

## **TOWN OF ONLEY, VIRGINIA**

## **COUNCIL AND OFFICIALS**

Jack Pierson, Mayor

Henry E. Finney, Vice Mayor

Jamye L. Salazar, Treasurer

Dawn E. Dize

Susan Rillo

Billy P. Chance

Fred Gardner

Earl D. Strautz, Jr.

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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

## **Independent Auditors' Report**

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

## Report on the Financial Statements

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

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

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

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

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

#### **Opinions**

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

#### **Emphasis of Matter**

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

#### Other Matters

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management has omitted 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

## Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Onley, Virginia's basic financial statements. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supporting schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2014, on our consideration of the Town of Onley, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Onley, Virginia's internal control over financial reporting and compliance.

Arbinson, Found, lox Associats Charlottesville, Virginia

February 17, 2014

# - Basic Financial Statements -

Government-wide Financial Statements

Statement of Net Position June 30, 2013

	_	Governmental Activities
Assets:		
Current assets:	ċ	4 477 2/2
Cash and cash equivalents  Receivables (net of allowance for uncollectibles):	\$	1,177,262
Property taxes		7,032
Accounts		43,701
Prepaid items		8,859
Total current assets	\$_	1,236,854
Noncurrent assets:		
Capital assets:		
Land	\$	91,151
Buildings, vehicles and equipment (net of accumulated depreciation)	_	58,832
Total capital assets	\$_	149,983
Total assets	\$_	1,386,837
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$	6,835
Unearned revenue		7,000
Loan payable, current portion	_	3,597
Total current liabilities	\$_	17,432
Noncurrent liabilities:		
Compensated absences	\$	3,931
Loan payable, noncurrent portion	_	10,589
Total long-term liabilities	\$_	14,520
Total liabilities	\$_	31,952
Net Position:		
Net investment in capital assets	\$	135,797
Unrestricted	_	1,219,088
Total net position	\$	1,354,885
Total liabilities and net position	\$	1,386,837

					F	Program Revenu	es		Net (Expense) Revenue and Changes in Net Position
			-	Charges for		Operating Grants and	Capital Grants and		Governmental
Functions/Programs		Expenses		Services		Contributions	Contributions		Activities
Primary Government									
Governmental activities									
General government									(4.40.500)
administration	\$	144,047	\$	1,465	\$		\$ -	\$	(142,582)
Public safety Public works		268,139 63,776		96,773		25,642 1,203	-		(145,724) (62,573)
Interest on long-term debt		603		-		1,203	-		(603)
Total governmental activities	<b>\$</b>	476,565	 \$	98,238	<b>-</b> \$	26,845	\$ -	 \$	(351,482)
Total	\$_	476,565	\$	98,238	\$	26,845	\$	\$	(351,482)
		neral Reve						_	
		eneral prop her local t		-				\$	61,142
		ales and u							38,519
	٨	Neals tax							304,953
	C	ccupancy	tax	(					19,328
	В	ank franch	nise	tax					90,050
	C	)ther							15,170
						restricted to spe	ecific programs		2,090
				ise of mone	y a	and property			4,362
		scellaneou -						<u>,</u> –	5,986
		Total gene	ral	revenues				۶ <u> </u>	541,600
		Change i	\$	190,118					
	Ne	t position,	be	eginning of	yea	ar		_	1,164,767
	Ne	t position,	en	nd of year				\$_	1,354,885

- Basic Financial Statements -

Fund Financial Statements

Balance Sheet Governmental Fund June 30, 2013

	_	General Fund
Assets:		
Cash and cash equivalents	\$	1,177,262
Receivables (net of allowance for uncollectibles):		
Property taxes		7,032
Accounts		43,701
Prepaid items		8,859
Total assets	\$_	1,236,854
Liabilities:		
Accounts payable and accrued expenses	\$	6,835
Unearned revenue - grants	_	7,000
Total liabilities	\$_	13,835
Deferred Inflows of Resources:		
Unavailable revenue - property taxes	\$_	6,463
Fund Balance:		
Nonspendable:		
Prepaid items	\$	8,859
Committed:		
Rainy day/Stabilization fund		200,000
Unassigned	_	1,007,697
Total fund balance	\$	1,216,556
Total liabilities, deferred inflows of resources, and fund balance	\$_	1,236,854

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

Total fund balance for governmental funds (Exhibit 3)

\$ 1,216,556

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

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

Land \$ 91,151

Depreciable capital assets, net of accumulated depreciation 58,832

Total capital assets 149,983

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenue - property taxes in the governmental funds and thus are not included in the fund balance.

6,463

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences \$ (3,931)
USDA loan (14,186)

Total long-term liabilities (18,117)

Total net position of governmental activities (Exhibits 1 and 2)

1,354,885

Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Fund For the Year Ended June 30, 2013

	_	General Fund
Revenues:		
General property taxes	\$	66,716
Other local taxes		468,020
Permits, privilege fees and regulatory licenses		1,465
Fines and forfeitures		96,773
Revenue from use of money and property		4,362
Miscellaneous		5,986
Intergovernmental		28,935
Total revenues	\$	672,257
Expenditures:		
Current:		
General government administration	\$	140,879
Public safety		244,938
Public works		56,421
Debt service:		
Principal retirement		3,465
Interest and other fiscal charges	_	603
Total expenditures	\$_	446,306
Excess (deficiency) of revenues over expenditures	\$_	225,951
Net changes in fund balance	\$	225,951
Fund balance at beginning of year		990,605
Fund balance at end of year	\$	1,216,556

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

Net change in fund balance - total governmental funds (Exhibit 5)

\$ 225,951

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 deprecation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense

(33,095)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in unavailable tax revenue.

(5,574)

Loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long-term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments:

USDA loan

3,465

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences

(629)

Change in net position of governmental activities (Exhibit 2)

190,118

#### TOWN OF ONLEY, VIRGINIA

## Notes to Financial Statements At June 30, 2013

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

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

#### Financial Reporting Entity:

The Town was incorporated on April 5, 1950, under the provisions of the Commonwealth of Virginia. The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety (police), streets, sanitation, public improvements, planning and zoning, and general administrative services.

The government is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The Town does not have any component units.

#### Financial Statement Presentation:

#### Management's Discussion and Analysis:

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis that the private sector provides in their annual reports. The Town has not presented this information.

#### Government-wide and Fund Financial Statements:

#### Government-wide Financial Statements:

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

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. 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.

#### TOWN OF ONLEY, VIRGINIA

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### Statement of Net Position:

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

#### Statement of Activities:

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

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

#### Fund Financial Statements:

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town has no proprietary funds.

#### **Budgetary Comparison Schedules:**

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

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

## A. Financial Reporting Entity:

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

- B. <u>Individual Component Unit Disclosures:</u> None
- C. Other Related Organizations Included in the Town Financial Statements: None
- D. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

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

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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

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

#### 1. Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental fund.

#### a. General Fund:

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

## E. Budgets and Budgetary Accounting:

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### F. Cash and Cash Equivalents:

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

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

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

#### G. Receivables:

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent December 5.

Property tax revenues are recognized when they become available. Available revenues include those property tax receivables expected to be collected within 60 days after year end.

#### H. Capital Assets:

Capital assets, which include land, buildings, vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	40 to 50
Vehicles and equipment	5 to 20

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### I. Compensated Absences:

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. At June 30, 2013, the Town had a liability for compensated absences of \$3,931. The following is a summary of changes in compensated absences for 2013:

Beginning				_		Ending	
_	Balance Increase		 Decrease		Balance		
\$	3,302	\$	629	\$ - 5	\$_	3,931	

#### J. Fund Balances:

#### Financial Policies

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

The Town reports fund balance in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

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

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

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

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### J. Fund Balances: (Continued)

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

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

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

#### K. 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.

## L. 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.

#### M. 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.

#### N. 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

#### N. Deferred Outflows/Inflows of Resources: (Continued)

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

#### O. Adoption of Accounting Principles:

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

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.

# <u>Items Previously Reported as Assets and Liabilities, Statement No. 65 of the Governmental Accounting Standards Board</u>

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.

## P. <u>Upcoming Pronouncements:</u>

GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014 (fiscal year ended June 30, 2015). The Town has not determined the impact of this pronouncement on its financial statements.

## **NOTE 2 - DEPOSITS AND INVESTMENTS:**

#### Deposits:

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

#### Investments:

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

At June 30, 2013, the Town had no investments.

#### **NOTE 3 - CAPITAL ASSETS:**

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

		Balance	A 1 1141	D 1 11	Balance
Governmental Activities: Capital assets, not being depreciated:	-	July 1, 2012	Additions	Deletions	June 30, 2013
Land	\$	91,151 \$		\$\$	91,151
Capital assets, being depreciated: Buildings Vehicles and equipment	\$	35,268 \$ 287,290	- <u>!</u>	5 - \$ 13,500	35,268 273,790
Total capital assets being depreciated	\$	322,558 \$		\$13,500_\$	309,058
Less accumulated depreciation for: Buildings Vehicles and equipment	\$	(31,514) \$ (199,117)	(193) S (32,902)	5 - \$ (13,500)	(31,707)
Total accumulated depreciation	\$	(230,631) \$	(33,095)	(13,500) \$	(250,226)
Net capital assets being depreciated	\$	91,927 \$	(33,095)	s\$	58,832
Net capital assets governmental activities	\$	183,078 \$	(33,095)	\$ <u> </u>	149,983

#### NOTE 3 - CAPITAL ASSETS: (CONTINUED)

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

#### **Governmental Activities:**

General government administration	\$ 2,981
Public safety	22,759
Public works	 7,355
Total	\$ 33,095

## **NOTE 4 - LOAN PAYABLE:**

On March 26, 2012, the Town obtained an \$18,500 loan from Rural Development. The loan is payable in monthly principal and interest payments of \$339. Interest on the loan is 3.75%. The balance outstanding at June 30, 2013 is \$14,186.

The following is a summary of changes in loan payable for the year:

		Beginning						Ending
	_	Balance		Increase	_	Decrease	_	Balance
Loan Payable	ς -	17,651	ς	_	ς	3,465	ς	14,186
Loan rayable	~ _	17,031	. Y.		. Y _	3,703	. ㆍ.	14,100

Annual requirements to amortize the loan payable are as follows:

Year Ended June 30,	 Principal	Interest
2014	\$ 3,597	\$ 471
2015	3,735	333
2016	3,877	191
2017	2,977	49
Total	\$ 14,186	\$ 1,044

#### **NOTE 5 - RISK MANAGEMENT:**

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

## TOWN OF ONLEY, VIRGINIA

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

#### **NOTE 6 - GRANT FUNDS:**

In the normal course of operations, the Town receives grant funds from various state and federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

## NOTE 7 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

**Budgets and Budgetary Accounting** 

Formal budgetary integration is employed as a management control device during the year for the General Fund. Annual operating budgets are adopted by ordinances and resolutions passed by the Town Council for those funds. The Town does not integrate the use of encumbrance accounting in any of its funds.

#### NOTE 8 - UNAVAILABLE/UNEARNED REVENUE:

	_	Government-wide Statements Governmental Activities	 Balance Sheet Governmental Funds
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$	-	\$ 6,463
Unearned revenue from unspent grant funds for ditch clean up.	_	7,000	 7,000
Total governmental activities	\$_	7,000	\$ 13,463



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

	_	Original Budget	_	Final Budget		Actual	Variance With Final Budget Positive (Negative)
Revenues							
General property taxes	\$	60,000	\$	60,000	\$	66,716\$	6,716
Other local taxes	·	341,660		341,660		468,020	126,360
Permits, privilege fees and		,		,		•	,
regulatory licenses		400		400		1,465	1,065
Fines and forfeitures		90,000		90,000		96,773	6,773
Revenue from use of money and property		2,240		2,240		4,362	2,122
Miscellaneous		7,300		7,300		5,986	(1,314)
Intergovernmental:							
Revenue from the Commonwealth		8,820		8,820		4,093	(4,727)
Revenue from the Federal Government		28,156		28,156		24,842	(3,314)
Total revenues	\$_	538,576	\$	538,576	\$	672,257 \$	133,681
Expenditures							
Current:							
General Government Administration	\$	145,301	\$	160,301	\$	140,879 \$	19,422
Public Safety		292,373		292,373		244,938	47,435
Public Works		96,786		81,786		56,421	25,365
Debt service:							
Principal retirement		3,513		3,513		3,465	48
Interest and other fiscal charges		603		603		603	-
Total expenditures	\$	538,576	\$	538,576	\$	446,306 \$	92,270
Excess (deficiency) of revenues over							
expenditures	\$	-	\$	-	\$	225,951 \$	225,951
Net change in fund balance	\$	_	\$	_	- \$	225,951 \$	225,951
_	Y		Y		Y	•	·
Fund balance, beginning of year	_	-	_	-		990,605	990,605
Fund balance, end of year	\$_	-	\$_	-	\$	1,216,556 \$	1,216,556

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



## TOWN OF ONLEY, VIRGINIA

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

Fund, Major and Minor Revenue Source		Original Budget		Revised Budget		Actual		Variance Positive (Negative)
General Fund:								
Revenue from local sources:								
General property taxes:								
Real property taxes	\$	48,000	\$	48,000	\$	52,820	\$	4,820
Personal property taxes		12,000	·	12,000		12,757		757
Penalties		-		, -		443		443
Interest	_	-		-		696	_	696
Total general property taxes	\$_	60,000	\$_	60,000	\$_	66,716	\$_	6,716
Other local taxes:								
Local sales and use taxes	\$	25,000	\$	25,000	\$	38,519	\$	13,519
Communications tax		3,200		3,200		4,290		1,090
Meals tax		220,000		220,000		304,953		84,953
Occupancy tax		18,000		18,000		19,328		1,328
BPOL tax		2,400		2,400		2,667		267
Motor vehicle licenses		8,000		8,000		8,213		213
Bank franchise taxes	_	65,060		65,060		90,050	_	24,990
Total other local taxes	\$_	341,660	\$_	341,660	\$_	468,020	\$_	126,360
Permits, privilege fees and regulatory licenses:								
Zoning fees	\$	400	\$_	400	\$	1,465	\$_	1,065
Fines and forfeitures:								
Court fines and forfeitures	\$_	90,000	\$_	90,000	\$_	96,773	\$_	6,773
Revenue from use of money and property:								
Revenue from the use of money	\$_	2,240	\$_	2,240	\$_	4,362	\$_	2,122
Miscellaneous revenue:								
Ditch cleanup	\$	7,000	ς	7,000	ς	_	\$	(7,000)
Miscellaneous	Y	300	Y	300	Y	5,986	Y	5,686
mocettaneous	-						_	3,000
Total miscellaneous	\$_	7,300	\$_	7,300	\$_	5,986	\$_	(1,314)
Total revenue from local sources	\$	501,600	\$	501,600	\$	643,322	\$	141,722
	_						_	

General Fund -Schedule of Revenues - Budget and Actual For the Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source		Original Budget		Revised Budget		Actual		Variance Positive (Negative)	
General Fund: (Continued)									
Revenue from the Commonwealth:									
Non-categorical aid:									
Rolling stock tax	\$	20	\$	20	\$	28	\$	8	
Personal property tax reimbursement	_	-		-		2,062		2,062	
Total non-categorical aid	\$_	20	\$_	20	\$_	2,090	\$	2,070	
Categorical aid:									
Other categorical aid:									
Fire programs grant	\$	8,000	Ś	8,000	Ś	800	\$	(7,200)	
Litter grant	~	800	~	800	~	1,203	Ψ	403	
Liceor Static	-					1,203			
Total categorical aid	\$_	8,800	\$_	8,800	\$_	2,003	\$_	(6,797)	
Total revenue from the Commonwealth	\$_	8,820	\$_	8,820	\$_	4,093	\$_	(4,727)	
Revenue from the Federal Government:									
Categorical aid:									
Law enforcement grant	\$	11,858	\$	11,858	\$	15,904	\$	4,046	
Highway Safety O/T grant		11,800		11,800		8,938		(2,862)	
DCJS Byrne grant	_	4,498		4,498		-		(4,498)	
Total revenue from the Federal Government	\$_	28,156	\$_	28,156	\$_	24,842	\$_	(3,314)	
Total General Fund revenues	\$_	538,576	\$_	538,576	\$	672,257	\$	133,681	

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

Fund, Function, Activity, and Elements		Original Budget		Revised Budget		Actual	 Variance Positive (Negative)
General Fund:							
General administration:							
Salaries	\$	73,377	\$	73,377	\$	65,807	\$ 7,570
Payroll taxes and benefits		16,564		16,564		14,069	2,495
Attorney and legal fees		12,000		12,000		10,590	1,410
Insurance and bonds		6,750		6,750		5,941	809
Telephone, electric and office expense		11,050		26,050		23,784	2,266
Repairs and maintenance		1,350		1,350		1,341	9
Cleaning		1,200		1,200		1,170	30
Advertising		1,200		1,200		528	672
Dues and subscriptions		600		600		738	(138)
Motor vehicle license		500		500		510	(10)
Planning commission		2,710		2,710		230	2,480
Electoral expenses		1,000		1,000		-	1,000
Audit and accounting		7,500		7,500		7,500	-
Education and travel		2,900		2,900		1,057	1,843
Litter grant		800		800		1,224	(424)
Donations		5,000		5,000		5,000	-
Other	_	800		800	_	1,390	 (590)
Total general administration	\$_	145,301	\$_	160,301	\$_	140,879	\$ 19,422
Public safety:							
Police department:							
Salaries	\$	151,728	\$	151,728	\$	153,724	\$ (1,996)
Payroll taxes and benefits		45,964		45,964		42,240	3,724
Insurance		4,000		4,000		4,136	(136)
Maintenance and gasoline		26,700		26,700		16,940	9,760
Telephone, office expense and supplies		10,125		10,125		6,309	3,816
Legal fees		500		500		190	310
Education and travel		1,200		1,200		718	482
Grant expenses		28,156		28,156		13,881	14,275
Capital expenditures	_	10,000		10,000	_	-	 10,000
Total police department	\$_	278,373	\$	278,373	\$	238,138	\$ 40,235

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

Fund, Function, Activity, and Elements		Original Budget		Revised Budget		Actual		Variance Positive (Negative)
General Fund: (Continued)								
Fire and rescue:								
Grant expenses	\$	8,000	\$	8,000	\$	800	\$	7,200
Contributions to fire department	_	6,000		6,000		6,000		
Total fire and rescue	\$_	14,000	\$_	14,000	\$	6,800	\$	7,200
Total public safety	\$_	292,373	\$_	292,373	\$_	244,938	\$_	47,435
Public Works:								
Mosquito control:								
Salaries	\$	2,363	\$	2,363	\$	3,636	\$	(1,273)
Payroll taxes and benefits		173		173		100		73
Repairs and supplies	_	4,200	_	4,200		4,026		174
Total mosquito control	\$_	6,736	\$_	6,736	\$_	7,762	\$	(1,026)
Street department:								
Salaries	\$	25,000	\$	25,000	\$	-	\$	25,000
Electricity		15,600		600		170		430
Holiday events and decorations		2,200		2,200		1,888		312
Repairs and supplies		3,000		3,000		14,051		(11,051)
Insurance		2,250		2,250		150		2,100
Ditch cleanup expense	_	7,000		7,000		-		7,000
Total street department	\$_	55,050	\$_	40,050	\$	16,259	\$	23,791
Sanitation department:								
Refuse removal	\$_	35,000	\$_	35,000	\$	32,400	\$	2,600
Total public works	\$_	96,786	\$_	81,786	\$_	56,421	\$	25,365
Debt service:								
Principal retirement	\$	3,513	Ś	3,513	\$	3,465	\$	48
Interest and fiscal charges	*	603	*	603	τ.	603	Ψ	-
Total debt service	<b>\$</b>	4,116	- <b>-</b> \$	4,116	 \$	4,068	 \$	48
Total General Fund	\$ \$	538,576		538,576		446,306		92,270
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# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements

Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities and the major fund of the Town of Onley, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Onley, Virginia's basic financial statements, and have issued our report thereon dated February 17, 2014.

#### Internal Control Over Financial Reporting

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

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

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

#### **Compliance and Other Matters**

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

## Purpose of this Report

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

Charlottesville, Virginia

holimon, Found, lox associats

February 17, 2014