum	100	100	68	32
Tourism	22,200	21,000	6,046	14,954
Town office	45,000	45,000	47,488	(2,488)
Total buildings and property	\$ 127,200	\$ 133,000	\$ 122,052	\$ 10,948
Total general government administration	\$ 674,500	\$ 659,600	\$ 600,106	\$ 59,494

Town of Mount Jackson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014 (Continued)

Schedule 2
Page 2 of 3

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety:				
Law enforcement and traffic control:				
Police department:				
Personal services	\$ 227,900	\$ 218,600	\$ 224,776	\$ (6,176)
Fringe benefits	96,700	95,500	94,947	553
Other charges	52,000	59,100	45,493	13,607
Capital outlay	9,000	10,000	6,560	3,440
Total law enforcement and traffic control	\$ 385,600	\$ 383,200	\$ 371,776	\$ 11,424
Fire and rescue services:				
Fire department	\$ 25,000	\$ 42,000	\$ 17,000	\$ 25,000
Total fire and rescue services	\$ 25,000	\$ 42,000	\$ 17,000	\$ 25,000
Total public safety	\$ 410,600	\$ 425,200	\$ 388,776	\$ 36,424
Public works:				
Personal services	\$ 180,700	\$ 184,300	\$ 189,862	\$ (5,562)
Fringe benefits	82,000	82,500	81,918	582
Other charges	46,800	46,800	42,441	4,359
Building maintenance	10,800	10,400	11,141	(741)
Streets and sidewalks	47,000	68,000	63,630	4,370
Total public works	\$ 367,300	\$ 392,000	\$ 388,992	\$ 3,008
Parks, recreation, and cultural:				
Personal services	\$ 23,500	\$ 23,400	\$ 22,984	\$ 416
Fringe benefits	1,800	1,800	1,773	27
Other charges	14,000	14,500	15,475	(975)
Town park	7,000	7,000	5,327	1,673
Total parks, recreation, and cultural	\$ 46,300	\$ 46,700	\$ 45,559	\$ 1,141
Community development:				
Professional services	\$ 6,500	\$ 4,000	\$ 1,857	\$ 2,143
Other charges	3,500	2,000	728	1,272
Total community development	\$ 10,000	\$ 6,000	\$ 2,585	\$ 3,415
Debt service:				
Principal	\$ 39,970	\$ 39,970	\$ 39,848	\$ 122
Interest	34,530	34,530	34,494	36
Total debt service	\$ 74,500	\$ 74,500	\$ 74,342	\$ 158
Total General Fund	\$ 1,583,200	\$ 1,604,000	\$ 1,500,360	\$ 103,640

Town of Mount Jackson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2014 (Continued)

Schedule 2
Page 3 of 3

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
Equipment Replacement Fund:				
Capital outlay	\$ 108,200	\$ 176,400	\$ 108,845	\$ 67,555
Total capital projects	\$ 108,200	\$ 176,400	\$ 108,845	\$ 67,555
Total Equipment Replacement Fund	\$ 108,200	\$ 176,400	\$ 108,845	\$ 67,555
 General Capital Projects Fund:				
Capital projects	\$ 485,000	\$ 146,500	\$ 91,070	\$ 55,430
Total General Capital Projects Fund	\$ 485,000	\$ 146,500	\$ 91,070	\$ 55,430
Total Primary Government	\$ 2,176,400	\$ 1,926,900	\$ 1,700,275	\$ 226,625

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF MOUNT JACKSON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Jackson, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Mount Jackson, Virginia's basic financial statements, and have issued our report thereon dated January 9, 2015.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Town of Mount Jackson, 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.

Robinson, Farmer, Cox Associates

Staunton, Virginia
January 9, 2015