

**TOWN OF WASHINGTON, VIRGINIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**







TOWN OF WASHINGTON, VIRGINIA

COUNCIL

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John Sullivan, Mayor

Jerome R. Goebel, Treasurer

Alice Butler

Mary Ann Kuhn

Patrick O'Connell

Gary Schwartz

Daniel Spethman







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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 Washington, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Washington, 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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 Town of Washington, 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.



### *Emphasis of Matter*

As described in Note 1 to the financial statements, in 2013, the Town adopted new accounting guidance, GASB Statement Nos. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7 and the budgetary comparison information 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, which 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 Town of Washington, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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 supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2014, on our consideration of Town of Washington, 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 Washington, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

July 8, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of Town of Washington, 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, 2013.

### Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,287,405 (net position). Of this amount, \$1,445,270 (unrestricted net position) may be used to meet the Town'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 \$1,349,046, an increase of \$726 from the prior year.
- The Town's total long-term obligations decreased from \$3,780,411 to \$3,551,406 during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

The *statement of net position* presents information on all Town assets and liabilities, with the difference between the two 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 Town net 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., accounts receivable and accounts payable).

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, public works, and community development.

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



## Overview of the Financial Statements: (continued)

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Town of Washington, 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.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the 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 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.

Proprietary funds - The Town maintains two proprietary funds - the Water Fund and the Wastewater Fund. Proprietary funds use the accrual basis of accounting, similar to a private-sector business.

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required and other 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. The Town's assets exceeded liabilities by \$3,287,405 at the close of the most recent fiscal year.

### Town of Washington, Virginia's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,364,043	\$ 1,363,548	\$ 406,691	\$ 654,746	\$ 1,770,734	\$ 2,018,294
Capital assets	73,499	77,249	5,035,042	5,186,999	5,108,541	5,264,248
Total assets	<u>\$ 1,437,542</u>	<u>\$ 1,440,797</u>	<u>\$ 5,441,733</u>	<u>\$ 5,841,745</u>	<u>\$ 6,879,275</u>	<u>\$ 7,282,542</u>
Long-term liabilities outstanding	\$ 238,899	\$ 302,497	\$ 3,062,933	\$ 3,250,249	\$ 3,301,832	\$ 3,552,746
Current liabilities	77,255	56,048	212,783	212,958	290,038	269,006
Total liabilities	<u>\$ 316,154</u>	<u>\$ 358,545</u>	<u>\$ 3,275,716</u>	<u>\$ 3,463,207</u>	<u>\$ 3,591,870</u>	<u>\$ 3,821,752</u>
Net investment in capital assets	\$ 57,342	\$ 58,932	\$ 1,784,793	\$ 1,749,905	\$ 1,842,135	\$ 1,808,837
Unrestricted	1,064,046	1,023,320	381,224	628,633	1,445,270	1,651,953
Total net position	<u>\$ 1,121,388</u>	<u>\$ 1,082,252</u>	<u>\$ 2,166,017</u>	<u>\$ 2,378,538</u>	<u>\$ 3,287,405</u>	<u>\$ 3,460,790</u>

A large part of the Town's net position, \$1,842,135 or 56%, reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related debt 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)

Governmental Activities - Governmental activities increased the Town's net position by \$39,136 while business-type activities decreased it by \$212,521. Key elements of these changes are as follows:

### Town of Washington, Virginia's Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues:						
Program revenues:						
Charges for services	\$ 542	\$ 150	\$ 143,975	\$ 154,432	\$ 144,517	\$ 154,582
Operating grants and contributions	800	8,000	-	-	800	8,000
Capital grants and contributions	1,986	-	18,000	-	19,986	-
General revenues:						
Other local taxes	279,528	248,001	-	-	279,528	248,001
Other general revenues	920	727	-	-	920	727
Total revenues	<u>\$ 283,776</u>	<u>\$ 256,878</u>	<u>\$ 161,975</u>	<u>\$ 154,432</u>	<u>\$ 445,751</u>	<u>\$ 411,310</u>
Expenses:						
General government administration	\$ 130,693	\$ 113,303	\$ -	\$ -	\$ 130,693	\$ 113,303
Public safety	800	8,000	-	-	800	8,000
Public works	27,814	56,433	-	-	27,814	56,433
Community development	27,615	24,848	-	-	27,615	24,848
Interest and other fiscal charges	13,179	14,366	-	-	13,179	14,366
Water	-	-	142,638	97,393	142,638	97,393
Wastewater	-	-	276,397	285,287	276,397	285,287
Total expenses	<u>\$ 200,101</u>	<u>\$ 216,950</u>	<u>\$ 419,035</u>	<u>\$ 382,680</u>	<u>\$ 619,136</u>	<u>\$ 599,630</u>
Increase (decrease) in net position before transfers	\$ 83,675	\$ 39,928	\$ (257,060)	\$ (228,248)	\$ (173,385)	\$ (188,320)
Transfers	(44,539)	(90,000)	44,539	90,000	-	-
Change in net position	\$ 39,136	\$ (50,072)	\$ (212,521)	\$ (138,248)	\$ (173,385)	\$ (188,320)
Net position, beginning of year	<u>1,082,252</u>	<u>1,132,324</u>	<u>2,378,538</u>	<u>2,516,786</u>	<u>3,460,790</u>	<u>3,649,110</u>
Net position, end of year	<u>\$ 1,121,388</u>	<u>\$ 1,082,252</u>	<u>\$ 2,166,017</u>	<u>\$ 2,378,538</u>	<u>\$ 3,287,405</u>	<u>\$ 3,460,790</u>



## **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, 2013 the Town's unassigned fund balance totals \$509,543 and the balance decreased \$4,379 during the fiscal year.

## **General Fund Budgetary Highlights**

The General Fund budget reflected revenues in the amount of \$271,450 and expenditures in the amount of \$265,150. Actual General Fund revenues totaled \$283,777 which were over budget by \$12,327. General Fund expenditures totaled \$238,512 and were under budget by \$26,638. Overall general revenues and other financing sources exceeded expenditures and other uses by \$726 as shown in Exhibit 10.

## **Capital Asset and Debt Administration**

**Capital assets** - The Town's investment in capital assets as of June 30, 2013 totals \$5,108,541 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The Town's investment in capital assets for the current fiscal year decreased by \$155,707.

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

**Debt** - During the year the Town's long-term debt decreased by \$229,005. 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 Town of Washington, P.O. Box 7, Washington, Virginia 22747.



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- Basic Financial Statements -  
*Government-wide Financial Statements*



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Statement of Net Position  
At June 30, 2013

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 495,401	\$ 26,363	\$ 521,764
Accounts receivable	29,139	16,701	45,840
Connection fees receivable, current portion	-	225,119	225,119
Prepaid items	5,105	-	5,105
Inventory	834,398	-	834,398
Total current assets	\$ 1,364,043	\$ 268,183	\$ 1,632,226
Noncurrent assets:			
Capital assets:			
Land	\$ 13,500	\$ 7,950	\$ 21,450
Buildings and improvements (net of accumulated depreciation)	59,999	5,006,772	5,066,771
Equipment (net of accumulated depreciation)	-	20,320	20,320
Capital assets, net	\$ 73,499	\$ 5,035,042	\$ 5,108,541
Connection fees receivable, noncurrent portion	-	140,983	140,983
Total noncurrent assets	\$ 73,499	\$ 5,176,025	\$ 5,249,524
Total assets	\$ 1,437,542	\$ 5,444,208	\$ 6,881,750
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 12,343	\$ 25,467	\$ 37,810
Unearned grant revenue	2,654	-	2,654
Long-term obligations, current portion	62,258	187,316	249,574
Total current liabilities	\$ 77,255	\$ 215,258	\$ 292,513
Noncurrent liabilities:			
Long-term obligations, noncurrent portion	\$ 238,899	\$ 3,062,933	\$ 3,301,832
Total liabilities	\$ 316,154	\$ 3,278,191	\$ 3,594,345
<b>Net Position:</b>			
Net investment in capital assets	\$ 57,342	\$ 1,784,793	\$ 1,842,135
Unrestricted	1,064,046	381,224	1,445,270
Total net position	\$ 1,121,388	\$ 2,166,017	\$ 3,287,405
Total liabilities and net position	\$ 1,437,542	\$ 5,444,208	\$ 6,881,750

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



TOWN OF WASHINGTON, VIRGINIA

Statement of Activities

For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government administration	\$ 130,693	\$ -	\$ -	\$ -
Public safety	800	542	800	-
Public works	27,814	-	-	-
Community development	27,615	-	-	1,986
Interest on long-term obligations	13,179	-	-	-
Total governmental activities	\$ 200,101	\$ 542	\$ 800	\$ 1,986
Business - type activities				
Water	\$ 142,638	\$ 55,153	\$ -	\$ -
Wastewater	276,397	88,822	-	-
Total business-type activities	\$ 419,035	\$ 143,975	\$ -	\$ -
Total primary government	\$ 619,136	\$ 144,517	\$ 800	\$ 1,986
General Revenues				
Taxes:				
Meals tax				
Other local taxes				
Grants and contributions not restricted to specific programs				
Revenue from use of money and property				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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



Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (130,693)	\$ -	\$ (130,693)
542	-	542
(27,814)	-	(27,814)
(25,629)	-	(25,629)
(13,179)	-	(13,179)
<u>\$ (196,773)</u>	<u>\$ -</u>	<u>\$ (196,773)</u>
\$ -	\$ (87,485)	\$ (87,485)
-	(187,575)	(187,575)
<u>\$ -</u>	<u>\$ (275,060)</u>	<u>\$ (275,060)</u>
<u>\$ (196,773)</u>	<u>\$ (275,060)</u>	<u>\$ (471,833)</u>
\$ 267,153	\$ -	\$ 267,153
8,493	-	8,493
3,882	-	3,882
730	-	730
190	18,000	18,190
(44,539)	44,539	-
<u>\$ 235,909</u>	<u>\$ 62,539</u>	<u>\$ 298,448</u>
\$ 39,136	\$ (212,521)	\$ (173,385)
1,082,252	2,378,538	3,460,790
<u>\$ 1,121,388</u>	<u>\$ 2,166,017</u>	<u>\$ 3,287,405</u>



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- Basic Financial Statements -

*Fund Financial Statements*



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Balance Sheet  
Governmental Fund  
At June 30, 2013

	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 495,401
Accounts receivable (net of allowance for uncollectibles)	29,139
Prepaid items	5,105
Inventory	834,398
Total assets	<u>\$ 1,364,043</u>
<b>Liabilities:</b>	
Accounts payable	\$ 12,343
Unearned grant revenue	2,654
Total liabilities	<u>\$ 14,997</u>
<b>Fund Balance:</b>	
Nonspendable:	
Inventory	\$ 834,398
Prepaid items	5,105
Unassigned	509,543
Total fund balance	<u>\$ 1,349,046</u>
Total liabilities and fund balance	<u>\$ 1,364,043</u>

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



Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
At June 30, 2013

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Total fund balance for governmental fund (Exhibit 3) \$ 1,349,046

Total net position reported for governmental activities in the statement of net position is different because:

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

Land	\$	13,500	
Depreciable capital assets, net of accumulated depreciation		59,999	
Capital assets, net			73,499

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

Note payable	\$	(16,157)	
Temporary financing note payable		(285,000)	
Total long-term liabilities			(301,157)
Total net position of governmental activities (Exhibits 1 and 2)			\$ 1,121,388

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



## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund

For the Year Ended June 30, 2013

	<b>General Fund</b>
<b>Revenues:</b>	
Other local taxes	\$ 275,647
Permits, privilege fees and regulatory licenses	542
Revenue from use of money and property	730
Miscellaneous	190
Intergovernmental revenue	6,668
Total revenues	<u>\$ 283,777</u>
<b>Expenditures:</b>	
General government administration	\$ 126,944
Public safety	800
Public works	27,814
Community development	19,615
Capital projects	8,000
Debt service:	
Principal retirement	42,160
Interest and other fiscal charges	13,179
Total expenditures	<u>\$ 238,512</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 45,265</u>
<b>Other financing sources (uses):</b>	
Transfers out	<u>\$ (44,539)</u>
Total other financing sources (uses)	<u>\$ (44,539)</u>
Net changes in fund balance	\$ 726
Fund balance at beginning of year	<u>1,348,320</u>
Fund balance at end of year	<u><u>\$ 1,349,046</u></u>

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



Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances  
of Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2013

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Net change in fund balance - total governmental funds (Exhibit 5)	\$ 726
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(3,750)

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.

Principal retired on notes payable	<u>42,160</u>
Change in net position of governmental activities (Exhibit 2)	<u>\$ 39,136</u>

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



Statement of Net Position  
 Proprietary Funds  
 At June 30, 2013

	Enterprise Funds		
	Water	Wastewater	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 26,363	\$ -	\$ 26,363
Accounts receivable (net of allowance for uncollectibles)	5,418	11,283	16,701
Due from other funds	-	13,912	13,912
Connection fees receivable, current portion	-	225,119	225,119
Total current assets	<u>\$ 31,781</u>	<u>\$ 250,314</u>	<u>\$ 282,095</u>
Noncurrent assets:			
Capital assets:			
Land	\$ 7,950	\$ -	\$ 7,950
Buildings and improvements (net of accumulated depreciation)	933,688	4,073,084	5,006,772
Equipment (net of accumulated depreciation)	16,057	4,263	20,320
Capital assets, net	<u>\$ 957,695</u>	<u>\$ 4,077,347</u>	<u>\$ 5,035,042</u>
Connection fees receivable, noncurrent portion	-	140,983	140,983
Total noncurrent assets	<u>\$ 957,695</u>	<u>\$ 4,218,330</u>	<u>\$ 5,176,025</u>
Total assets	<u><u>\$ 989,476</u></u>	<u><u>\$ 4,468,644</u></u>	<u><u>\$ 5,458,120</u></u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 9,659	\$ 15,808	\$ 25,467
Reconciled overdraft	-	2,475	2,475
Due to other funds	13,912	-	13,912
Bonds payable - current portion	9,825	177,491	187,316
Total current liabilities	<u>\$ 33,396</u>	<u>\$ 195,774</u>	<u>\$ 229,170</u>
Noncurrent liabilities:			
Bonds payable - noncurrent portion	<u>\$ 311,829</u>	<u>\$ 2,751,104</u>	<u>\$ 3,062,933</u>
Total liabilities	<u>\$ 345,225</u>	<u>\$ 2,946,878</u>	<u>\$ 3,292,103</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 636,041	\$ 1,148,752	\$ 1,784,793
Unrestricted	8,210	373,014	381,224
Total net position	<u>\$ 644,251</u>	<u>\$ 1,521,766</u>	<u>\$ 2,166,017</u>
Total liabilities and net position	<u><u>\$ 989,476</u></u>	<u><u>\$ 4,468,644</u></u>	<u><u>\$ 5,458,120</u></u>

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



Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Funds  
 For the Year Ended June 30, 2013

	Enterprise Funds		
	Water	Wastewater	Total
<b>Operating revenues:</b>			
Charges for services	\$ 55,153	\$ 88,822	\$ 143,975
Total operating revenues	\$ 55,153	\$ 88,822	\$ 143,975
<b>Operating expenses:</b>			
Contractual services	\$ 33,503	\$ 104,906	\$ 138,409
Telephone	615	2,238	2,853
Electricity	3,940	26,900	30,840
Equipment	888	3,879	4,767
Repairs and services	37,032	16,482	53,514
Materials	477	5,411	5,888
Treatment chemicals	1,362	3,166	4,528
Lab supplies	2,962	1,702	4,664
Miscellaneous	5,096	(122)	4,974
Postage	591	-	591
Depreciation	40,122	111,835	151,957
Total operating expenses	\$ 126,588	\$ 276,397	\$ 402,985
Operating income (loss)	\$ (71,435)	\$ (187,575)	\$ (259,010)
<b>Nonoperating revenues (expenses):</b>			
Connection fees	\$ -	\$ 18,000	\$ 18,000
Interest expense	(16,050)	-	(16,050)
Net nonoperating revenues (expenses)	\$ (16,050)	\$ 18,000	\$ 1,950
<b>Income (loss) before transfers</b>	<b>\$ (87,485)</b>	<b>\$ (169,575)</b>	<b>\$ (257,060)</b>
<b>Transfers:</b>			
Transfers in	\$ 24,754	\$ 19,785	\$ 44,539
Change in net position	\$ (62,731)	\$ (149,790)	\$ (212,521)
Net position, beginning of year	706,982	1,671,556	2,378,538
Net position, end of year	\$ 644,251	\$ 1,521,766	\$ 2,166,017

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



## Statement of Cash Flows

## Proprietary Funds

For the Year Ended June 30, 2013

	Enterprise Funds		
	Water	Wastewater	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 56,965	\$ 76,578	\$ 133,543
Payments for operating activities	(73,243)	(164,346)	(237,589)
Net cash provided by (used for) operating activities	\$ (16,278)	\$ (87,768)	\$ (104,046)
Cash flows from capital and related financing activities:			
Interest expense	\$ (16,050)	\$ -	\$ (16,050)
Capital contributions	-	220,934	220,934
Connection fees	-	18,000	18,000
Principal retired on debt	(9,354)	(177,491)	(186,845)
Net cash provided by (used for) capital and related financing activities	\$ (25,404)	\$ 61,443	\$ 36,039
Cash flows from noncapital financing activities:			
Transfers in	\$ 24,754	\$ 19,785	\$ 44,539
Net cash provided by (used for) noncapital financing activities	\$ 24,754	\$ 19,785	\$ 44,539
Increase in cash and cash equivalents	\$ (16,928)	\$ (6,540)	\$ (23,468)
Cash and cash equivalents at beginning of year	43,291	6,540	49,831
Cash and cash equivalents at end of year	\$ 26,363	\$ -	\$ 26,363
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (71,435)	\$ (187,575)	\$ (259,010)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations:			
Depreciation	40,122	111,835	151,957
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	1,812	(634)	1,178
Increase (decrease) in accounts payable	1,613	(2,259)	(646)
Increase (decrease) in reconciled overdraft	-	2,475	2,475
Increase (decrease) in due to other funds	11,610	(11,610)	-
Net cash provided by (used for) operating activities	\$ (16,278)	\$ (87,768)	\$ (104,046)

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



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## TOWN OF WASHINGTON, VIRGINIA

### Notes to Financial Statements At June 30, 2013

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of more significant policies.

The government is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. There are no component units for the Town of Washington.

#### Financial Statement Presentation:

Management's Discussion and Analysis: 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:

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 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 changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position: The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities) and its discretely presented component units. 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.

Statement of 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).



Notes to Financial Statements  
At June 30, 2013 (Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Government-wide and Fund Financial Statements: (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identified 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.

Fund Financial Statements: Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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 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. 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 basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Washington, Virginia.

B. Individual Component Unit Disclosures: None

C. Other Related Organizations included in the Town Financial Statements: None

D. 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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

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.

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 government reports the following major 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 transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income. The General Fund is considered a major fund for government-wide reporting purposes.

**2. Proprietary Funds:**

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



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

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

Enterprise Funds:

Enterprise Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise funds consist of the Water Fund and the Wastewater Fund.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**E. 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 year end, the Town Council prepares a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. Supplemental appropriations may be made without amending the budget.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30 for all Town funds.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2013, as adopted, appropriated and legally amended.
8. The Town Council may legally amend the budget only by following procedures used in the adoption of the original budget.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. Cash and Cash Equivalents:

The Town'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.

State statutes authorize the Town government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

G. Investments:

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

H. Allowance for Doubtful Accounts:

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

I. 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 an expense/expenditure when consumed rather than when purchased.

J. Capital Assets:

Capital assets, which include property, plant and equipment, 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 \$1,500 (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.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

J. Capital Assets: (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20 to 50
Equipment	5 to 10

K. Long-term Obligations:

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities or business-type activities statement of net position. 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 is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

L. Fund Balances:

Financial Policies

The Town Council meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the Town's policy to fund current expenditures with current revenues and the Town's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The Town's unassigned General Fund balance will be maintained to provide the Town with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

The Town reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**L. Fund Balances: (Continued)**

Assigned fund balance - Amounts that are constrained by the Town's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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.

**M. 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.

**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.

**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.

**P. 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 has no items which qualify for reporting in this category.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

P. 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 no items which qualify for reporting in this category.

Q. Adoption of Accounting Principles:

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, Statement No. 63 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement provides guidance for reporting deferred inflows and deferred outflows of resources. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position. With the implementation of this Statement, certain terminology has changed and financial statement descriptions have changed from "net assets" to "net position." The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board

The Town implemented the financial reporting provisions of the above Statement for the fiscal year ended June 30, 2013. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The net equity reported in the financial statements was not changed as a result of implementing this Statement and no restatement of prior balances is required.

**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 the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

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NOTE 2 - DEPOSITS AND INVESTMENTS: (Continued)

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 State Treasurer's Local Government Investment Pool.

Credit Risk of Debt Securities:

The Town's rated debt investments as of June 30, 2013 were rated by *Standard & Poor's* and/or an equivalent national rating organization and the ratings are presented below using the *Standard & Poor's* rating scale.

<u>Rated Debt Investments</u>	<u>Fair Quality Rating</u>
	<u>AAAm</u>
Local government investment pool	\$ <u>431,192</u>

External Investment Pool:

The fair value of the positions in the external investment pool (Local Government Investment Pool) are the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

NOTE 3 - INVENTORY:

On September 23, 2002 the Town purchased the Avon Hall property which is considered inventory as of June 30, 2013. Inventory is carried at the lower of cost or market.

	<u>Amount</u>
Building	\$ 386,442
Land	<u>447,956</u>
Total	\$ <u>834,398</u>



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

**NOTE 4 - CAPITAL ASSETS:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 13,500	\$ -	\$ -	\$ 13,500
Capital assets being depreciated:				
Buildings	\$ 150,000	\$ -	\$ -	\$ 150,000
Equipment	21,478	-	-	21,478
Total capital assets being depreciated	\$ 171,478	\$ -	\$ -	\$ 171,478
Accumulated depreciation:				
Buildings	\$ (86,251)	\$ (3,750)	\$ -	\$ (90,001)
Equipment	(21,478)	-	-	(21,478)
Total accumulated depreciation	\$ (107,729)	\$ (3,750)	\$ -	\$ (111,479)
Net capital assets being depreciated	\$ 63,749	\$ (3,750)	\$ -	\$ 59,999
Net capital assets governmental fund	\$ 77,249	\$ (3,750)	\$ -	\$ 73,499



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

**NOTE 4 - CAPITAL ASSETS: (Continued)**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type Activities:</b>				
<b>Water Fund:</b>				
Capital assets not being depreciated:				
Land	\$ 7,950	\$ -	\$ -	\$ 7,950
Capital assets being depreciated:				
Buildings and Improvements	1,455,471	-	-	1,455,471
Equipment	52,681	-	-	52,681
Total capital assets being depreciated	\$ 1,508,152	\$ -	\$ -	\$ 1,508,152
Accumulated depreciation:				
Buildings and Improvements	\$ (484,041)	\$ (37,742)	\$ -	\$ (521,783)
Equipment	(34,244)	(2,380)	-	(36,624)
Total accumulated depreciation	\$ (518,285)	\$ (40,122)	\$ -	\$ (558,407)
Net capital assets being depreciated	\$ 989,867	\$ (40,122)	\$ -	\$ 949,745
Net capital assets water fund	<u>\$ 997,817</u>	<u>\$ (40,122)</u>	<u>\$ -</u>	<u>\$ 957,695</u>
<b>Wastewater Fund:</b>				
Capital assets being depreciated:				
Buildings and Improvements	\$ 4,463,914	\$ -	\$ -	\$ 4,463,914
Equipment	4,737	-	-	4,737
Total capital assets being depreciated	\$ 4,468,651	\$ -	\$ -	\$ 4,468,651
Accumulated depreciation:				
Buildings and Improvements	\$ (279,232)	\$ (111,598)	\$ -	\$ (390,830)
Equipment	(237)	(237)	-	(474)
Total accumulated depreciation	\$ (279,469)	\$ (111,835)	\$ -	\$ (391,304)
Net capital assets being depreciated	\$ 4,189,182	\$ (111,835)	\$ -	\$ 4,077,347
Net capital assets wastewater fund	<u>\$ 4,189,182</u>	<u>\$ (111,835)</u>	<u>\$ -</u>	<u>\$ 4,077,347</u>



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

**NOTE 4 - CAPITAL ASSETS: (Continued)**

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

**Governmental Activities:**

General government administration	\$ 3,750
	<u>          </u>

**Business-Type Activities:**

Water fund	\$ 40,122
	<u>          </u>
Wastewater fund	\$ 111,835
	<u>          </u>

**NOTE 5 - LONG-TERM OBLIGATIONS:**

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

	<u>Balance at July 1, 2012</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Governmental Activities:					
Note Payable	\$ 18,317	\$ -	\$ 2,160	\$ 16,157	\$ 2,258
Temporary financing notes payable	<u>325,000</u>	<u>-</u>	<u>40,000</u>	<u>285,000</u>	<u>60,000</u>
Total Governmental Activities	<u>\$ 343,317</u>	<u>\$ -</u>	<u>\$ 42,160</u>	<u>\$ 301,157</u>	<u>\$ 62,258</u>
Business-Type Activities:					
Revenue Bonds	\$ 331,008	\$ -	\$ 9,354	\$ 321,654	\$ 9,825
VRA Bond	<u>3,106,086</u>	<u>-</u>	<u>177,491</u>	<u>2,928,595</u>	<u>177,491</u>
Total Business-Type Activities	<u>\$ 3,437,094</u>	<u>\$ -</u>	<u>\$ 186,845</u>	<u>\$ 3,250,249</u>	<u>\$ 187,316</u>



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

**NOTE 5 - LONG-TERM OBLIGATIONS: (Continued)**

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

Year Ending June 30,	Town Hall		Avon Hall		Water Revenue Bonds		VRA Bond	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,258	\$ 681	\$ 60,000	\$ 10,056	\$ 9,825	\$ 15,579	\$ 177,491	-
2015	2,361	577	60,000	7,714	10,319	15,085	177,491	-
2016	2,470	469	60,000	5,386	10,838	14,566	177,491	-
2017	2,583	355	60,000	3,030	11,384	14,020	177,491	-
2018	2,702	237	45,000	736	11,957	13,447	177,491	-
2019	2,826	112	-	-	12,559	12,845	177,491	-
2020	957	9	-	-	13,191	12,213	177,491	-
2021	-	-	-	-	13,855	11,549	177,491	-
2022	-	-	-	-	14,553	10,851	177,491	-
2023	-	-	-	-	15,286	10,118	177,491	-
2024	-	-	-	-	16,055	9,349	177,491	-
2025	-	-	-	-	16,864	8,540	177,491	-
2026	-	-	-	-	17,713	7,691	177,491	-
2027	-	-	-	-	18,606	6,798	177,491	-
2028	-	-	-	-	19,543	5,861	177,491	-
2029	-	-	-	-	20,527	4,877	177,491	-
2030	-	-	-	-	21,561	3,843	88,739	-
2031	-	-	-	-	22,648	2,756	-	-
2032	-	-	-	-	23,789	1,615	-	-
2033	-	-	-	-	13,606	543	-	-
2034	-	-	-	-	3,856	235	-	-
2035	-	-	-	-	3,119	61	-	-
Totals	\$ 16,157	\$ 2,440	\$ 285,000	\$ 26,922	\$ 321,654	\$ 182,442	\$ 2,928,595	\$ -



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

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**NOTE 5 - LONG-TERM OBLIGATIONS: (Continued)**

Details of Long-Term Indebtedness:

**Governmental Activities:**

Notes Payable:

\$44,055 Note Payable for Town Hall acquisition, bearing interest at 4.50%, maturing October 1, 2019	\$ 16,157
\$350,000 Note Payable, bearing interest at 3.85%, maturing April 3, 2018	285,000
Total governmental activities	<u>\$ 301,157</u>

**Business-Type Activities:**

Revenue Bonds:

\$231,500 Series 1991A Water System Bond, payable to FmHA in monthly installments of \$1,128, bearing interest at 5.00%, maturing January 9, 2033	\$ 168,238
\$133,000 Series 1991B Water System Bond, payable to FmHA in monthly installments of \$648, bearing interest at 5.00%, maturing January 9, 2033	96,675
\$75,000 Water System Bond, payable to FmHA in monthly installments of \$341, bearing interest at 4.50%, maturing April 28, 2035	56,741
Total revenue bonds payable	<u>\$ 321,654</u>

VRA Bond:

\$4,000,000 VRA Bond, payable in semi-annual installments of \$88,746, interest at 0%, maturing November 1, 2029. The total amount drawn on the bond was \$3,888,837.	\$ 2,928,595
Total business-type activities	<u>\$ 3,250,249</u>

**NOTE 6 - 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.



TOWN OF WASHINGTON, VIRGINIA

Notes to Financial Statements  
At June 30, 2013 (Continued)

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**NOTE 7 - CONNECTION FEES RECEIVABLE:**

As part of the wastewater treatment plant agreement all customers are required to connect to the system. The town agreed to collect these fees over periods between five to ten years. At June 30, 2013, the Town had connection fees receivable in the amount of \$366,102. The following is a schedule of the annual repayments:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 225,119
2015	121,483
2016	4,875
2017	4,875
2018	4,875
2019	<u>4,875</u>
Totals	\$ <u><u>366,102</u></u>

**NOTE 8 - LITIGATION:**

At June 30, 2013, there were no matters of litigation involving the Town that would have an adverse material effect on its financial position should there be unfavorable rulings affecting the Town.



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- Required Supplementary Information -



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Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual - General Fund  
 For the 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>				
Other local taxes	\$ 258,100	\$ 258,100	\$ 275,647	\$ 17,547
Permits, privilege fees and regulatory licenses	500	500	542	42
Use of money and property	750	750	730	(20)
Miscellaneous	100	100	190	90
Intergovernmental revenue:				
Revenue from the Commonwealth	<u>12,000</u>	<u>12,000</u>	<u>6,668</u>	<u>(5,332)</u>
Total revenues	<u>\$ 271,450</u>	<u>\$ 271,450</u>	<u>\$ 283,777</u>	<u>\$ 12,327</u>
<b>Expenditures</b>				
General Government Administration	\$ 134,300	\$ 134,300	\$ 126,944	\$ 7,356
Public Safety	8,000	8,000	800	7,200
Public Works	37,500	37,500	27,814	9,686
Community Development	20,350	20,350	19,615	735
Capital Projects	8,000	8,000	8,000	-
Debt service:				
Principal retirement	42,200	42,200	42,160	40
Interest and other fiscal charges	<u>14,800</u>	<u>14,800</u>	<u>13,179</u>	<u>1,621</u>
Total expenditures	<u>\$ 265,150</u>	<u>\$ 265,150</u>	<u>\$ 238,512</u>	<u>\$ 26,638</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,300</u>	<u>\$ 6,300</u>	<u>\$ 45,265</u>	<u>\$ 38,965</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,539)</u>	<u>\$ (44,539)</u>
Net change in fund balance	<u>\$ 6,300</u>	<u>\$ 6,300</u>	<u>\$ 726</u>	<u>\$ (5,574)</u>
Fund balance, beginning of year	<u>(6,300)</u>	<u>(6,300)</u>	<u>1,348,320</u>	<u>1,354,620</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,349,046</u></u>	<u><u>\$ 1,349,046</u></u>

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.



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- Supporting Schedules -



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## General Fund -

## Schedule of Revenues - Budget and Actual

For the Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
Other local taxes:				
Local sales and use taxes	\$ 6,700	\$ 6,700	\$ 6,007	\$ (693)
Meals and lodging tax	250,000	250,000	267,153	17,153
Franchise tax - utilities	1,400	1,400	2,487	1,087
Total other local taxes	\$ 258,100	\$ 258,100	\$ 275,647	\$ 17,547
Permits, privilege fees and regulatory licenses:				
Permit fees	\$ 500	\$ 500	\$ 542	\$ 42
Revenue from use of money and property:				
Revenue from the use of money	\$ 750	\$ 750	\$ 730	\$ (20)
Miscellaneous revenue:				
Miscellaneous	\$ 100	\$ 100	\$ 190	\$ 90
Total revenue from local sources	\$ 259,450	\$ 259,450	\$ 277,109	\$ 17,659
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Communications tax	\$ 4,000	\$ 4,000	\$ 3,801	\$ (199)
Rolling stock tax	-	-	81	81
Total non-categorical aid	\$ 4,000	\$ 4,000	\$ 3,882	\$ (118)
Categorical aid:				
Other categorical aid:				
Nature trail grant	\$ -	\$ -	\$ 1,986	\$ 1,986
Fire programs grant	8,000	8,000	800	(7,200)
Total categorical aid	\$ 8,000	\$ 8,000	\$ 2,786	\$ (5,214)
Total revenue from the Commonwealth	\$ 12,000	\$ 12,000	\$ 6,668	\$ (5,332)
Total intergovernmental revenue	\$ 12,000	\$ 12,000	\$ 6,668	\$ (5,332)
Total General Fund revenues	\$ 271,450	\$ 271,450	\$ 283,777	\$ 12,327



General Fund -  
 Schedule of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2013

Fund, Function, Activity, and Elements	Original Budget	Revised Budget	Actual	Variance Positive (Negative)
<b><u>General Fund:</u></b>				
General government administration:				
Office and administration	\$ 134,300	\$ 134,300	\$ 126,944	\$ 7,356
Total general government administration	\$ 134,300	\$ 134,300	\$ 126,944	\$ 7,356
Public safety:				
Fire department	\$ 8,000	\$ 8,000	\$ 800	\$ 7,200
Total public safety	\$ 8,000	\$ 8,000	\$ 800	\$ 7,200
Public Works:				
Operations and maintenance	\$ 37,500	\$ 37,500	\$ 27,814	\$ 9,686
Total public works	\$ 37,500	\$ 37,500	\$ 27,814	\$ 9,686
Planning and community development:				
Community development	\$ 20,350	\$ 20,350	\$ 19,615	\$ 735
Total planning and community development	\$ 20,350	\$ 20,350	\$ 19,615	\$ 735
Capital projects:				
Fire truck fund	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Total capital projects	\$ 8,000	\$ 8,000	\$ 8,000	\$ -
Debt service:				
Principal retirement	\$ 42,200	\$ 42,200	\$ 42,160	\$ 40
Interest and other fiscal charges	14,800	14,800	13,179	1,621
Total debt service	\$ 57,000	\$ 57,000	\$ 55,339	\$ 1,661
Total General Fund	\$ 265,150	\$ 265,150	\$ 238,512	\$ 26,638



- Compliance -



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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

## 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 Washington, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund of Town of Washington, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Washington, Virginia's basic financial statements, and have issued our report thereon dated July 8, 2014.

### Internal Control Over Financial Reporting

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

Charlottesville, Virginia

July 8, 2014