TOWN OF EDINBURG, VIRGINIA FINANCIAL STATEMENTS YEAR ENDED JUNE 30, 2014

OFFICERS

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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 Edinburg, Virginia Edinburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Edinburg, 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. 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, and each major fund, of the Town of Edinburg, 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 4-8, 44 and 45 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 Edinburg, Virginia's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is 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 May 29, 2015 on our consideration of the Town of Edinburg, 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 the Town of Edinburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates Charlottesville, Virginia

May 29, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,031,512 (net position). Virtually all of this amount, \$951,661 is invested in capital assets and is not available to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the Town's funds reported a General Fund balance of \$310,976, an increase of \$93,926 from the prior year.
- The Town's total long-term obligations decreased by \$4,926 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components:

- Government-wide financial statements.
- Fund financial statements, and
- Notes to the financial statements.

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

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

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

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

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

The Government-wide financial statements include only the Town of Edinburg, Virginia, itself (known as the primary government).

Overview of the Financial Statements: (Continued)

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

<u>Governmental funds</u> - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund - the General Fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

<u>Proprietary funds</u> - The Town maintains one proprietary fund - the Water and Sewer Fund. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$1,031,512 at the close of the most recent fiscal year.

Town of Edinburg, Virginia's Net Position

	_	Governmental Activities		Business-type Activities		Totals
Current and other assets Capital assets	\$_	546,276 1,369,642	\$	(231,389) 1,775,918	\$	314,887 3,145,560
Total assets	\$_	1,915,918	\$_	1,544,529	\$_	3,460,447
Long-term liabilities outstanding Current liabilities	\$_	311,262 245,826	\$	1,492,857 239,575	\$	1,804,119 485,401
Total liabilities	\$_	557,088	\$_	1,732,432	\$_	2,289,520
DEFERRED INFLOWS OF RESOURCES Unavailable revenue	\$_	139,415	\$_		\$_	139,415
Net position: Net investment in capital assets Unrestricted	\$_	860,297 359,118	\$	91,364 (279,267)	-	951,661 79,851
Total net position	\$_	1,219,415	\$_	(187,903)	\$_	1,031,512

A large part of the Town's net position \$951,661 reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related obligations used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Government-wide Financial Analysis: (Continued)

<u>Governmental Activities</u> - Governmental activities increased the Town's net position by \$75,740 while proprietary activities decreased net position by \$194,844. Key elements of these increases are as follows:

Town of Edinburg, Virginia's Changes in Net Position For the Year Ended June 30, 2014

		Governmental Activities	Business-type Activities		Totals
Revenues:	_			-	
Program revenues:					
Charges for services	\$	95,873	\$ 480,161	\$	576,034
Operating grants and contributions		98,156	-		98,156
General revenues:					
General property taxes		324,748	-		324,748
Other local taxes		226,281	-		226,281
Grants and contributions not restricted					
to specific programs		44,010	-		44,010
Other general revenues	-	29,226	 -	-	29,226
Total revenues	\$_	818,294	\$ 480,161	\$_	1,298,455
Expenses:					
General government administration	\$	200,086	\$ -	\$	200,086
Public safety		150,831	-		150,831
Public works		218,699	-		218,699
Parks, recreation, and cultural		155,609	-		155,609
Community development		180	-		180
Interest and other fiscal charges		17,149	-		17,149
Water and Sewer Fund	_	-	 675,005		675,005
Total expenses	\$_	742,554	\$ 675,005	\$_	1,417,559
Increase (decrease) in net position	\$	75,740	\$ (194,844)	\$	(119,104)
Net position, beginning of year	_	1,143,675	 6,941		1,150,616
Net position, end of year	\$_	1,219,415	\$ (187,903)	\$_	1,031,512

Financial Analysis of the Town's Funds

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

Governmental Funds - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. At June 30, 2014 the Town's unassigned fund balance totals \$310,101, as the balance increased \$93,051 during the fiscal year.

General Fund Budgetary Highlights

The General Fund budget reflected revenues in the amount of \$834,507 and expenditures in the amount of \$857,831 (reference schedules 1 and 2). Actual General Fund revenues totaled \$791,158 which was \$43,349 under the final budget. General Fund expenditures totaled \$753,104 and were under the final budget amounts by \$104,727. Overall general revenues and other financing sources were more than expenditures and other uses by \$93,926, reference Exhibit 9.

Capital Asset and Debt Administration

<u>Capital assets</u> - The Town's investment in capital assets for its governmental funds as of June 30, 2014 totals \$1,369,642 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment. The Town's investment in capital assets for the current fiscal year decreased by \$21,635, due primarily to current year depreciation.

Additional information on the Town's capital assets can be found in Note 4 to the financial statements.

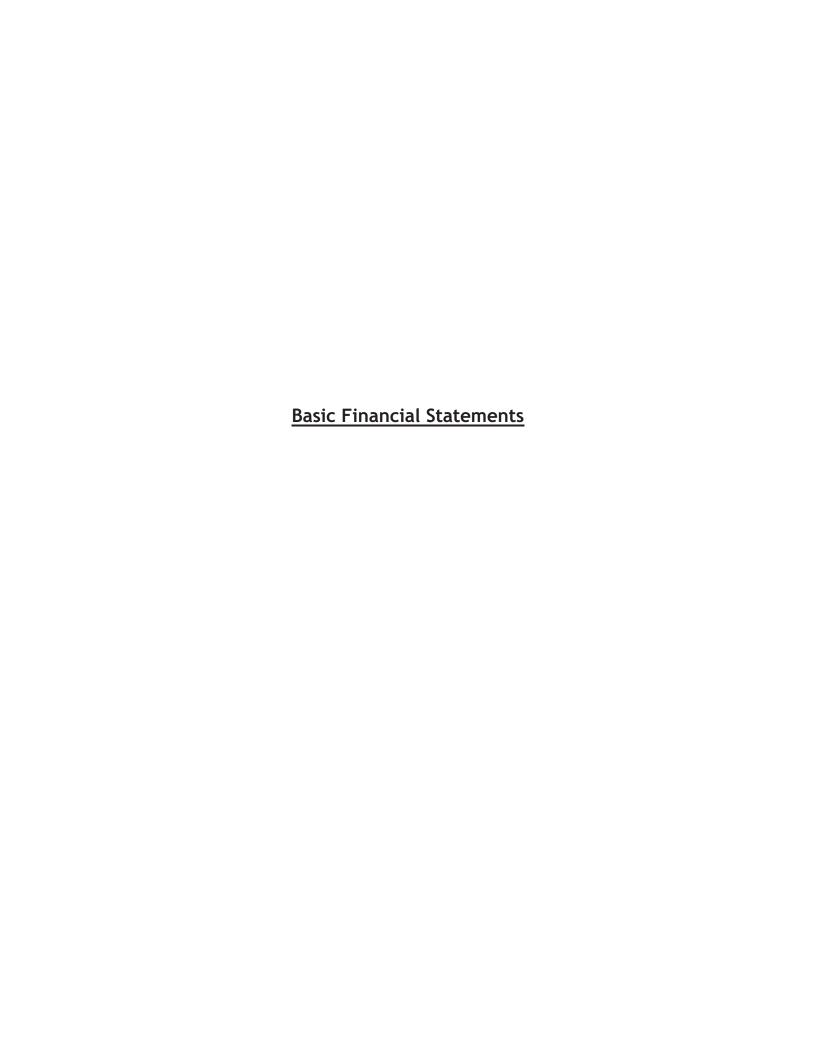
Debt

During the year the Town increased its governmental obligations by \$23,688. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in Note 5 to the financial statements.

Contact The Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Edinburg, P. O. Box 85, Edinburg, Virginia 22824.











	_	P	rimary Governmer	nt
	-	Governmental Activities	Business- Type Activities	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$	80,113 \$	- \$	80,113
Internal balances		279,715	(279,715)	-
Receivables:		4/4 450		4/4 450
Property taxes		161,150	40.227	161,150
Accounts receivable		21,760	48,326	70,086
Due from other governments		2,663 875	-	2,663 875
Prepaid items	-	0/3	- -	6/3
Total Current Assets	\$_	546,276 \$	(231,389) \$	314,887
Noncurrent Assets:				
Capital assets (net of accumulated depreciation):				
Land	\$	174,030 \$	29,485 \$	203,515
Buildings and improvements		1,167,933	1,709,807	2,877,740
Equipment	_	27,679	36,626	64,305
Total Capital Assets	\$	1,369,642 \$	1,775,918 \$	3,145,560
Total Assets	\$_	1,915,918 \$	1,544,529 \$	3,460,447
LIABILITIES				
Current Liabilities:				
Accounts payable	\$	24,563 \$	23,651 \$	48,214
Accrued expenses		10,008	-	10,008
Customer deposits		-	13,339	13,339
Current portion of long-term obligations	-	211,255	202,585	413,840
Total Current Liabilities	\$	245,826 \$	239,575 \$	485,401
Noncurrent Liabilities:				
Noncurrent portion of long-term obligations	_	311,262	1,492,857	1,804,119
Total Liabilities	\$_	557,088 \$	1,732,432 \$	2,289,520
DEFERRED INFLOWS OF RESOURCES Unavailable revenue	\$_	139,415_\$	\$_	139,415
NET POSITION				
Net investment in capital assets	\$	860,297 \$	91,364 \$	951,661
Unrestricted	-	359,118	(279,267)	79,851
Total Net Position	\$_	1,219,415 \$	(187,903) \$	1,031,512
Total Liabilities, Deferred Inflows of Resources and Net Position	\$_	1,915,918 \$	1,544,529 \$	3,460,447

Program	Revenues
---------	----------

Functions/Programs		Expenses	Charges for Services	Operating Grants and Contributions	 Capital Grants and Contributions
Governmental activities:					
General government administration	\$	200,086 \$	180 \$	-	\$ -
Public safety		150,831	3,445	10,500	-
Public works		218,699	-	87,656	-
Parks and recreation and cultural		155,609	92,248	-	-
Community development		180	-	-	-
Interest and other fiscal charges	_	17,149			
Total governmental activities	\$_	742,554 \$	95,873	98,156	\$
Business-type activities:					
Water and Sewer	\$_	675,005 \$	480,161	-	\$ <u>-</u>
Total primary government	\$	1,417,559 \$	576,034 \$	98,156	\$ -

General revenues:

General property taxes

Local sales and use taxes

Business license taxes

Bank franchise tax

Meals taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position

	Primary Government						
			Business-				
	Governmental		Type				
	Activities		Activities		Total		
\$	(199,906)	ς	_	\$	(199,906)		
7	(136,886)	~	_	~	(136,886)		
	(131,043)		_		(131,043)		
	(63,361)		_		(63,361)		
	(180)		-		(180)		
	(17,149)		-		(17,149)		
	(, ,			•			
\$	(548,525)	\$	-	\$	(548,525)		
					_		
\$	-	\$	(194,844)	Ś	(194,844)		
·			(') - /	٠.	(, , , , , ,		
\$	(548,525)	\$	(194,844)	\$	(743,369)		
				•			
_		_		_			
\$	324,748	\$	-	\$	324,748		
	43,094		-		43,094		
	65,198		-		65,198		
	43,877		-		43,877		
	38,045		-		38,045		
	36,067		-		36,067		
	2,165		-		2,165		
	27,061		-		27,061		
	44,010		-		44,010		
\$ \$	624,265	\$	-	\$	624,265		
\$	75,740	\$	(194,844)	\$	(119,104)		
÷	1,143,675		6,941	٠,٠	1,150,616		
\$	1,219,415	\$	(187,903)	\$	1,031,512		







Balance Sheet - Governmental Fund June 30, 2014

		General Fund
ASSETS	ć	00.442
Cash and cash equivalents Receivables:	\$	80,113
Property taxes		161,150
Accounts receivable		21,760
Due from other governments		2,663
Due from other fund		279,715
Prepaid items		875
Total assets	\$ <u></u>	546,276
LIABILITIES		
Accounts payable	\$	24,564
Accrued expenses	_	10,008
Total liabilities	\$_	34,572
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	\$_	200,728
FUND BALANCES		
Nonspendable:		875
Prepaid items	\$	0/3
Unassigned: General	_	310,101
Total fund balances	\$_	310,976
Total liabilities, deferred inflows of resources, and fund balances	\$_	546,276
Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:		
Fund balance of governmental funds	\$	310,976
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the town as a whole.		1,369,642
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in the fund balance.		61,314
Long-term liabilities applicable to the town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilitiesboth current and long-termare reported in the statement of net position.	_	(522,517)
Net position of governmental activities	\$_	1,219,415
TI		

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Year Ended June 30, 2014

		General Fund
Revenues:		
General property taxes	\$	297,612
Other local taxes		226,281
Permits, privilege fees and regulatory licenses		180
Fines and forfeitures		3,445
Revenue from use of money and property		2,165
Charges for services		92,248
Miscellaneous		27,061
Intergovernmental revenue:		27,001
Commonwealth		142 166
Commonweatth		142,166
Total revenues	\$	791,158
Expenditures:		
Current:		
General administration	\$	199,655
Public safety	·	147,295
Public works		194,001
Parks, recreation and cultural		140,566
Community development		180
Nondepartmental		
·		6,000
Capital projects		15,643
Debt service:		20 445
Principal retirement		32,615
Interest and other fiscal charges		17,149
Total expenditures	\$	753,104
Excess (deficiency) of revenues		
over (under) expenditures	\$	38,054
`		·
Other financing sources (uses):		
Issuance of line of credit	\$	4,222
Issuance of debt		51,650
Total other financing sources (uses)	\$	55,872
Net change in fund balance	\$	93,926
Fund balance at beginning of year		217,050
Fund balance at end of year	\$	310,976

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2014

			Primary Government Governmental Funds
Amounts reported for governmental activities in the Statement of Activities are different because:			
Net change in fund balances - total governmental funds		\$	93,926
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 depreciation exceeded capital outlays in the current period. The following details support this adjustment.			
Capital outlay Depreciation expense	\$	21,918 (43,553)	(21,635)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes.			27,136
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term obligations and related items and details are as follows:			
Principal retired on notes payable Issuance of debt Principal retired on line of credit	\$ _	27,615 (55,872) 5,000	(23,257)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:			
Change in compensated absences			(430)
Change in net position of governmental activities		\$	75,740

Statement of Net Position - Proprietary Fund June 30, 2014

ASSETS	-	Enterprise Fund Water and Sewer Fund
Current Assets		
Receivables	\$	48,326
Total Current Assets	\$ <u></u>	48,326
	_	
Noncurrent Assets		
Capital assets:		
Land	\$	29,485
Buildings and improvements		4,761,784
Equipment		234,464
Accumulated depreciation	_	(3,249,814)
Total Noncurrent Assets	\$_	1,775,918
Total Assets	\$ <u>_</u>	1,824,244
LIABILITIES Current Liabilities	ć	22 /54
Accounts payable	\$	23,651
Customer deposits		13,339
Due to other fund		279,715
Long-term obligations, current portion	<u>,</u> -	202,585
Total Current Liabilities	\$_	519,290
Noncurrent Liabilities		
Long-term obligations, noncurrent portion	\$_	1,492,857
Total Liabilities	\$_	2,012,147
NET POSITION		
Net investment in capital assets	\$	91,364
Unrestricted - (deficit)	_	(279, 267)
Total Net Position (Deficit)	\$_	(187,903)
Total Liabilities and Net Position	\$_	1,824,244

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund Year Ended June 30, 2014

	_	Enterprise Fund
	_	Water and Sewer Fund
Operating revenues:	_	
Charges for services	\$_	480,161
Total operating revenues	\$_	480,161
Operating expenses:		
Payroll expenditures	\$	98,363
Insurance		36,522
Contractual services		153,745
Other charges		193,086
Depreciation	-	116,152
Total operating expenses	\$_	597,868
Operating income (loss)	\$_	(117,707)
Nonoperating revenues (expenses):		
Interest expense	\$_	(77,137)
Total nonoperating revenues (expenses)	\$_	(77,137)
Changes in net position	\$	(194,844)
Net position at beginning of year	-	6,941
Net position (deficit) at end of year	\$_	(187,903)

Statement of Cash Flows -Proprietary Fund Year Ended June 30, 2014

	-	Enterprise Fund Water and Sewer Fund
Cash flows from operating activities: Receipts from customers and users Payments to employees (including fringe benefits) Payments for operating activities	\$	499,456 (96,701) (374,543)
Net cash provided by (used for) operating activities	\$_	28,212
Cash flows from capital and related financing activities: Retirement of indebtedness Issuance of long-term obligations Interest expense	\$	(55,326) 25,050 (77,137)
Net cash provided by (used for) capital and related financing activities	\$_	(107,413)
Cash flows from noncapital financing activities: Due to other fund	\$_	99,585
Net cash provided by (used for) noncapital financing activities	\$_	99,585
Cash flows from investing activities: Purchase of capital assets	\$_	(20,384)
Net cash provided by (used for) by investing activities	\$_	(20,384)
Increase (decrease) in cash and cash equivalents	\$	-
Cash and cash equivalents at beginning of year	_	
Cash and cash equivalents at end of year	\$_	
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities: Operating income (loss)	\$	(117,707)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: Depreciation		116,152
Changes in operating assets and liabilities: Decrease in accounts receivable Increase in accounts payable (Decrease) in customer deposits Increase in compensated absences	-	19,295 12,397 (3,587) 1,662
Net cash provided by (used for) operating activities	\$ ₌	28,212

Notes to Financial Statements As of June 30, 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Town of Edinburg is governed by an elected seven member Town Council. The Town provides a wide range of services for its citizens. These services include police protection, water services, recreational activities, cultural events, health, and road maintenance.

Financial Statement Presentation

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

Government-wide and Fund Financial Statements

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

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

<u>Statement of Net Position</u> - 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.

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Notes to Financial Statements As of June 30, 2014 (Continued)

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

Government-wide and Fund Financial Statements: Continued

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

A. The Financial Reporting Entity:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for general-purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in the reporting entity. These financial statements present the Town of Edinburg (the primary government).

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

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

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

Notes to Financial Statements As of June 30, 2014 (Continued)

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

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

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

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

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds:

a. General Fund

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

2. Proprietary Funds

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

Enterprise Funds

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

The Town reports the following major enterprise fund:

Water and Sewer Fund: This fund is used to account for water and sewer services of the Town.

Notes to Financial Statements As of June 30, 2014 (Continued)

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

C. Budgets and Budgetary Accounting:

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

- 1. Prior to March 30, the Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
- 2. Public hearings are conducted to obtain citizen comments.
- 3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
- 4. The Appropriations Resolution places legal restrictions on expenditures at the department level or category level. The appropriation for each department or category can be revised only by the Town Council. The Mayor 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. All appropriations lapse on June 30, for all Town units.
- 8. All budget data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

D. Cash and Cash Equivalents:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The Town does not have any investments at June 30, 2014.

E. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

F. Receivables and Payables:

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

Notes to Financial Statements As of June 30, 2014 (Continued)

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

F. Receivables and Payables: (Continued)

The Town collects substantially all water accounts receivable; consequently, no provision for doubtful accounts is considered necessary.

Property Tax Calendar

The Town collects real and personal property taxes semiannually. Real and personal property taxes are levied as of January 1 for a calendar year and are due on June 5 and December 5; penalties and interest accrue on all unpaid balances as of these dates. Unpaid real estate taxes constitute a lien against the property as of the due date of the tax. The Town bills and collects its own property taxes. No provision is made for doubtful accounts.

G. Capital Assets:

Capital assets, which include property, plant and equipment, and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2014 was immaterial.

Property, plant and equipment and intangible assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20 to 50
Equipment	5 to 10

H. 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/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2014.

Notes to Financial Statements As of June 30, 2014 (Continued)

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

H. Deferred Outflows/Inflows of Resources: (Continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has 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, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

I. Compensated Absences:

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

J. Long-term Obligations:

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

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

K. Retirement Plan:

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

L. Use of Estimates:

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

Notes to Financial Statements As of June 30, 2014 (Continued)

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

M. Fund Equity:

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

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

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

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

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

The details of governmental fund balances are reported in Exhibit 3.

N. Net Position:

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

Notes to Financial Statements As of June 30, 2014 (Continued)

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

O. Net Position Flow Assumption:

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

NOTE 2-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 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 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).

At June 30, 2014, the Town had no investments.

NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

The Town had receivables due from other governmental units at June 30, 2014 as follows:

		General Fund
Commonwealth of Virginia:		
Communication taxes	\$	1,661
Rolling stock tax		2
Fire Program Funds	_	1,000
Total	\$	2,663

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 4—CAPITAL ASSETS:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

		Balance July 1, 2013		Additions	Deletions		Balance June 30, 2014
Governmental Activities:	_					•	
Capital assets not being depreciated:							
Land	\$_	174,030	\$	-	\$ -	\$	174,030
Total capital assets not being depreciated	\$_	174,030	\$	-	\$ -	\$	174,030
Other capital assets:							
Buildings and improvements	\$	1,449,184	\$	-	\$ -	\$	1,449,184
Equipment		231,844		21,918	9,000		244,762
Intangible assets	_	10,927		-	 -		10,927
Total other capital assets	\$_	1,691,955	\$	21,918	\$ 9,000	\$	1,704,873
Accumulated depreciation:							
Buildings and improvements	\$	239,849	\$	41,402	\$ -	\$	281,251
Equipment		223,932		2,151	9,000		217,083
Intangible assets	_	10,927	-	-	 -		10,927
Total accumulated depreciation	\$_	474,708	\$	43,553	\$ 9,000	\$	509,261
Other capital assets, net	\$_	1,217,247	\$	(21,635)	\$ -	\$	1,195,612
Net capital assets	\$_	1,391,277	\$	(21,635)	\$ -	\$	1,369,642
B							

Depreciation is allocated to:

Public safety	\$ 3,849
Public works	31,316
Parks, recreation and cultural	8,388
Total	\$ 43,553

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 4-CAPITAL ASSETS: (CONTINUED)

Duain and turns Activities	_	Balance July 1, 2013		Additions	 Deletions	 Balance June 30, 2014
Business-type Activities: Capital assets not being depreciated: Land	\$	29,485	\$	-	\$	\$ 29,485
Construction in progress	-	847,077		-	 847,077	
Total capital assets not being depreciated	\$_	876,562	\$_	-	\$ 847,077	\$ 29,485
Other capital assets:						
Buildings and improvements Equipment	\$	3,914,707 214,080	\$	847,077 20,384	-	\$ 4,761,784 234,464
Total other capital assets	\$_	4,128,787	\$	867,461	\$ -	\$ 4,996,248
Accumulated depreciation:						
Buildings and improvements Equipment	\$ _	2,943,348 190,314	\$ -	108,629 7,523	\$ -	\$ 3,051,977 197,837
Total accumulated depreciation	\$_	3,133,662	\$_	116,152	\$ -	\$ 3,249,814
Other capital assets, net	\$_	995,124	\$_	751,309	\$ -	\$ 1,746,433
Net capital assets	\$ <u>_</u>	1,871,686	\$	751,309	\$ 847,077	\$ 1,775,918

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS:

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

	Balance at July 1, 2013		Issuances/ Increases		Retirements/ Decreases		Balance at June 30, 2014	Current Portion
Governmental Activities Obligations:								
Notes payable	\$	330,015 \$	25,050	\$	17,615	\$	337,450 \$	38,043
Line of credit		156,073	4,222		5,000		155,295	155,295
Edinburg Heritage Foundation		-	15,500		10,000		5,500	5,500
St. Paul's Preservation Trust		-	11,100		-		11,100	11,100
Compensated absences		12,741	2,484		2,053		13,172	1,317
Total Governmental Activities Obligations	\$_	498,829	58,356	\$	34,668	\$	522,517 \$	211,255
Business-type Activities Obligations:								
General obligation bonds	\$	1,436,520 \$	-	\$	43,815	\$	1,392,705 \$	45,461
Notes payable		135,087	25,050		10,452		149,685	13,871
Line of credit		143,223	-		1,059		142,164	142,164
Compensated absences	_	9,226	2,418		756		10,888	1,089
Total Business-type Activities								
Obligations	\$_	1,724,056 \$	27,468	\$	56,082	\$	1,695,442 \$	202,585

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

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

		Governmental Activities											
Year						Liı	ne o	of					
Ending		Notes Payable				Cr	edit						
June 30,		Principal	Inter		Principal		Interest						
2015	\$	38,043	\$ 9	,226	\$	155,295	\$	-					
2016	•	55,591		,343		-		_					
2017		212,331		,810		-		-					
2018		20,265		527		-		-					
2019		3,745		381		-		-					
2020		3,897		228		-		-					
2021		3,578		70		-							
2022		-		-		-		-					
2023		-		-		-		-					
2024		-		-		-	-						
2025		-		-		-	-						
2026		-		-		-		-					
2027		-		-		-	-						
2028		-		-		-	-						
2029		-		-		-		-					
2030		-		-		-		-					
2031		-		-		-		-					
2032		-		-		-		-					
2033		-		-		-		-					
2034		-		-		-		-					
2035		-		-		-		-					
2036		-		-		-		-					
2037		-		-		-		-					
2038	_	-		-		-		-					
Total	\$	337,450	\$ 24	,585	\$	155,295	\$	-					

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

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

Business-type Activities

Year -	Gener	al	business-type		Line	of
Ending	Obligation	Bonds	Notes Pa	yable	Credi	t
June 30,	ne 30, Principal Interest Principal Interest		Principal	Interest		
2015 \$	45,461 \$	64,673 \$	13,871 \$	5,804 \$	142,164 \$	-
2016	47,183	62,535	14,443	5,231	-	-
2017	48,987	60,309	106,553	3,688	-	-
2018	50,880	57,968	3,598	527	-	-
2019	52,866	55,508	3,745	381	-	-
2020	59,947	52,819	3,897	228	-	-
2021	62,131	49,899	3,578	70	-	-
2022	64,420	46,873	-	-	-	-
2023	66,821	43,738	-	-	-	-
2024	69,340	40,486	-	-	-	-
2025	71,980	37,108	-	-	-	-
2026	74,750	33,599	-	-	-	-
2027	67,182	30,069	-	-	-	-
2028	55,755	27,271	-	-	-	-
2029	57,673	24,608	-	-	-	-
2030	62,400	21,734	-	-	-	-
2031	56,514	18,970	-	-	-	-
2032	58,192	16,293	-	-	-	-
2033	59,946	13,538	-	-	-	-
2034	61,781	10,701	-	-	-	-
2035	63,701	7,780	-	-	-	-
2036	75,708	4,526	-	-	-	-
2037	47,808	1,681	-	-	-	-
2038	11,279	69		<u> </u>		-
Total \$	1,392,705 \$	782,755 \$	149,685 \$	15,929 \$	142,164 \$	-

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations at June 30, 2014, are as follows:

	Amount Outstanding
Governmental Activities: Notes payable:	
Note payable, Farmers & Merchants Bank, payable in 60 monthly installments of \$2,206 through February 2017, interest at 4.064%, with a balloon payment of \$162,705 due on March 1, 2017	\$ 212,660
Note payable, Farmers & Merchants Bank, original principal amount \$50,100, payable in 60 monthly installments of \$688 through June 2021, interest at 4.00%, 50% split with proprietary activities	24,790
\$200,000 issued November 16, 2007, payable in semi-annual installments of \$16,667 beginning June 16, 2015 through July 16, 2011, interest at 0%	100,000
Total Notes Payable	\$ 337,450
Line of credit:	
Line of Credit payable, Farmers & Merchants Bank note dated July 3, 2008 interest payable monthly at 4.0%	\$ 155,295
Temporary loan from Edinburg Heritage Foundation	\$ 5,500
Temporary loan from St. Paul's Preservation Trust	\$ 11,100
Compensated Absences	\$ 13,172
Total Long-Term Obligations from Governmental Activities	\$ 522,517
	Amount Outstanding
Business-type Activities:	
General Obligation Bonds:	
G.O. Bonds 1988A Series, Serial General Obligation Bonds, original principal amount of \$327,200, payable in monthly installments of \$1,607 through February 2028, including interest at 5%	\$ 178,728
1988B Series, Serial General Obligation Bonds, original principal amount of \$77,500, payable in monthly installments of \$381 through February 2028,	
including interest at 5%	43,508

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 5-LONG-TERM OBLIGATIONS: (CONTINUED)

Details of long-term obligations at June 30, 2014, are as follows: (continued)

Business-type Activities: (Continued) General Obligation Bonds: (Continued) 1990 Series, Serial General Obligation Bonds, original principal amount of	,	Amount Outstanding
\$169,700, payable in monthly installments of $$827$ through December 2030, including interest at $5%$	\$	108,124
1997A Series, Serial General Obligation Bonds, original principal amount of \$675,600, payable in monthly installments of \$3,068 through October 2037,		
including interest at 4.50%		530,000
1997B Series, Serial General Obligation Bonds, original principal amount of \$232,500, payable in monthly installments of \$1,056 through October 2037, including interest at 4.50%		182,345
2006 A Series, Infrastructure Revenue bonds, issued June 1, 2006, Original Principal Amount of \$390,000, payable in various semi-annual installments beginning October 1, 2007 through October 1, 2036, interest at 4.41%		350,000
Total General Obligation Bonds	\$	1,392,705
Note Payables: Note payable, Farmers & Merchants Bank, payable in 60 monthly installments of \$1,296 through February 2017, interest at 4.064%, with a balloon of \$95,557 due on March 1, 2017	\$	124,895
Note payable, Farmers & Merchants Bank, original principal amount \$50,100, payable in 60 monthly installments of \$688 through June 2021, interest at 4.00%, 50% split with governmental activities		24,790
Total Note Payables	\$	149,685
Line of Credit payable, Farmers & Merchants Bank note dated July 3, 2008		
interest payable monthly at 4.0%	\$	142,164
Compensated Absences	\$	10,888
Total Long-term Obligations from Business-type Activities	\$	1,695,442

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 6-UNEARNED REVENUE / DEFERRED INFLOWS OF RESOURCES:

Unearned revenue / deferred inflows represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental Fund unearned revenue / deferred inflows totaling \$200,728 is comprised of the following:

<u>Unavailable Property Tax Revenue</u> - Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$61,314 at June 30, 2014.

<u>Unearned Revenue Governmental Funds</u> - Property taxes due subsequent to June 30, 2014 but paid in advance by the taxpayers totaled \$40,564 at June 30, 2014 and 2nd half assessments due in December 2014 totaled \$98,850.

NOTE 7—DEFINED BENEFIT PENSION PLAN:

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing 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:

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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS - PLAN 1 (CONTINUED)

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.
- 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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS - PLAN 1 (CONTINUED)

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%.
- **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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS - PLAN 1 (CONTINUED)

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.

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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. Plan Description: (Continued)

VRS - PLAN 2 (CONTINUED)

- 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.
- 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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. <u>Plan Description: (Continued)</u>

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
- ***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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—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

<u>Defined Benefit Component</u> - 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.

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

6. Vesting

<u>Defined Benefit Component</u> - 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.

<u>Defined Contribution Component</u> - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

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

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

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

Distribution is not required by law until age 70½.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. <u>Plan Description: (Continued)</u>

HYBRID RETIREMENT PLAN (CONTINUED)

7. Calculating the Benefit

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

<u>Defined Contribution Component</u> - 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.

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

11. Earliest Unreduced Retirement Eligibility

<u>Defined Benefit Component</u> - 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.

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

12. Earliest Reduced Retirement Eligibility

<u>Defined Benefit Component</u> - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

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

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

A. <u>Plan Description: (Continued)</u>

HYBRID RETIREMENT PLAN (CONTINUED)

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

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

<u>Defined Contribution Component</u>-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 Plan2 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 Plan2 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.

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 <u>Code of Virginia</u> (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 <u>Code of Virginia</u> and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 8.02% of annual covered payroll.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 7—PENSION PLAN: (CONTINUED)

C. Annual Pension Cost

For fiscal year 2014, the Town's annual pension cost of \$21,359 was equal to the Town's required and actual contributions.

Three Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	\$ 21,359	100%	\$ -
June 30, 2013	15,894	100%	-
June 30, 2012	16,696	100%	-

⁽¹⁾ Employer portion only

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 was 90.97% funded. The actuarial accrued liability for benefits was \$826,538, and the actuarial value of assets was \$751,893, resulting in an actuarial accrued liability (UAAL) asset of \$75,645. The covered payroll (annual payroll of active employees covered by the plan) was \$244,543 and ratio of the actuarial accrued asset to the covered payroll was \$30.52%.

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.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 8—CONTINGENT LIABILITIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

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

NOTE 9-RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 10-COMPENSATED ABSENCES:

In accordance with GASB Statement 16 "Accounting for Compensated Absences", the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis not to exceed 240 hours. The Town has outstanding vacation pay totaling \$24,060 at June 30, 2014.

NOTE 11-SURETY BOND INFORMATION:

The Town has a \$100,000 blanket policy through the Virginia Municipal League group insurance plan covering all employees for fraud and other employee dishonesty.

NOTE 12-OTHER POSTEMPLOYMENT BENEFITS:

The Town offers postemployment medical coverage to its retired employees and has several employees enrolled in the program. The Town has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB 45 and believes there is no material effect on the Town's financial position.

Notes to Financial Statements As of June 30, 2014 (Continued)

NOTE 13-SUBSEQUENT EVENT:

On November 18, 2014 the Town of Edinburg issued \$1,476,467 Bank Qualified General Obligation Exempt Refunding Bond, Series 2014A and \$653,533 General Obligation Taxable Refunding Bond, Series 2014B bonds to:

Refund G.O. Bonds 1988A Series, General Obligation Bonds in original amount of	\$ 327,200
Refund G.O. Bonds 1988B Series, General Obligation Bonds in original amount of	77,500
Refund G.O. Bonds 1990 Series, General Obligation Bonds in original amount of	169,700
Refund G.O. Bonds 1997A Series, General Obligation Bonds in original amount of	675,600
Refund G.O. Bonds 1997B Series, General Obligation Bonds in original amount of	232,500
Refund 2006A Series, VRA Infrastructure Revenue Bonds in the original amount of	390,000
Refund Commercial Promissory Note 2012 to Farmers and Merchants Bank in the original amount of	400,079
Refund Commercial Promissory Note 2014 to Farmers and Merchants Bank in the original amount of	50,100
Refund Line of Credit Loan 2013 to Farmers and Merchants Bank in the amount of	300,982

These refundings were undertaken to reduce debt service payments and improve cash flows.







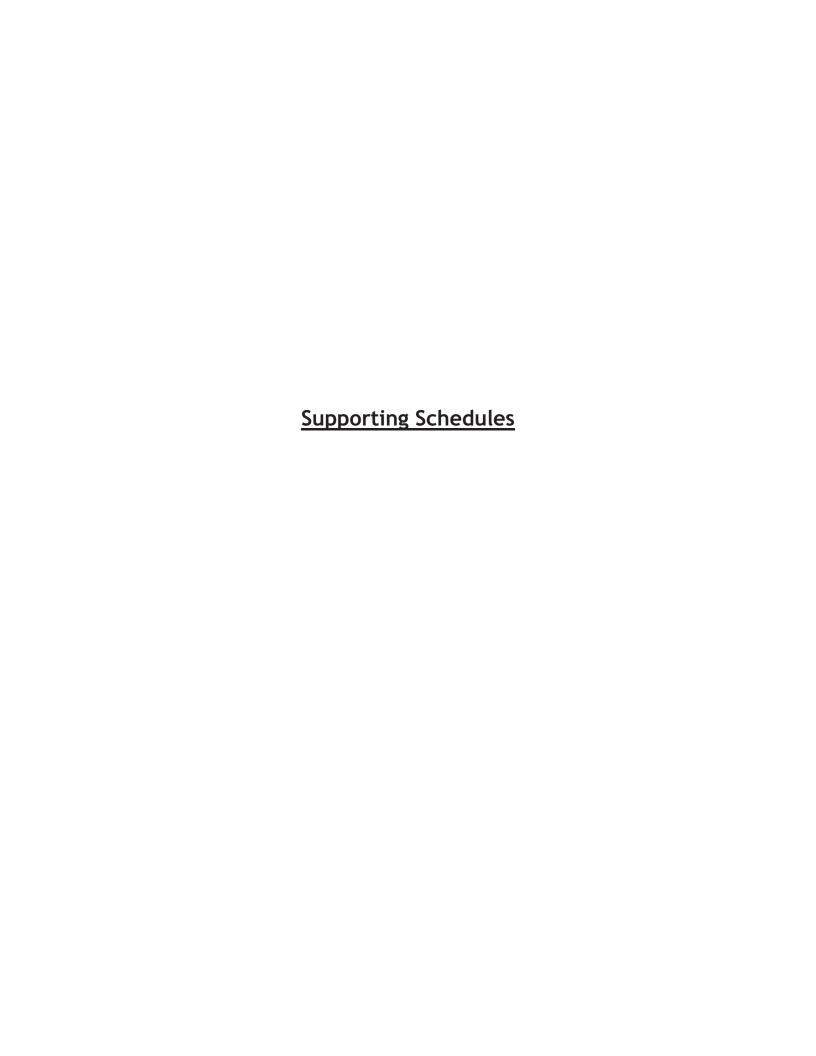
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund Year Ended June 30, 2014

		General Fund						
	_	Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
Revenues: General property taxes Other local taxes Permits, privilege fees and regulatory licenses Fines and forfeitures Revenue from use of money and property Charges for services Miscellaneous Intergovernmental revenue: Commonwealth	\$	298,300 206,287 500 10,400 2,400 91,084 136,850 57,753	\$	306,300 229,377 500 3,600 2,400 87,500 60,080	\$	297,612 226,281 180 3,445 2,165 92,248 27,061 142,166	\$	(8,688) (3,096) (320) (155) (235) 4,748 (33,019) (2,584)
Total revenues	\$_	803,574	\$_	834,507	\$_	791,158	\$_	(43,349)
Expenditures: Current: General government administration Public safety Public works Parks and recreation and cultural Community development Nondepartmental Capital projects Debt service: Principal retirement Interest and other fiscal charges Total expenditures	\$ _ \$	184,464 144,009 251,297 134,760 1,350 25,787 8,500 288,921 16,976		188,464 150,150 232,329 129,920 500 97,621 13,308 31,531 14,008		199,655 147,295 194,001 140,566 180 6,000 15,643 32,615 17,149		(11,191) 2,855 38,328 (10,646) 320 91,621 (2,335) (1,084) (3,141)
Excess (deficiency) of revenues	_	(252, 400)	· -	(22, 22.4)	_	20.054	_	(4.370
over (under) expenditures Other financing sources (uses): Issuance of line of credit Issuance of debt	\$_ \$_ _	(252,490) - 439,850	\$_ \$_	5,500 25,000		4,222 51,650		(1,278) 26,650
Total other financing sources (uses)	\$_	439,850	\$_	30,500	\$_	55,872	\$_	25,372
Changes in fund balance	\$	187,360	\$	7,176	\$	93,926	\$	86,750
Fund balance (deficit) at beginning of year	_	(187,360)	_	(7,176)	_	217,050	_	224,226
Fund balance (deficit) at end of year	\$_	-	\$_	-	\$	310,976	\$_	310,976

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

Schedule of Pension Funding Progress for the Virginia Retirement System Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
6/30/2013 \$ 6/30/2012	751,893 \$ 709,548	826,538 \$ 803,858	75,645 94,310	90.97% \$ 88.27%	244,543 231,296	30.52% 40.77%	
6/30/2011	692,933	769,207	76,274	90.08%	277,056	27.53%	





Governmental Fund -Schedule of Revenues - Budget and Actual Year Ended June 30, 2014

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
General Fund:								
Revenue from local sources:								
General property taxes:								
Real property taxes	\$	219,600	Ś	223,000	Ś	203,140	Ś	(19,860)
Personal property taxes	*	77,400	Ψ.	82,000	Ψ.	92,911	Ψ.	10,911
Penalties and interest	_	1,300		1,300		1,561		261
Total general property taxes	\$_	298,300	\$_	306,300	\$_	297,612	\$_	(8,688)
Other local taxes:								
Local sales and use taxes	\$	49,000	\$	49,000	\$	43,094	\$	(5,906)
Consumers' utility taxes		15,500		15,500		14,111		(1,389)
Business license taxes		39,500		64,500		65,198		698
Motor vehicle licenses		20,000		20,000		21,956		1,956
Bank franchise tax		43,287		43,877		43,877		-
Meals taxes	_	39,000		36,500		38,045		1,545
Total other local taxes	\$_	206,287	\$_	229,377	\$_	226,281	\$_	(3,096)
Permits, privilege fees and regulatory licenses:								
Zoning fees	\$_	500	\$	500	\$_	180	\$_	(320)
Total permits, privilege fees and regulatory licenses	\$_	500	\$	500	\$_	180	\$	(320)
Fines and Forfeitures:								
Court fines and forfeitures	\$_	10,400	\$_	3,600	\$_	3,445	\$_	(155)
Total fines and forfeitures	\$_	10,400	\$	3,600	\$_	3,445	\$_	(155)
Revenue from use of money and property:								
Revenue from use of property	\$_	2,400	\$	2,400	\$_	2,165	\$_	(235)
Total revenue from use of money and property	\$_	2,400	\$_	2,400	\$_	2,165	\$_	(235)
Charges for services:								
Park income	\$	26,700	\$	21,500	\$	20,910	\$	(590)
Trash pick up fees		51,384		52,000		52,498		498
Open / close grave		7,000		6,000		7,200		1,200
Sale of lots	_	6,000		8,000		11,640		3,640
Total charges for services	\$_	91,084	\$_	87,500	\$_	92,248	\$_	4,748

Governmental Fund -Schedule of Revenues - Budget and Actual Year Ended June 30, 2014 (Continued)

Fund, Major and Minor Revenue Source		Original Budget		Budget As Amended	_	Actual		Variance From Amended Budget Positive (Negative)
General Fund: (continued)								
Miscellaneous revenue:								
Gifts and donations	\$	5,000	\$	5,000	\$	1,100	\$	(3,900)
Employee insurance reimbursement		1,000		3,500		2,075		(1,425)
Reimbursed expense		350		750		793		43
Miscellaneous		5,500		20,830		19,839		(991)
Edinburg Heritage Foundation		125,000		30,000	_	3,254		(26,746)
Total miscellaneous revenue	\$_	136,850	\$_	60,080	\$_	27,061	\$_	(33,019)
Total revenue from local sources	\$_	745,821	\$_	689,757	\$_	648,992	\$_	(40,765)
Intergovernmental revenue: Revenue from the Commonwealth: Noncategorical aid:								
Rolling stock tax	\$	1,383	\$	1,460	\$	2	\$	(1,458)
Communications Tax		9,500		8,500		8,218		(282)
Local police aid		20,500		20,120		20,120		-
PPTRA	_	15,670		15,670	_	15,670		-
Total noncategorical aid	\$_	47,053	\$_	45,750	\$_	44,010	\$_	(1,740)
Categorical aid:								
Law enforcement grants	\$	1,000	\$	1,000	\$	-	\$	(1,000)
VDOT grant		2,500		81,000		87,656		6,656
LLEBG grant		-		-		500		500
State fire grant	_	7,200		17,000	-	10,000		(7,000)
Total other categorical aid	\$_	10,700	\$_	99,000	\$_	98,156	\$_	(844)
Total categorical aid	\$_	10,700	\$_	99,000	\$_	98,156	\$_	(844)
Total revenue from the Commonwealth	\$_	57,753	\$	144,750	\$_	142,166	\$_	(2,584)
Total General Fund	\$_	803,574	\$	834,507	\$	791,158	\$	(43,349)

Governmental Fund -Schedule of Expenditures - Budget and Actual Year Ended June 30, 2014

Fund, Function, Activities and Elements		Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
General Fund:								
General government administration:								
Town Council	\$	5,000	Ś	5,000	\$	5,152	Ś	(152)
Mayor	'	67,504	•	67,504	'	71,550	•	(4,046)
Legal services		5,000		7,000		7,133		(133)
Independent auditor		9,500		9,500		8,500		1,000
Clerk - Treasurer	_	97,460		99,460		107,320		(7,860)
Total general government administration	\$_	184,464	\$_	188,464	\$_	199,655	\$_	(11,191)
Public Safety:								
Police department	\$	132,609	\$	128,950	\$	126,295	\$	2,655
Volunteer fire department		11,200		21,000		21,000		-
Rescue squad	_	200		200		-		200
Total public safety	\$_	144,009	\$_	150,150	\$_	147,295	\$_	2,855
Public works:								
Maintenance of highways and streets	\$	87,597	\$	71,240	\$	54,274	\$	16,966
Maintenance of general properties		65,635		64,985		57,871		7,114
Cemetery		55,841		53,880		37,010		16,870
Trash removal	_	42,224		42,224		44,846		(2,622)
Total public works	\$_	251,297	\$_	232,329	\$_	194,001	\$_	38,328
Parks and recreation and cultural:								
Parks and recreation	\$	40,770	\$	37,679	\$	40,939	\$	(3,260)
Museum		260		750		925		(175)
Library		200		200		-		200
Edinburg mill	_	93,530		91,291		98,702		(7,411)
Total parks and recreation and cultural	\$_	134,760	\$_	129,920	\$_	140,566	\$_	(10,646)

Governmental Fund -Schedule of Expenditures - Budget and Actual Year Ended June 30, 2014 (Continued)

Fund, Function, Activities, and Element		Original Budget		Budget As Amended		Actual		Variance From Amended Budget Positive (Negative)
General Fund: (Continued)								
Community development:								
Zoning	\$_	1,350	\$_	500	\$_	180	\$_	320
Total community development	\$_	1,350	\$_	500	\$_	180	\$_	320
Nondepartmental:								
Contingency reserve	\$_	25,787	\$_	97,621	\$_	6,000	\$_	91,621
Total nondepartmental	\$_	25,787	\$_	97,621	\$_	6,000	\$_	91,621
Capital projects:								
Edinburg mill	\$	2,500	\$	5,000	\$	7,335	\$	(2,335)
Other improvements	_	6,000		8,308	_	8,308		-
Total capital projects	\$_	8,500	\$_	13,308	\$_	15,643	\$_	(2,335)
Debt service:								
Principal retirement	\$	288,921	\$	31,531	\$	32,615	\$	(1,084)
Interest and other fiscal charges	_	16,976		14,008	_	17,149		(3,141)
Total debt service	\$_	305,897	\$_	45,539	\$_	49,764	\$_	(4,225)
Total General Fund	\$_	1,056,064	\$_	857,831	\$	753,104	\$_	104,727





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 Edinburg, Virginia Edinburg, 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; the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Edinburg, 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 Edinburg, Virginia's basic financial statements, and have issued our report dated May 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Edinburg, 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 Edinburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Edinburg, 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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Edinburg, Virginia's financial statements are from of 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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associats Charlottesville, Virginia

May 29, 2015