

TOWN OF RICH CREEK, VIRGINIA

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2013

TOWN OF RICH CREEK, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

INTRODUCTORY SECTION

	<u>Page</u>
List of Elected and Appointed Officials	1

FINANCIAL SECTION

Independent Auditors' Report	2-3
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	<u>Exhibit</u>	<u>Page</u>
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position	1	4
Statement of Activities	2	5
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	6
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4	7
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6	9
Statement of Net Position - Proprietary Funds	7	10
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	8	11
Statement of Cash Flows - Proprietary Funds	9	12
Statement of Net Position - Fiduciary Funds	10	13
Statement of Changes in Fiduciary Net Position	11	14
Notes to Financial Statements		15-34

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: General Fund	12	35
Schedule of Pension Funding Progress	13	36

Supporting Schedules:

	<u>Schedule</u>	<u>Page</u>
Schedule of Revenues - Budget and Actual - Governmental Funds	1	37-38
Schedule of Expenditures - Budget and Actual - Governmental Funds	2	39

TOWN OF RICH CREEK, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

FINANCIAL SECTION (Continued)

Other Statistical Information:

	<u>Table</u>	<u>Page</u>
Government-wide information:		
Government-Wide Expenses by Function	1	40
Government-Wide Revenues	2	41
Fund information:		
General Governmental Expenditures by Function	3	42
General Governmental Revenues by Source	4	43
Property Tax Levies and Collections	5	44
Assessed Value of Taxable Property	6	45
Property Tax Rates	7	46
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	8	47
Computation of Legal Debt Margin	9	48

COMPLIANCE SECTION

	<u>Page</u>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49-50
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	51-52
Schedule of Expenditures of Federal Awards.....	53
Schedule of Findings and Questioned Costs	54-55

INTRODUCTORY SECTION

TOWN OF RICH CREEK, VIRGINIA

TOWN COUNCIL

Gary Eaton, Mayor
Joyce Crawford, Vice-Mayor
Mark Clemons
Stuart Helm
David Lane
Bill Kantsios

OTHER OFFICIALS

Roger JonesTown Manager
Pam Kantsios.....Town Treasurer/Clerk

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report

To the Members of Council
Town of Rich Creek
Rich Creek, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Rich Creek, 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; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Rich Creek, 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 of Rich Creek, Virginia 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 schedule of funding progress and 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, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Rich Creek, Virginia's basic financial statements. The introductory section, supporting schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The supporting schedules and the schedule of expenditures of federal awards 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 supplementary schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the Town of Rich Creek's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Rich Creek, Virginia's internal control over financial reporting and compliance.

Blacksburg, Virginia
November 14 2013

Basic Financial Statements

Town of Rich Creek, Virginia
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,098,347	\$ 1,098,347
Receivables (net of allowance for uncollectibles):			
Taxes receivable	12,142	-	12,142
Accounts receivable	15,271	40,887	56,158
Internal balances	231,861	(231,861)	-
Intergovernmental receivable	58,820	300,683	359,503
Capital assets (net of accumulated depreciation):			
Land	4,600	39,679	44,279
Construction in progress	-	3,774,134	3,774,134
Buildings	70,383	-	70,383
Improvements other than buildings	144,785	-	144,785
Machinery and equipment	13,036	11,754	24,790
Vehicles	132,924	2,750	135,674
Water system	-	181,408	181,408
Sewer system	-	1,497,021	1,497,021
Total assets	\$ 683,822	\$ 6,714,802	\$ 7,398,624
LIABILITIES			
Reconciled cash overdraft	\$ 2,485	\$ -	\$ 2,485
Accounts payable	5,258	23,270	28,528
Customers' deposits	-	24,098	24,098
Accrued interest payable	-	43,435	43,435
Construction payable	21,553	332,092	353,645
Unearned revenue	3,876	-	3,876
Long-term liabilities:			
Due within one year	7,352	44,904	52,256
Due in more than one year	1,786	2,401,715	2,403,501
Total liabilities	\$ 42,310	\$ 2,869,514	\$ 2,911,824
NET POSITION			
Net investment in capital assets	\$ 363,733	\$ 3,065,103	\$ 3,428,836
Unrestricted (deficit)	277,779	780,185	1,057,964
Total net position	\$ 641,512	\$ 3,845,288	\$ 4,486,800

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

Town of Rich Creek, Virginia
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Governmental Activities	Primary Government Business-type Activities		Total
			Grants and Contributions	Capital Grants and Contributions		Business-type Activities		
PRIMARY GOVERNMENT:								
Governmental activities:								
General government administration	\$ 158,914	\$ -	\$ -	\$ -	\$ (158,914)		\$ (158,914)	
Public safety	142,943	6,819	27,717	-	(108,407)		(108,407)	
Public works	205,869	-	-	83,799	(122,070)		(122,070)	
Parks, recreation, and cultural	18,056	18,242	-	-	186		186	
Interest on long-term debt	257	-	-	-	(257)		(257)	
Total governmental activities	\$ 526,039	\$ 25,061	\$ 27,717	\$ 83,799	\$ (389,462)		\$ (389,462)	
Business-type activities:								
Water and Sewer	\$ 500,473	\$ 445,114	\$ 4,282	\$ 1,626,193		\$ 1,575,116	\$ 1,575,116	
Total primary government	\$ 1,026,512	\$ 470,175	\$ 31,999	\$ 1,709,992	\$ (389,462)	\$ 1,575,116	\$ 1,185,654	
General revenues:								
General property taxes					\$ 127,399	\$ -	\$ 127,399	
Other local taxes:								
Local sales and use taxes					28,830	-	28,830	
Consumers' utility taxes					16,011	-	16,011	
Business license taxes					61,618	-	61,618	
Restaurant food taxes					40,482	-	40,482	
Bank stock tax					24,609	-	24,609	
Other local taxes					13,246	-	13,246	
Unrestricted revenues from use of money and property					9,601	1,411	11,012	
Miscellaneous					7,645	-	7,645	
Recovered costs					-	-	-	
Grants and contributions not restricted to specific programs					20,553	-	20,553	
Special items					-	(1,061,334)	(1,061,334)	
Total general revenues					\$ 349,994	\$ (1,059,923)	\$ (709,929)	
Change in net position					\$ (39,468)	\$ 515,193	\$ 475,725	
Net position - beginning, as restated					680,980	3,330,095	4,011,075	
Net assets - ending					\$ 641,512	\$ 3,845,288	\$ 4,486,800	

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

Town of Rich Creek, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	<u>General</u>
ASSETS	
Receivables (net of allowance for uncollectibles):	
Taxes receivable	\$ 12,142
Accounts receivable	15,271
Due from other funds	231,861
Intergovernmental receivable	58,820
Total assets	<u>\$ 318,094</u>
LIABILITIES	
Liabilities:	
Reconciled cash overdraft	\$ 2,485
Accounts payable	5,258
Construction payable	21,553
Unearned revenue	3,876
Total liabilities	<u>\$ 33,172</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>\$ 12,778</u>
FUND BALANCES	
Unassigned	\$ 272,144
Total fund balances	<u>\$ 272,144</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 318,094</u>

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

Town of Rich Creek, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	272,144
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		365,728
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		12,778
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital lease	(1,995)	
Compensated absences	(7,143)	(9,138)
Net position of governmental activities	\$	<u>641,512</u>

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

Town of Rich Creek, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	<u>General</u>
REVENUES	
General property taxes	\$ 124,322
Other local taxes	184,796
Fines and forfeitures	6,819
Revenue from the use of money and property	9,601
Charges for services	18,242
Miscellaneous	7,645
Intergovernmental revenues:	
Commonwealth	45,497
Federal	86,572
Total revenues	<u>\$ 483,494</u>
EXPENDITURES	
Current:	
General government administration	\$ 148,647
Public safety	97,123
Public works	193,569
Parks, recreation, and cultural	15,350
Debt service:	
Principal retirement	5,566
Interest and other fiscal charges	257
Total expenditures	<u>\$ 460,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 22,982</u>
Net change in fund balances	\$ 22,982
Fund balances - beginning	249,162
Fund balances - ending	<u><u>\$ 272,144</u></u>

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

Town of Rich Creek, Virginia
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	22,982
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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 the depreciation exceeded capital outlays in the current period.

Depreciation expense	<u>(69,751)</u>	(69,751)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

3,077

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

Principal repayments:

Capital leases	<u>5,566</u>	5,566
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	<u>(1,342)</u>	(1,342)
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Change in net position of governmental activities

\$ (39,468)

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

Town of Rich Creek, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Proprietary Funds		
	Water and Sewer	Glen Creek STP	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,111,014	\$ -	\$ 1,111,014
Internal balances	(8,385)	8,385	-
Accounts receivables, net of allowance for uncollectibles	36,605	4,282	40,887
Intergovernmental receivable	300,683	-	300,683
Total current assets	\$ 1,439,917	\$ 12,667	\$ 1,452,584
Noncurrent assets:			
Capital assets:			
Land	\$ 39,679	\$ -	\$ 39,679
Construction in progress	3,774,134	-	3,774,134
Sewer system	2,400,313	-	2,400,313
Water system	1,114,182	-	1,114,182
Vehicles	32,557	-	32,557
Equipment	22,264	-	22,264
Less accumulated depreciation	(1,876,383)	-	(1,876,383)
Total capital assets	\$ 5,506,746	\$ -	\$ 5,506,746
Total noncurrent assets	\$ 5,506,746	\$ -	\$ 5,506,746
Total assets	\$ 6,946,663	\$ 12,667	\$ 6,959,330
LIABILITIES			
Current liabilities:			
Reconciled cash overdraft	\$ -	\$ 12,667	\$ 12,667
Accounts payable	23,270	-	23,270
Customers' deposits	24,098	-	24,098
Accrued interest payable	43,435	-	43,435
Due to General fund	231,861	-	231,861
Compensated absences - current portion	3,732	-	3,732
Construction payable	332,092	-	332,092
Bonds payable - current portion	41,172	-	41,172
Total current liabilities	\$ 699,660	\$ 12,667	\$ 712,327
Noncurrent liabilities:			
Bonds payable - net of current portion	\$ 2,400,471	\$ -	\$ 2,400,471
Compensated absences - net of current portion	1,244	-	1,244
Total noncurrent liabilities	\$ 2,401,715	\$ -	\$ 2,401,715
Total liabilities	\$ 3,101,375	\$ 12,667	\$ 3,114,042
NET POSITION			
Net investment in capital assets	\$ 3,065,103	\$ -	\$ 3,065,103
Unrestricted	780,185	-	780,185
Total net position	\$ 3,845,288	\$ -	\$ 3,845,288

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

Town of Rich Creek, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Proprietary Funds		
	Water and Sewer	Glen Creek STP	Total
OPERATING REVENUES			
Charges for services:			
Water revenues	\$ 183,105	\$ -	\$ 183,105
Sewer revenues	248,253	-	248,253
Water and sewer connection fees	13,557	-	13,557
Glen Lyn charges	-	4,282	4,282
Miscellaneous revenue	199	-	199
Total operating revenues	<u>\$ 445,114</u>	<u>\$ 4,282</u>	<u>\$ 449,396</u>
OPERATING EXPENSES			
Salaries and fringes	\$ 92,870	\$ 11,180	\$ 104,050
Utilities	24,043	582	24,625
Purchase of water	107,606	-	107,606
Supplies, maintenance and repairs	26,341	4,268	30,609
Office expense	910	-	910
Insurance	2,527	-	2,527
Professional services	1,193	-	1,193
Capital outlay	35,627	-	35,627
Miscellaneous	6,814	1,098	7,912
Depreciation	160,792	-	160,792
Total operating expenses	<u>\$ 458,723</u>	<u>\$ 17,128</u>	<u>\$ 475,851</u>
Operating income (loss)	<u>\$ (13,609)</u>	<u>\$ (12,846)</u>	<u>\$ (26,455)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment earnings	\$ 1,411	\$ -	\$ 1,411
Interest expense	(24,622)	-	(24,622)
Total nonoperating revenues (expenses)	<u>\$ (23,211)</u>	<u>\$ -</u>	<u>\$ (23,211)</u>
Income before contributions and transfers	<u>\$ (36,820)</u>	<u>\$ (12,846)</u>	<u>\$ (49,666)</u>
Capital contributions	\$ 1,626,193	\$ -	\$ 1,626,193
Transfers in	-	12,846	12,846
Transfers out	(12,846)	-	(12,846)
Special item-removal of sewage treatment plant	(1,061,334)	-	(1,061,334)
Change in net position	<u>\$ 515,193</u>	<u>\$ -</u>	<u>\$ 515,193</u>
Total net position - beginning, as restated	<u>\$ 3,330,095</u>	<u>\$ -</u>	<u>\$ 3,330,095</u>
Total net position - ending	<u>\$ 3,845,288</u>	<u>\$ -</u>	<u>\$ 3,845,288</u>

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

Town of Rich Creek, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Proprietary Funds		
	Water and Sewer	Glen Creek STP	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 460,427	\$ -	\$ 460,427
Payments to suppliers	(192,290)	(5,948)	(198,238)
Payments to and for employees	-	(11,180)	(11,180)
Net cash provided by (used for) operating activities	\$ 268,137	\$ (17,128)	\$ 251,009
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	\$ (4,461)	\$ -	\$ (4,461)
Transfers from other funds	-	4,461	4,461
Net cash provided by (used for) noncapital financing activities	\$ (4,461)	\$ 4,461	\$ -
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital asset additions	\$ (1,641,084)	\$ -	\$ (1,641,084)
Principal payments on bonds	(19,776)	-	(19,776)
Capital contributions	1,608,065	-	1,608,065
Interest payments	(61,368)	-	(61,368)
Net cash provided by (used for) capital and related financing activities	\$ (114,163)	\$ -	\$ (114,163)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	\$ 1,411	\$ -	\$ 1,411
Net increase (decrease) in cash and cash equivalents	\$ 150,924	\$ (12,667)	\$ 138,257
Cash and cash equivalents - beginning	960,090	-	960,090
Cash and cash equivalents - ending	\$ 1,111,014	\$ (12,667)	\$ 1,098,347
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:			
Operating income (loss)	\$ (13,609)	\$ (12,846)	\$ (26,455)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation expense	\$ 160,792	\$ -	\$ 160,792
(Increase) decrease in accounts receivable	9,640	(4,282)	5,358
Increase (decrease) in allowance for uncollectible accounts	2,900	-	2,900
Increase (decrease) in customer deposits	2,773	-	2,773
Increase (decrease) in operating accounts payable	12,771	-	12,771
Increase (decrease) in compensated absences	(243)	-	(243)
Increase (decrease) in due to other funds	93,113	-	93,113
Total adjustments	\$ 281,746	\$ (4,282)	\$ 277,464
Net cash provided by (used for) operating activities	\$ 268,137	\$ (17,128)	\$ 251,009

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

Town of Rich Creek, Virginia
Statement of Net Position
Fiduciary Funds
June 30, 2013

	<u>Cemetery Trust Fund</u>	<u>Agency Fund Library Fund</u>
ASSETS		
Cash and cash equivalents	\$ 143,869	\$ 2,473
LIABILITIES		
Amounts held for Library	\$ -	\$ 2,473
NET POSITION		
Held in trust for Cemetery expenses	<u>\$ 143,869</u>	<u>\$ -</u>

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

Town of Rich Creek, Virginia
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013

	<u>Cemetery Trust Fund</u>
ADDITIONS	
Contributions:	
Private donations	\$ 6,605
DEDUCTIONS	
Administrative expenses	\$ 600
Change in net position	\$ 6,005
Net position - beginning	137,864
Net position - ending	<u>\$ 143,869</u>

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

TOWN OF RICH CREEK, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies:

The financial statements of the Town of Rich Creek, Virginia (Town) conform to generally accepted accounting principles (GAAP) applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Financial Reporting Entity:

The Town of Rich Creek, Virginia (government) is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - The Town of Rich Creek along with the County of Giles, the Towns of Pearisburg, Narrows, Glen Lyn, and Pembroke, participate in supporting the Giles County Public Service Authority. The governing body of this organization is appointed by the respective governing bodies of the participating jurisdictions.

B. Government-wide and fund financial statements:

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

The Statement of 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.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation:

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. 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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for un-collectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues.

Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

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Note 1 - Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The government reports the following major proprietary funds:

The Town operates a sewage collection and treatment system and a water distribution system. The activities of the systems are accounted for in the water and sewer fund.

The Town entered into an agreement with the Town of Glen Lyn, Virginia to obtain a low interest United States Department of Agriculture (USDA) - Rural Development loan to construct a jointly owned and operated wastewater treatment facility. The costs to construct the facility were split by the engineers and each Town paid their appropriate share. The portion of the facility and loan belonging to the Town of Rich Creek, Virginia is included in the above mentioned water and sewer fund. However, the Town pays 100% of the operating costs for the facility. These costs are paid for in the Glen Creek STP fund. These expenses are reimbursed 75% from the Town's water and sewer fund and 25% from the Town of Glen Lyn, Virginia.

Additionally, the government reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as agent or custodian for individuals, private organizations, other governmental units or other funds. Agency funds include the Library fund and the Town also accounts for Cemetery revenues and expenses in the Cemetery Trust fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* 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 fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds distinguish assets held by the Town in a trustee capacity or as an agent for individuals, other governmental units, or other funds. The Town's fiduciary fund consists of the Town acting as an agent for cemetery activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:

1. Deposits and Investments

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

Investments for the government are reported at fair value. The State Treasurer's 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.

2. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are payable on March 15th. Personal property taxes are due and collectible annually on March 15th. The Town bills and collects its own property taxes.

3. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$3,752 for property taxes and \$37,081 for water and sewer receivables at June 30, 2013.

4. 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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. 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 cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life is not capitalized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

5. Capital Assets (continued)

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. \$47,576 and \$30,685 was capitalized during the current and previous year, respectively.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	5-15
Land improvements	15

6. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

7. Long-term Obligations (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town does not have any deferred outflows of resources as of June 30, 2013.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. As of June 30, 2013, the Town's deferred inflow of resources amounted to \$12,778.

9. Restricted Assets

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

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Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

10. Fund Equity

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

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

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

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

11. Net Position

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 1 - Summary of Significant Accounting Policies: (continued)

D. Assets, deferred outflows/inflows of resources, liabilities, and net position/fund balance:
(Continued)

12. 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.

13. *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.

14. *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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 2 - Stewardship, Compliance, and Accountability:

A. Budgetary information:

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

1. Prior to June 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General Fund has a legally adopted budget.
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. Only the Town Council can revise the appropriation for the General Fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30 for all Town units. No supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Excess of expenditures over appropriations:

For the year ended June 30, 2013, the general fund did not have expenditures in excess of appropriations.

C. Deficit fund equity:

At June 30, 2013, there were no funds with deficit fund equity.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 3 - Deposits and Investments:

A. Deposits:

Deposits with banks are covered by the Federal Deposit Insurance Corporations (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.

B. Investments:

Statutes authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP). At June 30, 2013, the Town did not have any investments.

Note 4 - Intergovernmental Receivables:

The following amounts represent receivables from other governments at year-end:

	Primary Government	
	General Fund	Water and Sewer
<u>Commonwealth of Virginia:</u>		
Local sales tax	\$ 3,273	\$ -
Communication sales tax	614	-
Categorical aid - fire programs	800	-
<u>Federal Government:</u>		
TEA-21 Grant	54,133	-
Community Facilities Grant	-	300,683
Total	<u>\$ 58,820</u>	<u>\$ 300,683</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 5 - Interfund Obligations:

<u>Fund</u>	<u>Due to General Fund</u>	<u>Due From Proprietary Fund</u>
General Fund	\$ -	\$ 231,861
Proprietary Fund	\$ 231,861	\$ -

The Town uses the General Fund to pay all salaries and benefits. The amount noted above represents amounts paid out of the General Fund to personnel of the Water and Sewer Fund for fiscal years ended June 30, 2012 and 2013.

Note 6 - Long-Term Obligations:

A. Primary Government - Governmental Activity Indebtedness:

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

	<u>Balance July 1, 2012</u>	<u>Increases/ Issuances</u>	<u>Decreases/ Retirements</u>	<u>Balance June 30, 2013</u>
Capital leases	\$ 7,561	\$ -	\$ (5,566)	\$ 1,995
Compensated absences	5,801	5,692	(4,350)	7,143
Total	\$ 13,362	\$ 5,692	\$ (9,916)	\$ 9,138

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
Capital Leases (Note 8)	\$ 1,995	\$ 1,995
Compensated absences	7,143	5,357
Total Long-Term Obligations	\$ 9,138	\$ 7,352

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 6 - Long-Term Obligations: (continued)

B. Primary Government - Enterprise Activity Indebtedness:

The following is a summary of long-term obligation transactions of the Enterprise Fund for the year ended June 30, 2013:

	Balance July 1, 2012	Increases/ Issuances	Decreases/ Retirements	Balance June 30, 2013
Revenue bonds	\$ 2,461,419	\$ -	\$ (19,776)	\$ 2,441,643
Compensated absences	5,219	3,671	(3,914)	4,976
Total	<u>\$ 2,466,638</u>	<u>\$ 3,671</u>	<u>\$ (23,690)</u>	<u>\$ 2,446,619</u>

Details of long-term indebtedness:

	Total Amount	Amount Due Within One Year
<u>Revenue Bonds Payable:</u>		
\$766,700 Rural Development Bond issued October 4, 1994. Monthly principal and interest payments of \$3,520 began on December 12, 1996 and continue until October 2034, interest accrues at 4.5%.	\$ 538,861	\$ 18,367
\$1,905,000 Rural Development Bond issued September 1, 2011. Interest only payments are due on September 1, 2012 and 2013 totaling \$38,905 and \$47,625, respectively. Combined principal and interest payments of \$6,477 will begin on October 1, 2013 and are due monthly through August, 2051. Interest on the bond accrues at 2.5%.	1,902,782	22,805
Total Revenue Bonds Payable	<u>\$ 2,441,643</u>	<u>\$ 41,172</u>
<u>Other Obligations:</u>		
Compensated absences	<u>\$ 4,976</u>	<u>\$ 3,732</u>
Total Long-Term Obligations	<u>\$ 2,446,619</u>	<u>\$ 44,904</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 6 - Long-Term Obligations: (continued)

C. Primary Government - Enterprise Activity Indebtedness: (continued)

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

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2014	\$ 41,172	\$ 106,986
2015	50,290	69,674
2016	51,959	68,005
2017	53,687	66,277
2018	55,479	64,485
2019-2023	306,647	293,173
2024-2028	362,402	237,418
2029-2033	386,293	171,358
2034-2038	262,710	125,910
2039-2043	297,651	90,969
2044-2048	337,239	51,381
2049-2052	236,114	9,691
Totals	<u>\$ 2,441,643</u>	<u>\$ 1,355,327</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 7 - Capital Leases:**Primary Government**

The Town has entered into a lease agreement to finance the acquisition of a Ford Escape vehicle. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at present value of the minimum lease payments at the date of inception.

The asset acquired through capital leases is as follows:

	<u>Ford Escape</u>
Ford Escape	\$ 21,150
Less: Accumulated Depreciation	<u>(8,460)</u>
Net Asset	<u>\$ 12,690</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

<u>Year Ending June 30,</u>	<u>Capital Lease (Vehicle)</u>
2014	<u>2,008</u>
Subtotal	<u>\$ 2,008</u>
Less, amount representing interest	<u>\$ (13)</u>
Present Value of Lease Agreement	<u>\$ 1,995</u>

Note 8 - Employee Retirement System and Pension Plans:**A. Plan Description:**

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

The Town of Rich Creek contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

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.

Note 8 - Employee Retirement System and Pension Plans: (continued)

A. Plan Description: (continued)

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 ten 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 five 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8 - Employee Retirement System and Pension Plans: (continued)**A. Plan Description: (continued)**

The system issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the 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, VA, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in 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 16.07% of annual covered payroll.

C. Annual Pension Cost

For the fiscal year ended June 30, 2013, the Town's annual pension cost of \$30,433 (including the employee's portion of \$9,469) for VRS was equal to the Town's required and actual contributions.

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC) ¹	Percentage of APC Contributed	Net Pension Obligation
Primary Government:				
Town	6/30/2013	\$ 30,433	100.00%	\$ -
	6/30/2012	25,315	100.00%	-
	6/30/2011	23,102	100.00%	-

¹ Employer and employee portion

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 8 - Employee Retirement System and Pension Plans: (continued)

C. Annual Pension Cost (continued)

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 included 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, if any, is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

C. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 94.17% funded. The actuarial accrued liability for benefits was \$176,276, and the actuarial value of assets was \$166,005, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,271. The covered payroll (annual payroll of active employees covered by the plan) was \$191,544, and the ratio of the UAAL to the covered payroll was 5.36%.

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

Note 9 - Unearned Revenue:

Unearned revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Unearned revenue totaling \$3,876 is comprised of the following:

Prepaid Property Taxes - Property taxes due subsequent to June 30, 2013, but paid in advance by taxpayers totaled \$3,876 at June 30, 2013.

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TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 10 - Capital Assets:

Capital asset activity for the year ended June 30, 2013 was as follows:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 4,600	\$ -	\$ -	\$ 4,600
Capital assets, being depreciated:				
Buildings	\$ 259,979	\$ -	\$ -	\$ 259,979
Machinery and equipment	314,922	-	-	314,922
Vehicles	446,947	-	-	446,947
Improvements other than buildings	183,124	-	-	183,124
Total capital assets being depreciated	\$ 1,204,972	\$ -	\$ -	\$ 1,204,972
Less: accumulated depreciation for:				
Buildings	\$ (187,491)	\$ (2,105)	\$ -	\$ (189,596)
Machinery and equipment	(296,595)	(5,291)	-	(301,886)
Vehicles	(262,631)	(51,392)	-	(314,023)
Improvements other than buildings	(27,376)	(10,963)	-	(38,339)
Total accumulated depreciation	\$ (774,093)	\$ (69,751)	\$ -	\$ (843,844)
Total capital assets being depreciated, net	\$ 430,879	\$ (69,751)	\$ -	\$ 361,128
Governmental activities capital assets, net	\$ 435,479	\$ (69,751)	\$ -	\$ 365,728

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

Governmental activities:	
General government administration	\$ 8,883
Public safety	45,862
Public works	12,300
Parks, recreation, and cultural	2,706
Total depreciation expense-governmental activities	\$ 69,751

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013Note 10 - Capital Assets: (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 39,679	\$ -	\$ -	\$ 39,679
Construction in progress	3,353,121	1,637,846	(1,216,833)	3,774,134
Total capital assets not being depreciated	<u>\$ 3,392,800</u>	<u>\$ 1,637,846</u>	<u>\$ (1,216,833)</u>	<u>\$ 3,813,813</u>
Capital assets, being depreciated:				
Water system	\$ 1,114,182	\$ -	\$ -	\$ 1,114,182
Sewer system	3,817,193	1,216,833	(2,633,713)	2,400,313
Vehicles	32,557	-	-	32,557
Equipment	22,264	-	-	22,264
Total capital assets being depreciated	<u>\$ 4,986,196</u>	<u>\$ 1,216,833</u>	<u>\$ (2,633,713)</u>	<u>\$ 3,569,316</u>
Less: accumulated depreciation for:				
Water system	\$ (903,699)	\$ (29,075)	\$ -	\$ (932,774)
Sewer system	(2,351,158)	(124,513)	1,572,379	(903,292)
Vehicles	(26,807)	(3,000)	-	(29,807)
Equipment	(6,306)	(4,204)	-	(10,510)
Total accumulated depreciation	<u>\$ (3,287,970)</u>	<u>\$ (160,792)</u>	<u>\$ 1,572,379</u>	<u>\$ (1,876,383)</u>
Total capital assets being depreciated, net	<u>\$ 1,698,226</u>	<u>\$ 1,056,041</u>	<u>\$ (1,061,334)</u>	<u>\$ 1,692,933</u>
Business-Type Activities capital assets, net	<u>\$ 5,091,026</u>	<u>\$ 2,693,887</u>	<u>\$ (2,278,167)</u>	<u>\$ 5,506,746</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities:

Water and Sewer	<u>\$ 160,792</u>
-----------------	-------------------

On April 30, 2013, the Town ceased using its sewage treatment plant located in the Town of Rich Creek since the Glen Creek Sewage Treatment Plant became operational. As a result, the Rich Creek treatment plant was removed from the Town's book resulting in a special loss of \$1,061,334.

TOWN OF RICH CREEK, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 11 - 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; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Commitments and Contingencies:

The Town has obligated funds for the projects described below as of June 30, 2013:

	Original Contract	Amount Paid As of 6/30/2013	Remaining Contract Amount	Accounts Payable	Retainage Payable
Littleton and Associates	\$ 2,910,951	\$ 2,881,841	\$ -	\$ 143,450	\$ 29,110
Inland Water Pollution Control, Inc	310,000	294,500	-	144,032	15,500
Hill Studio	162,546	112,765	49,781	21,553	-
Total Contracts	\$ 3,383,497	\$ 3,289,106	\$ 49,781	\$ 309,035	\$ 44,610

Federal programs in which the Town has participated were audited in accordance with the provisions of U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Pursuant to the provisions of this circular, all major programs and certain other programs were tested for compliance with applicable grant requirements. While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests, which may result in disallowed expenditures. In the opinion of management, any future disallowances of current grant program expenditures, if any, would be immaterial.

Note 13-Litigation:

As of June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should a court decision on pending matters not be favorable.

Note 14 - Restatement:

	Governmental Activities	Business-type Activities	Total
Net position as previously report 6/30/12	\$ 680,980	\$ 3,299,410	\$ 3,980,390
Interest expense that should have been capitalized in FY12	-	30,685	30,685
Net position as restated 6/30/12	680,980	3,330,095	4,011,075

Required Supplementary Information

Town of Rich Creek, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
REVENUES				
General property taxes	\$ 113,010	\$ 113,010	\$ 124,322	\$ 11,312
Other local taxes	184,100	184,100	184,796	696
Fines and forfeitures	20,000	20,000	6,819	(13,181)
Revenue from the use of money and property	9,500	9,500	9,601	101
Charges for services	9,000	9,000	18,242	9,242
Miscellaneous	9,700	9,700	7,645	(2,055)
Intergovernmental revenues:				
Commonwealth	44,434	44,434	45,497	1,063
Federal	802,773	802,773	86,572	(716,201)
Total revenues	<u>\$ 1,192,517</u>	<u>\$ 1,192,517</u>	<u>\$ 483,494</u>	<u>\$ (709,023)</u>
EXPENDITURES				
Current:				
General government administration	\$ 1,123,166	\$ 1,123,166	\$ 148,647	\$ 974,519
Public safety	43,392	43,392	97,123	(53,731)
Public works	177,872	177,872	193,569	(15,697)
Parks, recreation, and cultural	7,419	7,419	15,350	(7,931)
Debt service:				
Principal retirement	-	-	5,566	(5,566)
Interest and other fiscal charges	-	-	257	(257)
Total expenditures	<u>\$ 1,351,849</u>	<u>\$ 1,351,849</u>	<u>\$ 460,512</u>	<u>\$ 891,337</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (159,332)</u>	<u>\$ (159,332)</u>	<u>\$ 22,982</u>	<u>\$ 182,314</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>\$ 159,332</u>	<u>\$ 159,332</u>	<u>\$ -</u>	<u>\$ (159,332)</u>
Net change in fund balances	\$ -	\$ -	\$ 22,982	\$ 22,982
Fund balances - beginning	-	-	249,162	249,162
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 272,144</u>	<u>\$ 272,144</u>

Town of Rich Creek, Virginia
 Virginia Retirement System (VRS) Pension Plan
 Schedule of Pension Funding Progress

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 166,005	\$ 176,276	\$ 10,271	94.17%	\$ 191,544	5.36%
6/30/2011	139,998	147,154	7,156	95.14%	169,559	4.22%
6/30/2010	111,221	122,196	10,975	91.02%	179,618	6.11%

Supporting Schedules

Town of Rich Creek, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
All property taxes	\$ 113,010	\$ 113,010	\$ 124,322	\$ 11,312
Other local taxes:				
Local sales and use tax	\$ 29,000	\$ 29,000	\$ 28,830	\$ (170)
Consumers' utility tax	15,600	15,600	16,011	411
Consumption taxes	3,500	3,500	3,626	126
Business license tax	60,000	60,000	61,618	1,618
Motor vehicle licenses	7,500	7,500	7,297	(203)
Bank stock tax	23,000	23,000	24,609	1,609
Hotel and motel room tax	3,500	3,500	2,323	(1,177)
Restaurant food taxes	42,000	42,000	40,482	(1,518)
Total other local taxes	\$ 184,100	\$ 184,100	\$ 184,796	\$ 696
Fines and forfeitures:				
Court fines and forfeitures	\$ 20,000	\$ 20,000	\$ 6,819	\$ (13,181)
Revenue from use of money and property:				
Revenue from use of money	\$ 1,500	\$ 1,500	\$ 1,038	\$ (462)
Revenue from use of property	8,000	8,000	8,563	563
Total revenue from use of money and property	\$ 9,500	\$ 9,500	\$ 9,601	\$ 101
Charges for services:				
Charges for parks and recreation	\$ 9,000	\$ 9,000	\$ 18,242	\$ 9,242
Miscellaneous revenue:				
Library donations	\$ 3,600	\$ 3,600	\$ 3,600	\$ -
Miscellaneous	6,100	6,100	4,045	(2,055)
Total miscellaneous revenue	\$ 9,700	\$ 9,700	\$ 7,645	\$ (2,055)
Total revenue from local sources	\$ 345,310	\$ 345,310	\$ 351,425	\$ 6,115
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Communications tax	\$ 7,800	\$ 7,800	\$ 8,063	\$ 263
Personal property tax relief act funds	12,490	12,490	12,490	-
Total noncategorical aid	\$ 20,290	\$ 20,290	\$ 20,553	\$ 263
Categorical aid:				
Other categorical aid:				
Local law enforcement grants	\$ 16,144	\$ 16,144	\$ 16,144	\$ -
Fire program funds	8,000	8,000	8,800	800
Total other categorical aid	\$ 24,144	\$ 24,144	\$ 24,944	\$ 800
Total revenue from the Commonwealth	\$ 44,434	\$ 44,434	\$ 45,497	\$ 1,063

Town of Rich Creek, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the federal government:				
Categorical aid:				
Federal policing grants	\$ 2,773	\$ 2,773	\$ 2,773	\$ -
Planning grant	700,000	700,000	-	(700,000)
TEA-21 grant	100,000	100,000	83,799	(16,201)
Total categorical aid	<u>\$ 802,773</u>	<u>\$ 802,773</u>	<u>\$ 86,572</u>	<u>\$ (716,201)</u>
Total revenue from the federal government	<u>\$ 802,773</u>	<u>\$ 802,773</u>	<u>\$ 86,572</u>	<u>\$ (716,201)</u>
Total General Fund	<u>\$ 1,192,517</u>	<u>\$ 1,192,517</u>	<u>\$ 483,494</u>	<u>\$ (709,023)</u>

Town of Rich Creek, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

<u>Fund, Function, Sub-Function and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 361,057	\$ 361,057	\$ 6,000	\$ 355,057
General and financial administration:				
Administrative	\$ 753,459	\$ 753,459	\$ 132,997	\$ 620,462
Audit Services	8,650	8,650	9,650	(1,000)
Total general and financial administration	\$ 762,109	\$ 762,109	\$ 142,647	\$ 619,462
Total general government administration	\$ 1,123,166	\$ 1,123,166	\$ 148,647	\$ 974,519
Public safety:				
Law enforcement and traffic control:				
Police Department	\$ 18,837	\$ 18,837	\$ 79,774	\$ (60,937)
Fire and rescue services:				
Volunteer Fire Department	\$ 24,555	\$ 24,555	\$ 17,349	\$ 7,206
Total public safety	\$ 43,392	\$ 43,392	\$ 97,123	\$ (53,731)
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street Maintenance	\$ 146,372	\$ 146,372	\$ 171,864	\$ (25,492)
Maintenance of general buildings and grounds:				
Municipal Building	\$ 31,500	\$ 31,500	\$ 21,705	\$ 9,795
Total public works	\$ 177,872	\$ 177,872	\$ 193,569	\$ (15,697)
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and Recreation	\$ 7,419	\$ 7,419	\$ 15,350	\$ (7,931)
Debt service:				
Principal Retirement	\$ -	\$ -	\$ 5,566	\$ (5,566)
Interest and Other Fiscal Charges	-	-	257	(257)
Total debt service	\$ -	\$ -	\$ 5,823	\$ (5,823)
Total General Fund	\$ 1,351,849	\$ 1,351,849	\$ 460,512	\$ 891,337

Other Statistical Information

Table 1

Town of Rich Creek, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years (1)

Fiscal Year	General Government Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Interest on Long-Term Debt	Water and Sewer	Total
2007-08	\$ 257,752	\$ 41,497	\$ 43,277	\$ 8,327	\$ 237	\$ 473,433	\$ 824,523
2008-09	194,722	64,536	147,179	9,865	493	511,124	927,919
2009-10	171,167	67,430	66,638	30,755	271	479,778	816,039
2010-11	212,031	188,222	64,466	22,732	44	466,896	954,391
2011-12	184,710	121,621	505,189	12,509	604	529,760	1,354,393
2012-13	158,914	142,943	205,869	18,056	257	500,473	1,026,512

(1) Information has only been available for six years.

Table 2

Town of Rich Creek, Virginia
Government-Wide Revenues
Last Ten Fiscal Years (1)

Fiscal Year	PROGRAM REVENUES			GENERAL REVENUES						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs		
2007-08	\$ 458,038	\$ -	\$ -	\$ 104,449	\$ 81,743	\$ 40,208	\$ 77,333	\$ -	\$ 761,771	
2008-09	416,281	28,751	52,552	103,132	130,859	10,154	20,218	12,490	774,437	
2009-10	404,886	28,591	7,645	113,682	177,905	8,347	14,956	20,689	776,701	
2010-11	443,495	24,732	38,392	115,768	191,381	7,909	16,941	20,650	859,268	
2011-12	467,625	28,220	2,169,286	112,771	182,835	12,255	15,060	19,783	3,007,835	
2012-13	470,175	31,999	1,709,992	127,399	184,796	11,012	7,645	20,553	2,563,571	

(1) Information has only been available for six years.

Table 3

Town of Rich Creek, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Debt Service	Total
2003-04	\$ 162,384	\$ 30,893	\$ 69,830	\$ 17,223	\$ -	\$ 280,330
2004-05	166,522	40,227	61,140	10,584	-	278,473
2005-06	175,188	39,670	62,008	14,905	-	291,771
2006-07	206,048	30,481	91,772	15,484	-	343,785
2007-08	178,299	38,522	124,455	4,440	2,135	347,851
2008-09	185,399	64,536	143,893	22,440	5,123	421,391
2009-10	163,316	67,430	63,303	39,715	5,123	338,887
2010-11	203,922	78,694	64,269	34,069	2,959	383,913
2011-12	209,417	114,230	648,161	17,260	9,243	998,311
2012-13	148,647	97,123	193,569	15,350	5,823	460,512

Table 4

Town of Rich Creek, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses (1)	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter- governmental	Total
2003-04	\$ 71,430	\$ 60,474	\$ 52,982	\$ 2,148	\$ 6,188	\$ -	\$ 18,612	\$ -	\$ 37,550	\$ 249,384
2004-05	100,197	58,438	59,066	15,390	4,199	-	29,342	-	33,988	300,620
2005-06	111,147	67,873	65,729	7,514	6,805	-	29,877	-	32,265	321,210
2006-07	98,903	74,219	73,673	5,452	6,697	-	54,238	-	32,397	345,579
2007-08	105,260	81,743	63,937	10,225	13,037	-	67,989	-	32,482	374,673
2008-09	104,544	130,859	-	5,801	10,154	4,856	20,218	16,462	93,793	386,687
2009-10	107,692	177,905	-	5,682	8,347	4,950	14,956	13,876	56,925	390,333
2010-11	113,437	191,381	-	3,671	7,909	7,355	16,941	14,195	83,774	438,663
2011-12	117,579	182,835	-	11,805	10,595	8,159	15,060	7,371	565,251	918,655
2012-13	124,322	184,796	-	6,819	9,601	18,242	7,645	-	132,069	483,494

(1) Prior to fiscal year 2008-09, motor vehicle and business licenses were reported as Permits, Privilege Fees and Licenses.

Table 5

Town of Rich Creek, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)		Current Tax Collections (1,2)		Percent of Levy Collected	Delinquent Tax Collections (1)		Total Tax Collections		Percent of Total Tax Collections to Tax Levy		Outstanding Delinquent Taxes		Percent of Delinquent Taxes to Tax Levy	
	\$		\$			\$		\$		%		\$		%	
2003-04	\$	96,395	\$	86,154	89.38%	\$	5,204	\$	91,358	94.77%		\$	14,983	15.54%	
2004-05		94,226		89,986	95.50%		30,191		120,177	127.54%			5,023	5.33%	
2005-06		113,449		120,980	106.64%		2,121		123,101	108.51%			5,115	4.51%	
2006-07		118,161		108,530	91.85%		2,863		111,393	94.27%			6,612	5.60%	
2007-08		119,087		112,912	94.81%		4,838		117,750	98.88%			5,799	4.87%	
2008-09		121,378		113,612	93.60%		3,422		117,034	96.42%			6,445	5.31%	
2009-10		117,821		115,760	98.25%		4,422		120,182	102.00%			12,572	10.67%	
2010-11		124,313		119,962	96.50%		5,965		125,927	101.30%			15,178	12.21%	
2011-12		126,359		124,088	98.20%		5,981		130,069	102.94%			16,440	13.01%	
2012-13		133,622		130,355	97.56%		6,457		136,812	102.39%			15,893	11.89%	

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Includes personal property tax relief paid by the Commonwealth of Virginia.

Table 6

Town of Rich Creek, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1),(4)	Personal Property and Mobile Homes (3)	Machinery and Tools (3)	Public Utility (2) Real Estate	Total
2003-04	\$ 25,444,700	\$ 5,382,409	\$ 1,694,508	\$ 674,679	\$ 33,196,296
2004-05	24,927,400	5,067,853	2,008,752	833,562	32,837,567
2005-06	31,917,400	5,528,508	2,040,674	1,065,835	40,552,417
2006-07	32,133,100	6,154,199	2,185,524	1,034,750	41,507,573
2007-08	32,375,900	6,066,153	2,445,701	1,052,481	41,940,235
2008-09	32,485,100	6,396,311	2,406,814	1,110,751	42,398,976
2009-10	36,526,400	5,565,500	2,298,652	1,414,010	45,804,562
2010-11	36,525,300	5,674,653	4,182,693	1,371,396	47,754,042
2011-12	35,860,500	6,089,690	4,002,095	1,357,510	47,309,795
2012-13	36,503,200	6,370,177	5,803,775	1,304,009	49,981,161

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property and machinery and tools are assessed at 100% of fair market value as of January 1, 2003.

(4) Starting in fiscal year 2011-12, tax relief for veterans is included in the real estate assessed value.

Table 7

Town of Rich Creek, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2003-04	\$ 0.22	\$ 0.22	\$ 2.50	\$ 2.50
2004-05	0.22	0.22	0.63	0.31
2005-06	0.22	0.22	0.63	0.31
2006-07	0.22	0.22	0.63	0.31
2007-08	0.22	0.22	0.63	0.31
2008-09	0.22	0.22	0.63	0.31
2009-10	0.20	0.20	0.63	0.31
2010-11	0.20	0.20	0.63	0.31
2011-12	0.20	0.20	0.63	0.31
2012-13	0.20	0.20	0.63	0.31

(1) Per \$100 of assessed value.

Table 8

Town of Rich Creek, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years (1)

Fiscal Year	Population (2)	Assessed Value (in thousands) (3)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008-09	665	\$ 42,399	\$ -	0.00%	\$ -
2009-10	665	45,805	-	0.00%	-
2010-11	774	47,754	-	0.00%	-
2011-12	774	47,310	-	0.00%	-
2012-13	774	49,981	-	0.00%	-

(1) Information has only been available for five years.

(2) Center for Public Service at the University of Virginia.

(3) Real property assessed at 100% of fair market value.

Table 9

Town of Rich Creek, Virginia
Computation of Legal Debt Margin
June 30, 2013

Assessed valuations:	
Assessed value of real estate	<u>\$ 36,503,200</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	\$ 3,650,320
Total debt applicable to limitation	<u>-</u>
Legal debt margin	<u>\$ 3,650,320</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Members of Council
Town of Rich Creek
Rich Creek, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Rich Creek, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Rich Creek, Virginia's basic financial statements and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses [2013-1, 2013-2]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Rich Creek, 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 did not disclose an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Rich Creek, Virginia's Response to Findings

Town of Rich Creek, Virginia's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Rich Creek, Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Blacksburg, Virginia
November 14, 2013

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Members of Council
Town of Rich Creek
Rich Creek, Virginia

Report on Compliance for Each Major Federal Program

We have audited Town of Rich Creek, Virginia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Rich Creek, Virginia's major federal programs for the year ended June 30, 2013. Town of Rich Creek, Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Town of Rich Creek, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Town of Rich Creek, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Town of Rich Creek, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, Town of Rich Creek, Virginia, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Town of Rich Creek, Virginia, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Town of Rich Creek, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance

with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Town of Rich Creek, Virginia's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Blacksburg, Virginia
November 14, 2013

Town of Rich Creek, Virginia

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Department of Agriculture:			
Direct:			
Rural Utilities Service			
Water and Waste Disposal Systems for Rural Communities	10.760	Not available	\$ <u>1,626,193</u>
Total Expenditures of Federal Awards			\$ <u><u>1,626,193</u></u>

NOTE 1--BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Town of Rich Creek, Virginia under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Town of Rich Creek, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Rich Creek, Virginia.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

NOTE 3--RELATIONSHIP TO THE FINANCIAL STATEMENTS:

Federal expenditures, revenues, and capital contributions are reported in the Town's basic financial statements as follows:

Intergovernmental federal revenues/loan proceeds per the basic financial statements:

Primary government:

 Water and Sewer Fund \$ 1,626,193

Town of Rich Creek, Virginia

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) indentified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)?	No

Identification of major programs:

CFDA #	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

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Town of Rich Creek, Virginia
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-1

Criteria:	Per Statement on Auditing Standards 115, identification of a material adjustment to the financial statements that was not detected by the entity's internal controls indicates that a material weakness may exist.
Condition:	The Town's financial statements required material adjustments by the Auditor to ensure such statements complied with Generally Accepted Accounting Standards.
Cause of Condition:	The Town has historically relied on the auditors for assistance in preparing the financial statements and related adjustments.
Effect of Condition:	There is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management has and continues to work towards making all necessary entries and adjustments.
Management's Response:	The Town Treasurer will work with the auditors to learn how to make the necessary entries to be able to provide an adjusted trial balance at the time of the audit.

2013-2

Criteria:	A key concept of internal controls is the segregation of duties. No one employee should have access to both accounting records and related assets.
Condition:	The Town does not have a proper segregation of duties over the payroll, accounts payable and billing and collection functions.
Cause of Condition:	The Town lacks the funding to fully support a completely segregated finance department.
Effect of Condition:	There is more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal controls over financial reporting.
Recommendation:	Management should further try to segregate duties amongst current staff to help alleviate risk created by improper segregation of duties.
Management's Response:	Management acknowledges that internal controls over the billing and collection function as well as the accounts payable and payroll functions lack proper segregation of duties; however, to alleviate same would require additional staff.

Section III - Federal Award Findings and Questioned Costs

None

Section IV - Status of Prior Audit Findings and Questioned Costs

2012-1 and 2012-2 are recurring in the current year.