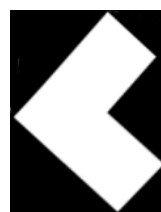


***Town of Halifax, Virginia***  
***Comprehensive Annual Financial Report***  
***Year Ended June 30, 2013***



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

## Town of Halifax, Virginia

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## **FINANCIAL SECTION**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

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American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Town of Halifax, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Halifax, Virginia, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1–9 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of the Town of Halifax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Halifax, Virginia's internal control over financial reporting and compliance.

*Creedle, Jones & Alga, P.C.*

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

South Hill, Virginia  
November 20, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Town of Halifax, Virginia presents the following discussion and analysis as an overview of the Town of Halifax, Virginia's financial activities for the fiscal year ending June 30, 2013. We encourage readers to read this discussion and analysis in conjunction with the transmittal letter and the Town's financial statements.

### Financial Highlights for Fiscal Year 2013

#### Highlights for Government-Wide Financial Statements

- At the close of the fiscal year, the assets of the Town exceeded its liabilities by \$1,476,255. Of this amount, \$613,459 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- For the fiscal year, general and program revenues of the Town's governmental activities were \$919,153 and expenses amounted to \$863,629. The Town's total net position increased \$55,524.

#### Highlights for Fund Financial Statements

- As of June 30, 2013, the Town's Governmental Funds reported combined fund balances of \$682,330, an increase of \$9,640 in comparison with the prior year. The entire amount of the combined fund balances is available to meet the Town's current and future needs.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Comprehensive Annual Financial Report consists of two sections: financial and compliance.

- The ***financial section*** has three component parts - management's discussion and analysis (this section), the basic financial statements which include government-wide financial statements and fund financial statements, and required supplementary information.
- The ***compliance section*** is required under the provisions of *Government Auditing Standards* and, in some cases, the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

### Government-Wide Financial Statements

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

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

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

The government-wide statements are divided into the following two categories:

Governmental Activities: Most of the Town's basic services are reported here, including general government administration; public safety; public works; and planning and community development. These activities are financed primarily by property taxes, other local taxes, and Federal and State grants. Governmental Funds are included in the governmental activities. The Town has only a governmental fund in the current year.

Business-Type Activities: Town of Halifax, Virginia has no business-type activities in the current year.

### **Fund Financial Statements**

Traditional users of government financial statements will find the fund financial statements more familiar. These statements provide more detailed information about the Town's most significant funds. Funds are used to ensure compliance with finance related legal requirements and are used to keep track of specific sources of revenue and expenses for particular purposes. The Town has three kinds of funds:

Governmental Funds - Most of the Town's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances remaining at year end that are available for spending. The Governmental Funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with the fund's financial statements to explain the relationship (or differences). The General Fund is the main operating account of the Town and, therefore, the largest of the Governmental Funds. All other Governmental Funds, which include Special Revenue Funds and Capital Projects Funds, are collectively referred to as nonmajor Governmental Funds.

Proprietary Funds - Proprietary Funds, which consist of Enterprise Funds, operate in a manner similar to private business enterprises in which costs are recovered primarily through a user charge. Proprietary Fund financial statements provide both long and short-term financial information. The Town does not have any Proprietary Funds at this time.

Fiduciary Funds - Fiduciary Funds are used to account for resources held by the Town for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide statements because the funds are not available to support the Town's programs. The Town's Fiduciary Funds consist of Agency Funds. The Town does not have any Fiduciary Funds at this time.

## FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

### Statement of Net Position

The following table reflects the condensed Statement of Net Position:

#### Summary of Net Position

As of June 30, 2013 and 2012

	<b>Governmental Activities</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Assets</b>		
Current and other assets	\$ 717,365	\$ 710,000
Capital assets	<u>1,269,559</u>	<u>1,252,404</u>
Total Assets	<u><b>\$ 1,986,924</b></u>	<u><b>\$ 1,962,404</b></u>
<b>Liabilities</b>		
Other liabilities	\$ 35,036	\$ 37,310
Long-term debt outstanding	<u>475,633</u>	<u>504,363</u>
Total Liabilities	<b>510,669</b>	541,673
<b>Net Position</b>		
Net investment in capital assets	819,344	774,417
Restricted for capital improvements	43,452	76,772
Unrestricted	<u>613,459</u>	<u>569,542</u>
Total Net Position	<u><b>1,476,255</b></u>	<u>1,420,731</u>
Total Liabilities and Net Position	<u><b>\$ 1,986,924</b></u>	<u><b>\$ 1,962,404</b></u>

The Commonwealth of Virginia requires that towns be financed under a single taxing structure. This results in towns issuing debt to finance capital assets. For the purpose of this financial statement, the debt and correlating asset (or portion therefore) is recorded as an asset and long-term liability of the primary government. GASB Statement No. 14, *The Financial Reporting Entity*, requires that the primary government be accounted for separately on the face of the basic financial statements. The net position of the total financial reporting entity best represent the entity's financial position. In the case of the Town's reporting entity, assets exceeded liabilities by \$1,476,255 at June 30, 2013. The largest portion of the reporting entity's net position, \$819,344, reflects investment in capital assets (e.g., land, buildings, and equipment), less the outstanding debt associated with the asset acquisition.



## Statement of Activities

The following table summarizes revenues and expenses for the primary government as of June 30, 2013 and 2012:

### Summary of Changes in Net Position

For the Fiscal Years Ended June 30, 2013 and 2012

	<b>Governmental Activities</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>
<b>Revenues</b>		
<b>Program Revenues</b>		
Grants and contributions	\$ 116,399	\$ 88,296
<b>General Revenues</b>		
Property taxes	334,939	350,629
Other local taxes	327,315	330,832
Other general revenue	127,723	124,820
Miscellaneous	-	14,241
Use of money and property	<u>12,777</u>	<u>12,602</u>
Total Revenues	<b>919,153</b>	921,420
<b>Program Expenses</b>		
General government administration	324,111	334,702
Public safety	310,200	287,404
Public works	172,902	158,766
Municipal building	34,537	35,524
Interest on long-term debt	<u>21,879</u>	<u>36,607</u>
Total Program Expenses	<b><u>863,629</u></b>	<u>853,003</u>
Increase in Net Position	<b>55,524</b>	68,417
Beginning Net Position	<b><u>1,420,731</u></b>	<u>1,352,314</u>
Ending Net Position	<b><u>\$ 1,476,255</u></b>	<u>\$ 1,420,731</u>

Governmental activities increased the Town's net position by \$55,524. Revenues from governmental activities totaled \$919,153. Taxes comprise the largest source of these revenues, totaling \$662,254 or 72.05 percent of all governmental activities revenue. Of this amount, real and personal property taxes comprise 50.58 percent of the taxes collected.

The total cost of all governmental activities for this fiscal year was \$863,629. General Government Administration is the Town's largest program with expenses totaling \$324,111. Public safety expenses, which total \$310,200, represent the second largest expense, followed by public works expenses which total \$172,902.

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

## Net Cost of Governmental Activities

For the Fiscal Years Ended June 30, 2013 and 2012

	2013		2012	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General government administration	\$ 324,111	\$ (297,542)	\$ 334,702	\$ (288,686)
Public safety	310,200	(220,370)	287,404	(245,124)
Public works	172,902	(172,902)	158,766	(158,766)
Municipal building	34,537	(34,537)	35,524	(35,524)
Interest on long-term debt	<u>21,879</u>	<u>(21,879)</u>	<u>36,607</u>	<u>(36,607)</u>
Total	<u>\$ 863,629</u>	<u>\$ (747,230)</u>	<u>\$ 853,003</u>	<u>\$ (764,707)</u>

## FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As of June 30, 2013, the Town's Governmental Funds reported a combined ending fund balance of \$682,330, an increase of \$9,640 in comparison with the prior year. Of this amount \$638,878 is available for spending at the government's discretion (unassigned fund balance).

The General Fund is the only operating fund of the Town. At the end of the current fiscal year, the General Fund had an unassigned fund balance of \$638,878. The General Fund's liquidity can be measured by comparing both unassigned fund balance to total fund expenditures. Unassigned fund balance represents 70.32 percent of total fund expenditures, while total fund balance represents 75.10 percent of that same amount.

## BUDGETARY HIGHLIGHTS

### General Fund

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

## Budgetary Comparison

### General Fund

For the Fiscal Years Ended June 30, 2013 and 2012

	<u>2013</u>			<u>2012</u>		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues</b>						
Taxes	\$ 334,314	\$ 334,314	\$ 334,939	\$ 347,000	\$ 347,000	\$ 350,629
Other local taxes	355,460	355,460	327,315	337,260	337,260	330,833
Permits and fees	32,120	32,120	33,419	31,920	31,920	33,370
Fines and forfeitures	28,500	28,500	35,201	22,750	22,750	41,844
Other general revenues	27,285	27,285	31,146	7,000	6,000	23,406
Use of money and property	39,000	39,000	39,778	42,380	43,380	38,802
Miscellaneous	-	-	-	-	-	14,241
Intergovernmental	<u>197,162</u>	<u>197,162</u>	<u>116,398</u>	<u>191,254</u>	<u>191,254</u>	<u>107,112</u>
Total	<b>1,013,841</b>	<b>1,013,841</b>	<b>918,196</b>	979,564	979,564	940,237
<b>Expenditures</b>	<u>1,013,841</u>	<u>1,013,841</u>	<u>908,556</u>	<u>997,671</u>	<u>1,001,671</u>	<u>965,116</u>
Excess (Deficiency) of Revenues over Expenditures	-	-	<b>9,640</b>	(18,107)	(22,107)	(24,879)
<b>Other Financing Sources (Uses)</b>						
Prior year surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,107</u>	<u>22,107</u>	<u>-</u>
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,107</u>	<u>22,107</u>	<u>-</u>
Change in Fund Balance	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 9,640</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ (24,879)</b></u>

The final amended budget appropriations, including expenditures and transfers out, exceeded the original appropriation by \$-0-. No major budget amendments took place this year.

Actual revenues were lower than final budget amounts by \$95,645, or 9.44 percent, while actual expenditures were \$105,285, or 10.39 percent less than final budget amounts.

### CAPITAL ASSETS AND LONG-TERM DEBT

#### Capital Assets

As of June 30, 2013, the Town's net investment in capital assets totals \$819,344 which is net capital assets less related debt.

During fiscal year 2013, the Town's net capital assets (including additions, decreases, and depreciation) increased \$17,155, or 1.37 percent, as summarized below:

## Change in Capital Assets

### Governmental Activities

	<u>Balance July 1, 2012</u>	<u>Net Additions and Deletions</u>	<u>Balance June 30, 2013</u>
Land	\$ 49,765	\$ -	\$ 49,765
Construction in progress	115,872	-	115,872
Building and improvements	1,298,155	47,547	1,345,702
Machinery, equipment, and vehicles	393,964	25,000	418,964
Total Capital Assets	1,857,756	72,547	1,930,303
Less: Accumulated depreciation and amortization	(605,352)	(55,392)	(660,744)
Total Capital Assets, Net	<u>\$ 1,252,404</u>	<u>\$ 17,155</u>	<u>\$ 1,269,559</u>

### Long-Term Debt

As of June 30, 2013, the Town's long-term obligations total \$450,214.

### Governmental Activities

	<u>2013</u>	<u>2012</u>
General obligation refunding bonds	<u>\$ 450,214</u>	<u>\$ 477,987</u>

More detailed information on the Town's long-term obligations is presented in Note 7 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- According to the 2010 U.S. Census, the population in the Town of Halifax, Virginia was 1,309.
- The per capita income in the Town of Halifax, Virginia was \$25,900 according to the 2010 U.S. Census data.

## MANAGER'S STATEMENT

In an ongoing effort to invest in the future vitality of the Town of Halifax, Virginia and to provide additional economic opportunities to the area, the Town has initiated the following projects:

The Town completed a telecommunications grant from the Department of Housing and Community Development to improve telecommunications for the Town. A Wireless Pilot Project is now being implemented by the Mid-Atlantic Broadband Cooperative (MBC).

Working with Halifax County as the grant recipient utilizing VDOT enhancement funds, the Town completed the 1<sup>st</sup> Phase of the downtown utility relocation as part of the multifaceted Halifax Downtown Revitalization Project in which earlier construction of streetscape and building façade improvements began in 2006. VDOT has approved Halifax County's use for the remaining balance of funds to develop a request for proposal (RFP) to perform engineering/design services to extend decorative streetlights with minimal streetscaping and landscaping surrounding the Halifax County War Memorial at the intersection of Mountain Road and Houston Street and continuing along North Main Street toward Church Street.

The Town worked with the Department of Historic Resources to complete historic district designation including the downtown central business district. This designation of the "Town of Halifax Courthouse Historic District" makes qualifying historic buildings eligible for tax credits.

Working with the Virginia Department of Housing and Community Development (DHCD), the Southside Planning District Commission (SSPDC), Halifax County and the Halifax County Industrial Development Authority (IDA), 395 acres zoned for manufacturing/industrial and commercial uses within the Town will be included in the amended Halifax County Enterprise Zone effective December 31, 2013. Halifax County's enterprise zone program offers a number of special state and local incentives to businesses and is designed to encourage job creation and investment within designated zones.

The Town prepared a Master Plan of the former grocery property it owns at 209 South Main Street which is currently being utilized as an outdoor/indoor farmer's market with 29 produce and craft vendors registered as well as a space available for limited special events, live music and civic fund-raisers in a shell building. The plan identifies suitable and potential land uses and recommends appropriate development patterns including specific recommendations for business partners, project phasing, and funding opportunities. Currently, the "Halifax Marketplace Master Plan" is seen as a marketing tool to solicit private business investment and a strategic plan for implementing public components. Several investor/developer prospects have approached the Town regarding the purchase of a portion of the property or the building and parcel as a whole. Working with the Town Manager, the Town Council Finance Committee has also amortized the note for the 2006 purchase of the former grocery property starting in FY 2011-12 and then reissued a new bond at a reduced rate beginning in FY 2012-13.

The Town has received an enhancement grant from the Department of Transportation to design improvements for the Banister River Gateway Project. An additional application to VDOT for construction costs was awarded for FY 2013-14 to enhance the area adjacent to the new bridge recently constructed by VDOT on VA Scenic Byway 360. Construction is anticipated to begin in early spring 2014 with the grant closeout completed by December 2014. The Town has negotiated with SunTrust Bank to secure a grant reimbursement loan for interim financing during the construction phase so as not to encumber regular operational costs and account balances.

Following the transfer of Water and Sewer service to the Halifax County Service Authority (HCSA) in 2008, the debt service was paid to the Town by the HCSA for General Obligation Sewer Bonds. In FY 2010-11, the Town conveyed to the HCSA all property and easements used in the water and sewer operations. The HCSA consolidated all locality bonds in FY 2011-12 and the post-audit balance sheets now reflect these changes going forward.

The Halifax County Commissioner of Revenue's 2012 reassessed value of real estate within Town's corporate limits decreased from \$101,082,677 to \$96,065,118, a 4.96% reduction compared to the increase to \$101,082,677 of assessed value in 2010 from the 2008 level of \$99,432,550. In 2010, the Town reduced its tax rate for Real Property from .18 per \$100 assessed value to .175 per \$100 in the real estate rate which has remained in affect through the current fiscal year. For the adopted Fiscal Year 2013-14 Budget, the General Fund Revenue Sheet totals \$1,406,354 up from the FY 2012-13 Approved Budget by 38.72% (+\$392,513), an increase due largely to the grant funded Banister River Gateway Project (Administrative and Streets) which will be advertised for construction by mid-autumn. Fund increases to support the Halifax Library (\$11,000) and new Fire Department truck (\$10,000) are also included in the FY 2013-14 Budget; vehicle replacement costs for the Police and Sanitation Departments will not be effective until FY 2014-15 based on the lease/purchase agreement recommended by the Finance Committee. The Town staff and the Finance Committee recommended an increase in the Machine and Tool Tax from .40 to .50 which is only the 2<sup>nd</sup> raise since 2000 from the original .30 rate where it remains very competitive compared to the Halifax County rate of \$1.26 per \$100 value for machine and tools (based on 50% of original capitalization costs). The tax on personal property remains at \$1.68 per \$100 assessed (compared to \$2.00 per \$100 in South Boston) and this year the amount of relief to owners of eligible personal property will be adjusted to 0.5189 from the 0.5889 PPTRA rate set in 2006. The higher projected revenue from the VDOT SAFETEA-LU Grant awarded for the Banister River Gateway (\$487,000), along with Telcomm

Rents-AT&T/Ntelos (\$31,550 [+16.85%]), Events Income (\$7,840 [+40%]) in addition to modest revenue increases expected from Automobile Decals (Vehicle Fee), Bank Stock Tax, Business License Fees, Zoning Permits, Meals and Utility Taxes and other sources, will accompany Natural Gas and Sales Taxes remaining constant. The General Reserve Fund (Line Item #4045) set aside from the STAG grant reimbursement of \$79,549 in FY 2008-09 which is re-appropriated as needed when annual revenue surpluses continue to replenish for fixed expenses such as the note amortization is now projected at an amount of \$50,000. This year, for the regular operational expenses in Public Safety, the Fire Department decreased by 14.06% because of its staggered biennial Fire Fund Allocation (\$15,200) but it includes the annual contribution for a new pumper truck purchase (\$10,000 [+20%]) and the Police Department increased by 4.08% (\$10,784) to recover some necessary costs following the department's 14.76% budget reduction 2 years ago. Due to continued savings through the Town's healthcare plan, the Mayor and the Finance Chair have allowed Cost-of-Living (COL) adjustments @ 2% for all employees for the third time in 6 years; an additional 1% per employee has been added due to the change by the state requiring localities to adjust employee salaries whereby retirement contributions to the Virginia Retirement System (VRS) will be deducted from paychecks at an incremental rate over the remaining 3 years having started July 1, 2012.

Halifax continues a very consumer friendly tax rate structure by utilizing additional revenues other than property taxes. This outcome is possible with the Finance Committee's strategy of reducing the tax burden on local residents and businesses during difficult economic times by diversifying income allocations, tightening operational costs, conserving resources and attracting increased visitation, sustainable business growth and private capital investments.

The Town's budget reflects a reasonable spending plan, with slight increases in some operational costs. It continues the focus on expenditures which if properly planned over the near term will help bring back the economic vitality our residents expect and deserve. Momentum created by the Halifax Downtown Revitalization Project continues to attract new economic opportunities and private investment by embracing a shared community vision for the historic County Seat.

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

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. Questions concerning this report or requests for additional information should be directed to the Town Treasurer at P. O. Box 627, Halifax, Virginia 24558. Phone 434-476-2343.

# **BASIC FINANCIAL STATEMENTS**

# **Town of Halifax, Virginia**

## Statement of Net Position

June 30, 2013

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 597,345
Receivables (net of allowances for uncollectibles)	
Taxes, including penalties	44,401
Other	32,167
Restricted assets	
Cash	43,452
Fixed assets (net of accumulated depreciation)	<u>1,269,559</u>
Total Assets	<u><u>\$ 1,986,924</u></u>
<b>Liabilities</b>	
Accounts payable	\$ 30,827
Accrued expenses	4,209
<b>Long-term obligations</b>	
Due within one year	28,632
Due beyond one year	<u>447,001</u>
Total Liabilities	510,669
<b>Net Position</b>	
Net investment in capital assets	819,344
Restricted for capital improvements	43,452
Unrestricted	<u>613,459</u>
Total Net Position	<u><u>1,476,255</u></u>
Total Liabilities and Net Position	<u><u>\$ 1,986,924</u></u>

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



## Town of Halifax, Virginia

## Statement of Activities

For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Total</u>
<b>Primary Government</b>						
<b>Governmental Activities</b>						
General government administration	\$ 324,111	\$ -	\$ 26,569	\$ (297,542)	\$ (297,542)	\$ (297,542)
Public safety	310,200	-	89,830	(220,370)	(220,370)	(220,370)
Public works	172,902	-	-	(172,902)	(172,902)	(172,902)
Municipal building	34,537	-	-	(34,537)	(34,537)	(34,537)
Interest on long-term debt	21,879	-	-	(21,879)	(21,879)	(21,879)
Total Governmental Activities	863,629	-	116,399	(747,230)	(747,230)	(747,230)
Total Primary Government	<u>\$ 863,629</u>	<u>\$ -</u>	<u>\$ 116,399</u>	<u>\$ (747,230)</u>	<u>\$ (747,230)</u>	<u>\$ (747,230)</u>
<b>General Revenues</b>						
<b>Taxes</b>						
General property taxes, real and personal					334,939	334,939
Other local taxes					327,315	327,315
Other general revenue					127,723	127,723
Use of money and property					12,777	12,777
Total General Revenues					802,754	802,754
Change in Net Position					55,524	55,524
Net Position - Beginning of Year					1,420,731	1,420,731
Net Position - End of Year					<u>\$ 1,476,255</u>	<u>\$ 1,476,255</u>

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

**Town of Halifax, Virginia**

Balance Sheet

June 30, 2013

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash	\$ 597,345
Receivables (net of allowances for uncollectibles)	
Taxes, including penalties	24,816
Other	51,752
Restricted assets	
Cash	<u>43,452</u>
Total Assets	<u><u>\$ 717,365</u></u>
<b>Liabilities and Fund Balances</b>	
<b>Liabilities</b>	
Accounts payable	\$ 30,827
Accrued liabilities	<u>4,208</u>
Total Liabilities	35,035
<b>Fund Balances</b>	
Restricted for	
Capital improvements	43,452
Unassigned	<u>638,878</u>
Total Fund Balances	<u>682,330</u>
Total Liabilities and Fund Balances	<u><u>\$ 717,365</u></u>

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

**Town of Halifax, Virginia**

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

At June 30, 2013

Total Fund Balances for Governmental Funds	\$ 682,330
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Notes receivable are not due in the current period, and, therefore, not reported in the governmental funds.

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 49,765
Construction in process	115,872
Buildings and improvements, net of accumulated depreciation	1,055,682
Furniture, equipment, and vehicles, net of accumulated depreciation	<u>48,240</u>

Total Capital Assets	1,269,559
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Liabilities applicable to the Town's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities.

Balances of long-term liabilities affecting net position are as follows:

Bonds payable	(450,214)
Compensated absences	<u>(25,420)</u>

Total	<u>(475,634)</u>
-------	------------------

Total Net Position of Governmental Activities	<u><u>\$ 1,476,255</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**Town of Halifax, Virginia**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2013

	<b>General Fund</b>
<b>Revenues</b>	
General property taxes	\$ 334,939
Other local taxes	327,315
Permits and fees	33,419
Fines and forfeitures	35,201
Other general revenue	31,146
Use of money and property	39,778
<i>Intergovernmental</i>	
Revenue from the Commonwealth of Virginia	58,662
Revenue from the Federal Government	<u>57,736</u>
Total Revenues	918,196
<b>Expenditures</b>	
<b>Current</b>	
General government administration	313,483
Public safety	324,177
Public works	159,035
Municipal building	62,209
Debt service and fiscal charges	<u>49,652</u>
Total Expenditures	<u>908,556</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,640
<b>Other Financing Sources (Uses)</b>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Net Change in Fund Balance	9,640
Fund Balance - Beginning of Year	<u>672,690</u>
Fund Balance - End of Year	<u><u>\$ 682,330</u></u>

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

**Town of Halifax, Virginia**

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

Year Ended June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 9,640
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<p>Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	17,155
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Bond and capital lease proceeds are reported as financing sources in Governmental Funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long-term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the Governmental Funds but reduces the liability in the statement of net position.

General long-term debt	<u>\$27,773</u>
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Net Adjustment	27,773
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This adjustment combines the net changes of the following:

Compensated absences	<u>956</u>
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Net Adjustment	<u>956</u>
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Change in Net Position of Governmental Activities	<u><u>\$55,524</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

## Town of Halifax, Virginia

### Notes to Financial Statements

Year Ended June 30, 2013

## 1 Summary of Significant Accounting Policies

### **Narrative Profile**

The Town of Halifax, Virginia (the “Town”) is a municipal corporation governed by a seven-member council. The Town’s major operations include police and fire protection, parks and recreation, public works, and general administrative services.

The Town’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Town has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the Town has chosen not to do so. The more significant accounting policies established in GAAP and used by the Town are discussed below.

The financial statements of the Town of Halifax, Virginia have been prepared in conformity with the specifications promulgated by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, and the accounting principles generally accepted in the United States as specified by the Governmental Accounting Standards Board. The more significant of the government’s accounting policies are described below:

#### **A. The Financial Reporting Entity**

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement, known as the “Reporting Model” statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private sector financial reports.

GASB Statement No. 34 established requirements and a reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

—Management’s Discussion and Analysis: GASB Statement No. 34 requires that 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). This analysis is similar to analysis the private sector provides in their annual reports.

- Government-Wide Financial Statements: The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter. The Town's police and fire protection, parks, library and recreation, public works, and general administrative services are classified as governmental activities.
- Statement of Net Position: The Statement of Net Position is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and 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.
- Statement of Program Activities: The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).
- Budgetary Comparison Schedules: Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in 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. The Town and many other governments revise their original budgets over the course of the year for a variety of reasons.

As required by the accounting principles generally accepted in the United States, these financial statements present the primary government, entities for which the government is considered to be financially accountable. The Town only reports activities for itself. It has no component units.

## **B. Government-Wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Town as a whole) and fund financial statements. The focus is on both the Town as a whole and the fund financial statements, including the major individual funds of the governmental and business-type categories, as well as the Fiduciary Funds (by category). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis, and (b) are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information. The Town generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The Town may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that 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. 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, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Proprietary Fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings, and other revenues not directly derived from the providing of services.

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

This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.

The Town applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 unless these pronouncements conflict with or contradict GASB pronouncements.

The Town's Fiduciary Funds are presented in the fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. The following is a brief description of the specific funds used by the Town in fiscal year 2013:

1. *Governmental Funds*

Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds. The Governmental Funds utilize the modified accrual basis of accounting where the measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:



- a. General Fund – The General Fund is the primary operating fund of the Town and accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. The General Fund is considered a major fund for financial reporting purposes.
- b. Special Revenue Funds – Special Revenue Funds account for the proceeds of specific revenue sources (other than those derived from special assessments, expendable trusts, or dedicated for major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. There are no Special Revenue Funds as of June 30, 2013.
- c. Debt Service Funds – The Town does not account for its debt service in a separate fund. The debt is paid from either the General Fund or the Water and Sewer Fund. There are no Debt Service Funds as of June 30, 2013.
- d. Capital Projects Funds – Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds. There are no Capital Projects Funds as of June 30, 2013.

2. *Proprietary Funds*

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Funds utilize the accrual basis of accounting where 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 operations that are financed and operated in a manner similar to private business enterprises. The intent of the Town is that the cost of providing services to the general public be financed or recovered through user charges. The Enterprise Fund consists of the Water and Sewer Fund. There are no Enterprise Funds as of June 30, 2013.

3. *Fiduciary Funds (Trust and Agency Funds)*

Fiduciary Funds (Trust and Agency Funds) account for assets held by a governmental unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. The funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds utilize the accrual basis of accounting as described in the Proprietary Funds presentation. Agency Funds utilize the modified accrual basis of accounting described in the Governmental Funds presentation. There are no Fiduciary Funds as of June 30, 2013.

### **C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current position.

The government-wide Statements of Net Position and Statements of Activities and the Proprietary Fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

The fund financial statements of the General, Special Revenue, Capital Projects, and Agency Funds (for the primary government) are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term “available” is limited to collection within forty-five days of the fiscal year end. Levies made prior to the fiscal year end but which are not available are deferred. Interest income is recorded as earned. Federal and State reimbursement-type grants are recorded as revenue when related eligible expenditures are incurred. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred.

### **D. Budgets and Budgetary Accounting**

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

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all major funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the major funds presents actual expenditures in accordance with the accounting principles generally accepted in the United States on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

#### ***Budgetary Data***

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

1. The Town Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments. Work sessions between the Town Council are conducted on the budget.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund, function, and departmental level. The appropriation for each fund, function, and department can be revised only by the Town Council. Supplemental appropriations in addition to the appropriated budget were necessary during the year. Supplemental appropriations may not be made without amending the budget.
5. The Town legally adopted budgets for the following funds:

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 funds.
8. All budget data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated, and legally amended.
9. The expenditure budget is enacted through an annual appropriations ordinance. Appropriations are made at the departmental level for the primary government. State law requires that if budget amendments exceed 1 percent of the original adopted budget, the Town Council may legally amend the budget only by following procedures used in the adoption of the original budget. The Town Council must approve all appropriations and transfers of appropriated amounts.

**E. Investments**

Investments are reported at fair value, if applicable.

**F. Capital Assets**

Capital outlays are recorded as expenditures of the Governmental Funds of the primary government, and as assets in the government-wide financial statements to the extent the Town's capitalization threshold of \$3,000 is met. The Town does not have any infrastructure in its capital assets since roads, streets, bridges, and similar assets within its boundaries are property of the Commonwealth of Virginia. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Buildings	20-50 years
Machinery and equipment	5-10 years
Improvements	10-20 years
Other infrastructure	10-50 years

All fixed assets are valued at historical cost or estimated historical cost, if actual cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The Town does not capitalize historical treasures or works of art.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

GASB No. 34 requires the Town to report and depreciate new infrastructure assets effective with the beginning of the current year. No new infrastructure assets were constructed or purchased for the year. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

#### **G. Use of Estimates**

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

#### **H. Long-Term Obligations**

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

## **2** **Cash**

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, money market funds, certificates of deposit, and investments with maturities of three months or less.

#### **Deposits**

All cash of the Town is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et seq. of the Code of Virginia or covered by Federal Depository Insurance.

**Cash on Hand.** The Town had cash on hand in the amount of \$300.

### 3 Property Taxes

Property tax is levied on or about October 15 annually on the assessed (appraised) value listed as of the prior January 1 for all real and personal property located in the Town. Taxable assessed value represents the appraisal value less applicable exemptions authorized by the Town Council. Appraised values are established by the Halifax County Tax Assessor at 100% of estimated fair market value.

Taxes are due on December 5 immediately following the levy date and are delinquent on December 6.

Property taxes are recorded as receivables and deferred revenues at the time the tax levy is billed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the year and, therefore, susceptible to accrual in accordance with generally accepted accounting principles have been recognized as revenue.

### 4 Receivables

Receivables at June 30, 2013 consist of the following:

#### **Primary Government Governmental Activities**

##### **General**

Receivables	<b><u>\$76,568</u></b>
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### 5 Interfund Balances and Activity

Balance due to/from other funds at June 30, 2013:

#### **Primary Government**

There are no interfund obligations (Due to/Due from's).

## 6 Capital Assets

Following is a summary of changes in capital assets for primary government:

### Primary Government

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 49,765	\$ -	\$ -	\$ 49,765
Construction in progress	<u>115,872</u>	<u>-</u>	<u>-</u>	<u>115,872</u>
Total Capital Assets Not Being Depreciated	165,637	-	-	165,637
<b>Other Capital Assets</b>				
Buildings and improvements	1,298,155	47,547	-	1,345,702
Equipment	<u>393,964</u>	<u>25,000</u>	<u>-</u>	<u>418,964</u>
Total Other Capital Assets	1,692,119	72,547	-	1,764,666
<b>Less: Accumulated depreciation for</b>				
Buildings and improvements	251,728	40,091	-	291,819
Equipment	<u>353,624</u>	<u>15,301</u>	<u>-</u>	<u>368,925</u>
Total Accumulated Depreciation	<u>605,352</u>	<u>55,392</u>	<u>-</u>	<u>660,744</u>
Net Capital Assets	<u>\$ 1,252,404</u>	<u>\$ 17,155</u>	<u>\$ -</u>	<u>\$ 1,269,559</u>

Depreciation expense was allocated as follows:

General government administration	\$ 10,628
Municipal building	14,200
Public works	19,542
Public safety	<u>11,022</u>
Total Depreciation Expense	<u>\$ 55,392</u>

## 7 Long-Term Debt

### PRIMARY GOVERNMENT

On May 18, 2012, the Town refinanced its General Obligation Public Improvement Bond – Series 2006. The principal amount of the Series 2012 Bond is \$450,214, with an interest rate of 4.75% and will mature May 10, 2025. Annual requirements to amortize long-term debt and related interest are as follows:

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 28,632	\$ 21,071
2015	30,008	19,695
2016	31,451	18,252
2017	32,962	16,741
2018	34,547	15,156
2019	36,207	13,496
2020	37,947	11,755
2021	39,771	9,932
2022	41,683	8,020
2023	43,686	6,016
2024	45,786	3,917
2025	<u>47,534</u>	<u>1,716</u>
Total	<u>\$ 450,214</u>	<u>\$ 145,767</u>

#### Changes in Long-Term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2013</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
<b>Bond Payable</b>					
Series 2012 Refunding Bond	<u>\$ 477,987</u>	<u>\$ -</u>	<u>\$ 27,773</u>	<u>\$ 450,214</u>	<u>\$ 28,632</u>
Total Bond Payable	477,987	-	27,773	450,214	28,632
<b>Other Liabilities</b>					
Compensated absences	<u>26,376</u>	<u>-</u>	<u>957</u>	<u>25,419</u>	<u>-</u>
<b>Governmental Activities</b>					
Long-term liabilities	<u>\$ 504,363</u>	<u>\$ -</u>	<u>\$ 28,730</u>	<u>\$ 475,633</u>	<u>\$ 28,632</u>

#### Details of Long-Term Indebtedness

##### **Governmental Activities**

\$477,987 authorized and issued General Obligation Refunding Bond Series 2012 issued May 18, 2012. Payable in semi-annual payments of \$24,851 which includes interest at the rate of 4.75 percent. The maturity date is May 10, 2025.

##### **Compensated Absences**

Vacation and sick leave	<u>\$ 450,214</u>
	<u>\$ 450,214</u>

## 8 Claims, Judgments, and Compensated Absences

NCGA Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, requires the Town to accrue the liability arising from outstanding claims, judgments, and compensated absences. No accrual has been recorded and management does not believe it is material to the financial statements.

## 9 Contingent Liabilities (Including Federally Assisted Programs - Compliance Audits)

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, 2013, 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.

## 10 Defined Benefit Pension Plan

### A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.



- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs, and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the member's average final compensation multiplied by the member's total service credit. Under Plan 1, average final compensation is the average of the member's 36 consecutive months of highest compensation. Under Plan 2, average final compensation is the average of the member's 60 consecutive months of highest compensation. The retirement multiplier for non-hazardous duty members is 1.70%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendents is 1.70% or 1.85% as elected by the employer. The multiplier for Plan 2 members was reduced to 1.65% effective January 1, 2013 unless they are hazardous duty employees and their employer has elected the enhanced retirement multiplier. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

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

## **B. *Funding Policy***

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012, new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 2.62% of annual covered payroll.

**C. Annual Pension Cost**

For fiscal year 2013, the Town's annual pension cost of \$13,588 was equal to the Town's required and actual contributions.

**Three-Year Trend Information for Town**

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
June 30, 2011	\$ 15,182	100%	\$ -
June 30, 2012	12,994	100%	-
<b>June 30, 2013</b>	<b>13,588</b>	<b>100%</b>	<b>-</b>

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

**D. Funded Status and Funding Progress**

As of June 30, 2012, the most recent actuarial valuation date, the plan was 117.32% funded. The actuarial accrued liability for benefits was \$1,089,007, and the actuarial value of assets was \$1,277,636, resulting in an unfunded actuarial accrued liability (UAAL) of \$188,629. The covered payroll (annual payroll of active employees covered by the plan) was \$235,550, and the ratio of the UAAL to the covered payroll was 80.08%.

The schedule of funding progress, presented as Required Supplementary Information 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.

# REQUIRED SUPPLEMENTARY INFORMATION

## Schedule of Funding Progress for Town

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2010	\$ 1,251,525	\$ 927,112	\$ (324,413)	134.99%	\$ 304,122	-106.67%
June 30, 2011	1,284,394	1,004,204	(280,190)	127.90%	301,156	-93.04%
June 30, 2012	1,277,636	1,089,007	(188,629)	117.32%	235,550	-80.08%

### Notes to Required Supplementary Information

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

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent, Open
Payroll Growth Rate	3.00%
Remaining Amortization Period (Phase-in Impact of Change in Interest Rate)	29 Years (decreasing by one each year in subsequent valuations until reaching 20 years)
Asset Valuation Method	Five-Year Smoothed Modified Market
Actuarial Assumptions	
a. Investment rate of return*	7.00%
b. Projected salary increases*	
1) Non-LEO Members	3.75% to 5.60%
2) LEO Members	3.50% to 4.75%
c. Cost-of-living adjustment	
1) Prior Plan Members	2.50%
2) New Plan Members	2.25%

\*Includes inflation of 2.50%

## 11 Legal Compliance

- A. Expenditures in Excess of Appropriations
 

No funds exceeded appropriations.
- B. Fund Deficits
 

No funds had fund deficits.

## 12 Surety Bond Information

All employees and officers are insured through Virginia Municipal Liability Pool in the amount of \$100,000.

## 13 Subsequent Events

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Town of Halifax, Virginia

## Budgetary Comparison Schedule

## General Fund

Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
<b>Revenues</b>				
General property taxes	\$ 334,314	\$ 334,314	\$ 334,939	\$ 625
Other local taxes	355,460	355,460	327,315	(28,145)
Permits and fees	32,120	32,120	33,419	1,299
Fines and forfeitures	28,500	28,500	35,201	6,701
Other general revenues	27,285	27,285	31,146	3,861
Use of money and property	39,000	39,000	39,778	778
Intergovernmental				
Revenue from the Commonwealth of Virginia	7,200	7,200	58,662	51,462
Revenue from the Federal Government	189,962	189,962	57,736	(132,226)
Total Revenues	<u>1,013,841</u>	<u>1,013,841</u>	<u>918,196</u>	<u>(95,645)</u>
<b>Expenditures</b>				
General government administration	338,058	338,058	313,483	24,575
Public safety	306,015	306,015	324,177	(18,162)
Public works	281,205	281,205	159,035	122,170
Municipal building	38,860	38,860	62,209	(23,349)
Debt service	49,703	49,703	49,652	51
Total Expenditures	<u>1,013,841</u>	<u>1,013,841</u>	<u>908,556</u>	<u>105,285</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	9,640	9,640
<b>Other Financing Sources (Uses)</b>				
	-	-	-	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	9,640	<u>\$ 9,640</u>
Fund Balance - Beginning of Year			<u>672,690</u>	
Fund Balance - End of Year			<u>\$ 682,330</u>	

## **COMPLIANCE SECTION**



**Creedle  
Jones  
& Alga**

*A Professional Corporation*

*Robin B. Jones, CPA, CFP  
David V. Alga, CPA, CVA, CFF  
Denise C. Williams, CPA, CSEP  
Scott A. Thompson, CPA  
Nadia A. Rogers, CPA*

*James A. Allen, Jr., CPA  
Nadine L. Chase, CPA  
Kimberly N. Walker, CPA*

*Sherwood H. Creedle, Emeritus*

*Members of  
American Institute of Certified Public Accountants  
Virginia Society of Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities of Town of Halifax, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Halifax, Virginia's basic financial statements, and have issued our report thereon dated November 20, 2013.

### **Internal Control Over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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



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

South Hill, Virginia  
November 20, 2013