

INCORPORATED TOWN OF DUMFRIES, VIRGINIA

Financial Statements
For The Year Ended June 30, 2011

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Financial Statements
For The Year Ended June 30, 2011

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Incorporated Town of Dumfries, Virginia

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INTRODUCTORY SECTION

Incorporated Town Of Dumfries, Virginia
Directory of Town Officials and Council Members
For the Year Ended June 30, 2011

Mayor
Fred Yohey

Vice-Mayor
Nancy West

Town Council
Dorothea Barr
Gerald Foreman
Kristen Forrester
Michele Jurgensen
Willie Toney

Town Manager
Kimberly Alexander

Deputy Town Clerk / Treasurer
Retta S. Ladd

Public Works Director
Gregory Tkac

Chief of Police
Daniel Taber

Town Attorney
Kristi Caturano

FINANCIAL SECTION

Incorporated Town of Dumfries, Virginia
Independent Auditor's Report
For the Year Ended June 30, 2011

To the Honorable Members of the Town Council
Incorporated Town of Dumfries, Virginia

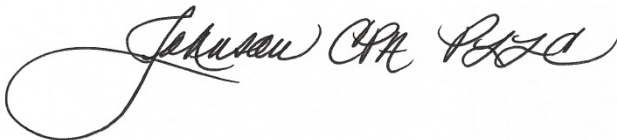
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Incorporated Town of Dumfries, Virginia (the "Town") as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of America; and *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 9 and on pages 15 and 16 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.

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



Johnson Certified Public Accountant, PLLC & Consulting
December 6, 2011

Incorporated Town of Dumfries, Virginia
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and
 Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 For the Year Ended June 30, 2011

To the Honorable Members of Town Council
 Incorporated Town of Dumfries, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Incorporated Town of Dumfries, Virginia (the "Town") as of and for the year ended June 30, 2011, which collectively comprise of the Town's basic financial statements and have issued our report thereon dated December 6, 2011. 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 and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia..

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

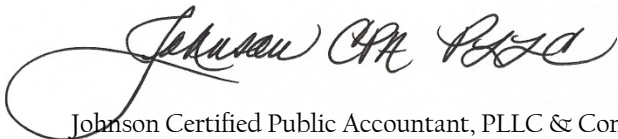
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify a deficiency in internal control over financial reporting that we consider to be a material weakness or significant deficiency, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Johnson Certified Public Accountant, PLLC & Consulting
 December 6, 2011

Incorporated Town of Dumfries, Virginia
Summary of Compliance Matters
For the Year Ended June 30, 2011

As more fully described in the "Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*," we performed tests of the Incorporated Town of Dumfries, Virginia's compliance with certain provisions of the laws, regulations, contracts, and grants shown below.

State Compliance Matters

Code of Virginia

Budget and Appropriation Laws
Cash and Investments Laws
Conflicts of Interest Act
Local Retirement Systems
Debt Provisions
Procurement Laws
Uniform Disposition of Unclaimed Property Act

State Agency Requirements

Highway Maintenance Funds
Police Grants

Incorporated Town of Dumfries, Virginia Management's Discussion and Analysis

As management of the Town of Dumfries, we offer readers of the Town of Dumfries' financial statements this narrative overview and analysis of the financial activities of the Town of Dumfries for the fiscal year ended June 30, 2011.

Financial Highlights

- The assets of the Town of Dumfries exceeded its liabilities at the close of the most recent fiscal year. The net assets are \$2,252,060.
- The government's total net assets increased by \$272,254.
- As of the close of fiscal year 2011, the Town of Dumfries governmental funds reported combined ending fund balances of \$1,692,892. Of this total amount, \$1,454,648 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,454,648, or 38.86 percent of total general fund expenditures, compared to 32.78 percent in FY10.
- The Town of Dumfries total debt decreased by 4.8 percent during the current fiscal year, compared to 3.9 percent in the previous year. The key factor in this decrease was the annual payment of debt service on long-term debt due to bond re-financing.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Dumfries' basic financial statements. The Town of Dumfries' basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net assets changed during FY 2011. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing* of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Dumfries, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Dumfries can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

The Town of Dumfries maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town of Dumfries adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for all of the funds to demonstrate compliance with this budget. This can be found on page 15 of this report.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Proprietary Funds. The Town of Dumfries maintains no proprietary funds.

Capital Projects Fund. The Town has funding earmarked for various capital projects. The Town has designated approximately \$2.8 Million in bond funds for Streetscape Revitalization on Main Street, as well as Storm water management and road improvements in Tripoli Heights. Revenue sharing funds have also been earmarked for the Tripoli Heights project, and the Town will apply for additional revenue sharing funds for both projects. The Town also has earmarked funds for phase two of our Multi-Modal program, improvements to the intersection at Graham Park Road/Curtis Drive, and Route 1/Fraley Boulevard improvements.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-26 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town of Dumfries' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 28 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Dumfries, assets exceeded liabilities by \$2,252,060 at the close of FY 2011.

A major portion of the Town of Dumfries total assets (51.14 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town of Dumfries uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Dumfries' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Dumfries' Net Assets

	Governmental Activities	
	2011	2010
Current and other assets	\$ 2,605,235	\$ 2,403,622
Capital Assets	2,726,936	2,766,083
Total assets	5,332,171	5,169,705
Liabilities		
Current	917,457	908,210
Long-term	2,162,654	2,281,689
Total liabilities	3,080,111	3,189,899
Net Assets:		
Invested in capital assets, net of related debt	546,936	463,125
Restricted/Earmarked		237,908
Unrestricted	1,705,124	1,278,773
Total net assets	\$ 2,252,060	\$ 1,979,806

It should be noted that the portion of the Town of Dumfries restricted net assets (resources that are subject to external restrictions on how they may be used) as shown in the financial statements has decreased significantly from FY 2010. This decrease is due to changes in the required financial reporting regulations established by the Government Accounting Standards Board (GASB 54).

The government's net assets increased by \$272,254 during FY 2011. This increase represents the degree to which Town Management curtailed Town expenditures while working to increase revenues. There was a \$47,983 increase in revenues coupled with a \$37,373 decrease in expenditures.

Governmental activities. Governmental activities increased the Town of Dumfries net assets by \$85,564, thereby accounting for 100 percent of the total increase in the net assets of the Town of Dumfries. Key elements of this increase are as follows:

Town of Dumfries' Changes in Net Assets

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenue:		
Program revenue:		
Charge for services	\$ 1,943	\$ 7,703
Operating grants and contributions	442,592	452,193
Capital grants and contributions		
General Revenue		
Property taxes	1,043,377	1,045,537
Other taxes	2,258,101	2,191,776
Other	170,991	193,410
Total revenue	<u>3,917,004</u>	<u>3,890,619</u>
Expenses:		
General government	1,206,108	1,063,722
Public safety	1,142,994	1,456,426
Highways and streets	175,277	155,158
Sanitation	941,797	924,889
Culture and recreation	104,333	115,011
Community development	5,850	5,644
Interest on long-term debt	68,391	84,205
Total expenses	<u>3,644,750</u>	<u>3,805,055</u>
Increase in net assets before transfers	272,254	85,564
Transfers		-
Increase in net assets	<u>272,254</u>	<u>85,564</u>
Net assets beginning of year	<u>1,979,806</u>	<u>1,894,242</u>
Net assets end of year	<u>\$ 2,252,060</u>	<u>\$ 1,979,806</u>

- Property taxes decreased by \$2,160 during the year.
- Charges for service decreased by \$5,760.
- Operating grants and contributions decreased by \$2,160. Grant awards furnished resources to support three of the Town's functions: Public safety, Highways and Streets, and Culture and Recreation.
- Interest Income decreased by \$6,811.
- Miscellaneous revenues decreased by \$27,298
- Other taxes remained fairly consistent with significant increases in Sales, Franchise, Utility Cigarette and Telecom taxes, and significant decreases in Motor Vehicle, Bank Stock, and Transient taxes.

Expenditures **decreased** by \$160,305 between 2010 and 2011, compared to 2009/2010 which showed a decrease of \$329,932 in expenditures.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Town of Dumfries *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town of Dumfries' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of FY 2011, the Town of Dumfries governmental funds reported combined ending fund balances of \$1,692,892, an increase of \$215,556 in comparison with the prior year. The reserved fund balance increased by \$336, and the unreserved fund balance (available for spending at the government's discretion) also increased in the amount of \$215,210. The reserved fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$238,244).

The general fund is the chief operating fund of the Town of Dumfries. At the end of FY 2011, unreserved fund balance of the general fund was \$1,454,648 while total fund balance reached \$1,692,892. As a measure of the fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 38.86 percent of total general fund expenditures, while total fund balance represents 45.23 percent of that same amount. This compares to 32.45 and 38.68, respectively, in FY 2010.

The fund balance of the Town of Dumfries' general fund increased by \$212,556 during the fiscal year.

General Fund Budgetary Highlights.

There was a significant difference between the FY 2011 original and final amended budget. The major reason for this difference was the awarding of \$341,250 in grants that was not initially budgeted on the revenue side. The most significant grant involved the awarding of \$270,000 to the Town on a Community Development Grant (CDBG) for the purchase of park property in an area now known as Ginn Park. The remaining increase of \$71,250 in revenues was the result of the awarding of a Jane Byrnes Grant for a youth centered program administered by a local private non-profit (ENS). Budgeted expenditures were reevaluated throughout the year and in some cases were drastically amended. Several unfilled vacancies in the Police Department also contributed to a decrease in expenditures in Public Safety. Taking these and other factors into consideration, the end result was an excess of revenues over expenditures in the amount of \$215,556 that was transferred to the undesignated fund balance at the end of the fiscal year.

Capital Asset and Debt Administration

Capital assets. The Town of Dumfries' investment in capital assets for its governmental and business type activities as of June 30, 2011, amounted to \$2,726,936 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and infrastructure. The total decrease in the Town of Dumfries' investment in capital assets for FY 2011 was 1.41 percent, which was primarily due to the annual depreciation. Major capital asset events during the current fiscal year included the following:

- Buildings
- Equipment

Additional information on the Town of Dumfries' capital assets can be found on page 23.

Long-term debt. At the end of FY 2011, the Town of Dumfries had a total bonded debt outstanding of \$2,180,000.

The Town of Dumfries total debt decreased by \$122,958 during FY 2011.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Dumfries is \$29,788,670 (not including percentage of Public Service Assessments) which is significantly in excess of the Town of Dumfries' outstanding general obligation debt. The current bonded debt ratio is .696 percent, compared to .73 percent in FY 2010. The decrease in percentage is a result of the regular bond payments. It should be noted that .73 percent compares quite favorably with the maximum allowable bonded debt ceiling of 10%.

Additional information on the Town of Dumfries' long-term debt can be found on pages 24 and 25 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Prince William County area is currently 5.68 percent. This compares favorably to the state's average unemployment rate of 6.2 percent and the national average rate of 8.6 percent. As defense related businesses continue to move into the general area as a result of BRAC, unemployment is expected to continue at levels lower than state and national averages. A certain amount of unpredictability does, however, remain regarding federal government budget cuts in the area of national defense. That could signal a slow-down in the expansion of defense related businesses and their contributions to the local area economy in future years. None-the-less, it is important to note that local, state, and national unemployment rates all continue to decline.
- There continues to be interest from new businesses in locating within the Town. A major retail and office building located on Main Street opened three years ago and is still only partially occupied, primarily with government contractors. The building owner has experienced some difficulty filling the first floor retail and commercial spaces, and although some of this previously empty space has been filled, it has not been with commercial/retail establishments. There are plans under discussion for a major development along Main Street that will include residential, commercial, and retail components. A Zoning Ordinance Text Amendment was enacted that better defines the future development for the Town and the Town Council continues to look for additional ways to attract business and development, both large and small, to the Town.
- The Town is closely watching the state and federal government budget processes and evaluating how the decisions made at those levels will impact future Town budgets. As an example, one of the potential impacts will be a significant increase in employer contributions required for the state retirement system.
- We cannot ignore the continuing impact that previous years dramatic downturn in residential real property values has had on the financial well-being of the community. The crisis in the mortgage industry has resulted in dramatic decreases in residential property values and increases in foreclosures that have been particularly noticed in Northern Virginia. Combined with a continued greatly reduced level of new residential construction, most experts are predicting stabilization in the overall housing market, with little or no meaningful growth over the next year. It is estimated that property values will, at best, increase only slightly in the next year, but will still be nowhere near the levels enjoyed prior to the real estate market crash.

All of these factors will be considered in preparing the budget for the 2012-2013 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town of Dumfries finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Daniel E. Taber
Town Manager
The Town of Dumfries
1775 Main Street
Dumfries, VA 22026

BASIC FINANCIAL STATEMENTS

Incorporated Town of Dumfries, Virginia
Statement of Net Assets
As of June 30, 2011

	Primary Government Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 1,411,675
Investments	952,611
Receivables, net of allowance for uncollectibles of \$11,126	240,949
<i>Total Current Assets</i>	<u>2,605,235</u>
Fixed Assets, net of accumulated depreciation of \$2,356,960	2,726,936
<i>Total Long-Term Assets</i>	<u>2,726,936</u>
<i>Total Assets</i>	<u><u>\$ 5,332,171</u></u>
Liabilities	
Accounts Payable	\$ 714,030
Accrued Liabilities	98,427
Current Portion of Bonds Payable	105,000
<i>Total Current Liabilities</i>	<u>917,457</u>
Accrued Compensation	87,654
Long Term Portion of Bonds Payable	2,075,000
<i>Total Long-Term Liabilities</i>	<u>2,162,654</u>
<i>Total Liabilities</i>	<u>3,080,111</u>
Net Assets	
Invested in capital assets, net of related debt	546,936
Restricted	-
Unrestricted	1,705,124
<i>Total Net Assets</i>	<u>2,252,060</u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 5,332,171</u></u>

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Statement of Activities
For the Year Ended June 30, 2011

Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Functions/programs				
Primary Government:				
Governmental Activities				
General government	\$ 1,206,108	\$ -	\$ -	\$ (1,206,108)
Public safety	1,142,994	-	216,862	(926,132)
Highway and streets	175,277	-	223,730	48,453
Public works	941,797	1,943	-	(939,854)
Culture and recreation	104,333	-	2,000	(102,333)
Community development/planning	5,850	-	-	(5,850)
Interest on long-term debt	68,391	-	-	(68,391)
Total primary government	3,644,750	1,943	442,592	(3,200,215)
General revenue:				
Taxes:				
Property taxes				\$ 1,043,377
Sales taxes				366,182
Franchise taxes				64,336
Motor vehicle taxes				55,605
Bank stock taxes				46,235
Transient taxes				103,112
Meal taxes				512,016
Business licenses and permits				371,574
Fines				89,528
Rental tax				55,314
Telecom phone tax				198,357
Utility taxes				168,330
Cigarette taxes				227,512
Miscellaneous				743
Right of way use				22,663
Stormwater management				146,623
Interest Income				962
Total general revenues and transfers				3,472,469
Change in net assets				272,254
Net assets beginning of year				1,979,806
Net assets end of year				\$ 2,252,060

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Balance Sheet
June 30, 2011

	General Fund	Capital Project Fund	Total Governmental Funds
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,411,675	\$ -	\$ 1,411,675
Investments	826,611	126,000	952,611
Taxes receivable, net of allowances for uncollectible amounts of \$10,875	70,153	-	70,153
Sanitation receivable	29,733	-	29,733
Other receivables	141,063	-	141,063
Due from other funds	-	112,244	112,244
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,479,235	\$ 238,244	\$ 2,717,479
<u>LIABILITIES</u>			
Accounts payable	\$ 134,431	\$ -	\$ 134,431
Accrued expenses	98,427	-	98,427
Deferred revenue	679,485	-	679,485
Due to other funds	112,244	-	112,244
	<hr/>	<hr/>	<hr/>
Total Liabilities	1,024,587	-	1,024,587
<u>FUND EQUITY</u>			
Fund balance - restricted	-	-	-
Fund balance - unassigned	1,454,648	238,244	1,692,892
	<hr/>	<hr/>	<hr/>
Total Fund Balance	1,454,648	238,244	1,692,892
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Equity	\$ 2,479,235	\$ 238,244	\$ 2,717,479
	<hr/>	<hr/>	<hr/>

Reconciliation of amounts reported for governmental activities in the statement of net assets are different because:

Total fund equity	\$ 1,692,892
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,726,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,281,689)
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	113,921
Net assets of governmental activities	<hr/> \$ 2,252,060 <hr/>

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance
Government Funds
For The Year Ended June 30, 2011

	<u>General Fund</u>	<u>Other</u>	<u>Total</u>
<u>Revenues</u>			
General Property Taxes	\$ 1,039,493	\$ -	\$ 1,039,493
Other Local Taxes	2,126,602	-	2,126,602
Permits and Privilege Fees	253,549	-	253,549
Fines and Forfeitures	51,181	-	51,181
Recreational and cultural fees	9,834	-	9,834
Charges for services	33,197	-	33,197
Revenue from use of money and property	626	336	962
Miscellaneous Revenues	743	-	743
Intergovernmental Revenues	442,592	-	442,592
Total Revenues	3,957,817	336	3,958,153
<u>Expenditures</u>			
General Government Administration	1,113,936	-	1,113,936
Public Safety	1,157,029	-	1,157,029
Public Works	1,117,074	-	1,117,074
Recreational, cultural and planning	51,116	-	51,116
Non-Departmental	303,442	-	303,442
Total Expenditures	3,742,597	-	3,742,597
<u>Changes In Fund Balance</u>			
<i>Excess (Deficiency) of Revenues over Expenditures</i>	215,220	336	215,556
Fund Balance at Beginning of Year	1,239,428	237,908	1,477,336
Fund Balance at End of Year	\$ 1,454,648	\$ 238,244	\$ 1,692,892

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balance Government
Funds to the Statement of Activities: Governmental Funds
For The Year Ended June 30, 2011

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

Net change in fund balances-total governmental funds	\$	215,556
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		(39,146)
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Revenues in the statement of activities that do not provide current resources are not reported as revenue in the funds.		(41,149)
---	--	----------

The issuance of long-term debt (e.g., bonds, and 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 transactions, however, has any effect on the 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.		122,958
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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.		14,035
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Change in net assets of governmental activities	\$	272,254
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The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Versus Actual
For The Year Ended June 30, 2011

	General Fund		Variances
	Original/Final		Favorable
	Budget	Actual	(Unfavorable)
<u>Revenues</u>			
General Property Taxes	\$ 1,027,859	\$ 1,039,493	\$ 11,634
Other Local Taxes	2,018,571	2,126,602	108,031
Permits and Privilege Fees	172,373	253,549	81,176
Fines and Forfeitures	70,000	51,181	(18,819)
Revenue from Use of Money and Property	4,929	626	(4,303)
Charges for Services	40,516	33,197	(7,319)
Recreational and Cultural Fees	11,637	9,834	(1,803)
Miscellaneous Revenues	5,000	743	(4,257)
Intergovernmental Revenues	885,692	442,592	(443,100)
Total Revenues	4,236,577	3,957,817	(278,760)
<u>Expenditures</u>			
General Government Administration	1,121,332	1,113,936	7,396
Public Safety	1,358,103	1,210,245	147,858
Public Works	1,196,942	1,117,074	79,868
Recreational and Cultural	59,350	109,993	(50,643)
Non-Departmental	532,371	191,349	341,022
Total Expenditures	4,268,098	3,742,597	525,501
<u>Changes In Fund Balance</u>			
Excess (Deficiency) of Revenues over Expenditures	(31,521)	215,220	246,741
Transfers In	31,521	-	(31,521)
Transfers Out	-	-	-
Excess (Deficiency) over Transfers	\$ -	215,220	\$ 215,220
Fund Balance at Beginning of Year		1,239,428	
Fund Balance at End of Year		\$ 1,454,648	

These schedules are prepared on the funds basis of accounting.

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Capital Projects Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget Versus Actual
For The Year Ended June 30, 2011

	Capital Projects Fund		Variances
	Final Budget	Actual	Favorable (Unfavorable)
<u>Revenues</u>			
Interest Income	\$ -	\$ 336	\$ 336
Total Revenues	-	336	336
<u>Expenses</u>			
Capital Outlay	\$ -	\$ -	\$ -
Total Expenses	-	-	-
<u>Changes In Fund Balance</u>			
Excess (Deficiency) of Revenues over Expenditures	-	336	336
Transfers In	-	-	-
Transfers Out	-	-	-
Excess (Deficiency) over Transfers	\$ -	336	\$ 336
Fund Balance at Beginning of Year		237,908	
Fund Balance at End of Year		<u>\$ 238,244</u>	

These schedules are prepared on the funds basis of accounting.

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the Incorporated Town of Dumfries, Virginia. The Town has no blended component units, nor does the Town have any discretely presented component units. Furthermore, the Town has no related organizations, nor any jointly governed organizations.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement 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 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*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town of Dumfries does not have proprietary funds or fiduciary funds.

Measurement Focus

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 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.

Financial Statement Presentation

The financial statements of the Incorporated Town of Dumfries, Virginia conform to GAAP applicable to government units promulgated by the Governmental Accounting Standards Board (GASB). As such, the accounts are organized on the basis of fund classifications, each of which is considered as a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund balance, revenues, and expenditures. The various funds are grouped in the financial statements as follows:

- *Governmental funds* – This group of funds account for expendable financial resources. The measurement focus is based upon determination of financial position and changes in financial position, rather than upon net income (as would apply to a commercial enterprise). The governmental funds consist of the general fund and the capital projects fund. The *general fund* accounts for all revenue and expenditures applicable to the general operations of the Town, while the *capital projects fund* accounts for the receipt and disbursement of resources for the purpose of building or procuring major capital assets.
- *Account groups* – These are used to account for *general long-term debt* and *general fixed assets*. Both of these account groups are included herein.

Total columns on the combined statements are captioned “Memorandum Only” because they are presented only to facilitate financial analysis. Data in these columns do not present the financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting for Governmental Funds

These funds utilize the modified accrual basis of accounting, under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. One exception is that property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or Utility 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. Expenditures are recorded as the related fund liabilities are incurred. .

Budgets

The operating and capital budget includes proposed expenditures and the means of financing them. All budgets are adopted on a basis consistent with GAAP. Any residual appropriations lapse at year-end.

Formal budgetary integration is not employed within the accounting system. However, monthly financial statements are presented to the Town Council, which indicate the yearly budget, year-to-date amounts, and the percent of budget attained.

Before the close of the prior fiscal year-end, the Manager submitted to the Town Council a proposed operating and capital budget for the current fiscal year. A public hearing was conducted to obtain citizen comments. The budget was legally enacted at the regular Council meeting. All budget data is presented in the accompanying financial statements.

Cash and Cash Equivalents

All highly liquid investments are stated at cost, which approximates market unless otherwise indicated. These assets are recorded as cash and cash equivalents if they mature within three months or less at the end of the year.

Short-Term Interfund Receivables / Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as a "Due from Other Funds" or a "Due to Other Funds," respectively on the balance sheet.

Fixed 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 acquisitions and construction, including improvements, are reflected as expenditures in the general fund and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not added to the account group.

Property and equipment is recorded depreciated over their estimated useful lives. Depreciation expense is computed on the straight-line basis for financial reporting purposes. The town capitalizes any purchase over \$1,000.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives for purposes of computing depreciation are as follows:

Buildings and Improvements	20-30 years
Vehicles & Weapons	5 years
Furniture and Fixtures	5 years
Equipment	5 years

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure in the general fund. Amounts of accumulated vacation leave of the general fund that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group with no associated expenditure.

Accrued vacation leave payable is stated at the value of total leave accrued at current compensation rates. A maximum of 240 hours is allowed for employees active less than ten years. A maximum of 300 hours is allowed for employees active ten years or longer.

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.

General fund debt payments are recognized as expenditures during the year in which the payments are made. The remaining portion of the debt payable is recorded as a current liability and a long-term liability to the long-term debt account group.

Net Assets

It is the Town's policy to apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available, and then general funds are reimbursed with earmarked or "restricted" funds.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

2. CASH AND CASH EQUIVALENTS

Deposits

At year-end, the carrying value of the Town's cash was \$1,411,675. Of this amount, \$150 was petty cash, kept on hand, and \$1,411,525 was deposits with banks and savings institutions. The bank balance was \$1,427,010, of which, \$1,427,010 was covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Under the Act, banks holding public deposits in excess of the amounts insured by FDIC must pledge collateral in the amount of 50% of excess deposits to a collateral pool in the name of the State Treasury Board. Savings and Loan institutions are required to collateralize 100% of deposits in excess of FDIC limits. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks and savings and loans. No balances were uninsured and uncollateralized in banks or savings and loans not qualifying under the Act at June 30, 2011.

Investments

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

Credit Risk

As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than "A-1" (or its equivalent) from at least two of the following: Moody's Investors Service, Standard & Poor's, and Fitch Investors Service, provided that the issuing corporation has a net worth of at least \$50 million and its long term debt is rated "A" or better by Moody's and Standard & Poor's. Banker's acceptances and Certificates of Deposit maturing in less than one year must have a short-term debt rating of at least "A-1" by Standard & Poor's and "P-1" by Moody's Investors Service.

Although the intent of the Policy is for the Town to diversify its investment portfolio to avoid incurring unreasonable risks regarding (i) security type, (ii) individual financial institution or issuing entity, and (iii) maturity, the Policy places no limit on the amount the Town may invest in any one issuer.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
TD Bank	\$ 592,206	PI Moody's
LGIP	234,405	LGIP
US Bank	126,000	Superior
Total Investment	<u>\$ 952,611</u>	

At year-end, the Town's deposits and investment balances were as follows.

Total Investments	\$ 952,611
Total Deposits	1,411,675
<i>Total Investments and Deposits</i>	<u>\$ 2,364,286</u>

3. ACCOUNTS RECEIVABLE - TAXES

Property values are determined by Prince William County. The County provides the Town with a listing of assessments and the Town prepares the billings. Town Residents are billed semi-annually on May 5th and November 5th and tax payments are due June 5th and December 5th. Taxes are considered delinquent if not paid by June 6th and December 6th. Penalties are assessed after June 6th and December 6th and interest is added to tax bills on July 1st.

All delinquent property taxes are considered collectible. For the Year Ended June 30, 2011, \$70,153 was classified as taxes receivable.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

3. ACCOUNTS RECEIVABLE – TAXES (CONTINUED)

Sanitation Receivables

This account represents public trash pick-up fees due to the Town. The sanitation department activity has been discontinued by the Town. The balance due at June 30, 2011 was \$29,733.

4. INTERFUND OBLIGATIONS

A summary of interfund obligations is presented below.

	Due From	Due To
General Fund	\$ -	\$ 112,244
Capital Projects Fund	112,244	-
<i>Totals</i>	<u>\$ 112,244</u>	<u>\$ 112,244</u>

5. INSURANCE COVERAGE

The following coverage is in effect through the Virginia Municipal Liability Pool.

Local Government Liability	\$ 1,000,000
Automobile	\$ 1,000,000
No Fault Property	\$ 10,000
Excess Liability	\$ 4,000,000
Property / Scheduled Equipment	\$ 2,414,943
Boiler & Machinery	\$ 1,000,000
Fidelity and Crime	\$ 20,000

6. ACCOUNTS RECEIVABLE - OTHER

At June 30, 2011, other accounts receivable consisted of the following.

Business Licenses	\$ 3,970
Real Estate	16,629
Meals	46,169
Sales	30,836
Storm Water Mgt Fees	2,558
Transit Tax	15,091
Utility Taxes	13,572
Miscellaneous	12,238
	<hr/>
<i>Total Accounts Receivable - Other</i>	<u><u>\$ 141,063</u></u>

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

7. RETIREMENT PLAN

Plan Description

The Incorporated Town of Dumfries, Virginia contributes to the Virginia Retirement System (VRS), an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried, permanent employees of participating employers must participate in the VRS. Benefits vest after 5 years of service. Employees who retire with a reduced benefit at age 55 (age 50 for participating law enforcement officers and firefighters) with at least 5 years of credited service are entitled to an annual retirement benefit, payable monthly, for life in an amount equal to 1.7% of their average final compensation (AFC) up to \$13,200 plus 1.65% of AFC over \$13,200 for each year of credited service. An optional reduced retirement benefit is available to members of VRS as early as age 50 with 10 years of credited service. Employees with more than 35 years of credited service are entitled to an annual benefit equal to 1.65% of AFC for each year of credited service. In addition, retirees qualify for annual cost-of-living increases beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of salary. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. Participating law enforcement officers and firefighters may receive a monthly benefit supplement if they retire prior to age 65. 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 State Legislature. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be obtained by writing the System at P.O. Box 2500, Richmond, VA 23218-2500.

Funding Policy

The Town of Dumfries pays the entire contribution to VRS. The Town's contribution rate for the fiscal year ended June 30, 2011 was 19.7 % of annual covered payroll.

Annual Pension Cost

For 2011, the Town's annual pension cost of \$301,226 was equal to the Town's required and actual contributions. The required contribution was determined as part of the June 30, 2007 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.5% investment rate of return, (b) projected salary increases of 3.75% to 5.60% for Non-LEO employees and 3.50% to 4.75% for LEO Employees per year, and (c) 2.5% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.5%. The actuarial value of the Town's assets is equal to the modified market value of assets. This method was determined using techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a 3% level of payroll growth on a level percent open basis.

Below is the trend information.

Fiscal Year Ending	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006
Annual Pension Cost (APC)	\$ 301,226	\$ 310,000	\$ 299,993	\$ 200,883	\$ 137,001	
Percentage of APC Contributed	100%	100%	100%	100%	100%	
Net Pension Obligation	\$ -	\$ -	\$ -	\$ -	\$ -	

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

8. GENERAL FIXED ASSETS ACCOUNT GROUP

A summary of changes in the general fixed assets account group is presented below.

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 249,149	\$ 71,727	\$ -	\$ 320,876
Construction in process	-	-	-	-
Total capital assets, not being depreciated	249,149	71,727	-	320,876
Capital assets, being depreciated:				
Buildings	838,204	19,872	-	858,076
Furniture and Fixtures	105,862	-	-	105,862
Equipment	1,043,881	55,919	-	1,099,800
Infrastructure	2,699,282	-	-	2,699,282
Total capital assets being depreciated	4,687,229	75,791	-	4,763,020
Less accumulated depreciation for:				
Buildings	(726,486)	(8,782)	-	(735,268)
Furniture and Fixtures	(105,862)	-	-	(105,862)
Equipment	(854,977)	(88,083)	-	(943,060)
Infrastructure	(482,973)	(89,797)	-	(572,770)
Total accumulated depreciation	(2,170,298)	(186,662)	-	(2,356,960)
Total capital assets, being depreciated, net	2,516,931	(110,871)	-	2,406,060
Governmental activities capital assets, net	\$ 2,766,080	\$ (39,144)	\$ -	\$ 2,726,936

Included within General Fixed Assets are the Weems Botts Museum and Merchant Park, which are leased to Historic Dumfries, Virginia Inc. at a cost of \$1 per annum. The Town is responsible for grounds maintenance and development. Historic Dumfries is responsible for operating expenses and receives all proceeds derived from operations.

All depreciation expense is included in the general government expenditures in the statement of activities.

9. LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

Revenue Bonds

The Town has two revenue bonds. The balances for these two revenue bonds are presented below:

	6/30/2010	Increase	Decrease	6/30/2011
2002 Revenue Bond	\$ 1,680,000	\$ -	\$ 80,000	\$ 1,600,000
2003 Revenue Bond	605,000	-	25,000	580,000
Total Liabilities	2,285,000	-	105,000	2,180,000
Less Current maturities	(105,000)	-	-	(105,000)
Total long-term Liabilities	\$ 2,180,000	\$ -	\$ 105,000	\$ 2,075,000

A \$2,100,000.00 Virginia Resource Authority Bond was issued June 2002 for infrastructure of the Town. The bond matures annually in amounts ranging from \$49,442.50 to \$99,442.50 through April 30, 2027, with interest paid semi-annually at 3.1% to 5.225%.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

A summary of payments for the next six years is presented below,

Fiscal Year Ending	Principal	Interest
June 30, 2012	\$ 80,000	\$ 61,775
June 30, 2013	75,000	59,975
June 30, 2014	80,000	58,425
June 30, 2015	80,000	56,700
June 30, 2016	85,000	53,950
June 2017-2021	475,000	211,787
June 2022-2026	590,000	98,875
June 2027-2031	135,000	3,037
<i>Totals</i>	<u>\$ 1,600,000</u>	<u>\$ 604,524</u>

A \$750,000 Virginia Resource Authority Bond was issued May 22, 2003 for infrastructure of the Town. The bond matures annually in amounts ranging from \$10,959.09 to \$30,291.75 through April 1, 2028 with interest paid semi-annually at 3.1% to 4.7%. A summary of payments for the next six years is presented below.

Fiscal Year Ending	Principal	Interest
June 30, 2012	\$ 25,000	\$ 24,832
June 30, 2013	25,000	23,963
June 30, 2014	25,000	23,063
June 30, 2015	25,000	22,132
June 30, 2016	30,000	21,182
June 2017-2021	160,000	87,427
June 2022-2026	200,000	49,275
June 2027-2031	90,000	6,304
<i>Totals</i>	<u>\$ 580,000</u>	<u>\$ 258,178</u>

10. CAPITAL LEASE

The town entered into a capital lease agreement with TYMCO International, LTD for a regenerative air street sweeper in July 2005. The lease has an interest rate of 4.45%, while requiring monthly lease payments of \$1,497.22 for a period of 60 months. The amount of assets financed in this transaction was \$89,408 and secured by this asset. The depreciation and accumulated depreciation on this asset amounted to \$1,491 and \$89,408 for the year ended June 30, 2011, respectively.

The town entered into a capital lease agreement with Ford Motor Credit Company for two vehicles in September 2007. The lease has an interest rate of 6.40%, while requiring monthly lease payments of \$1,314.08 for a period of 36 months. The amount of asset financed in this transaction was \$50,885 and secured by this asset. The depreciation and accumulated depreciation on this asset amounted to \$10,177 and \$39,012 for the year ended June 30, 2011, respectively.

The town entered into a capital lease agreement with Ford Motor Credit Company for a vehicle in February 2008. The lease has an interest rate of 5.45%, while requiring monthly lease payments of \$659.90 for a period of 36 months. The amount of assets financed in this transaction was \$21,969.50 and secured by this asset. The depreciation and accumulated depreciation on this asset amounted to \$4,394 and \$15,012 for the year ended June 30, 2011, respectively.

The town entered into a capital lease agreement with Ford Motor Credit Company for a vehicle in July 2008. The lease has an interest rate of 5.45%, while requiring monthly lease payments of \$672.47 for a period of 36 months. The amount of assets financed in this transaction was \$21,715.53, and secured by this asset. The depreciation and accumulated depreciation on this asset amounted to \$4,343 and \$13,029 for the year ended June 30, 2011, respectively.

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

10. CAPITAL LEASE (CONTINUED)

Maturities under the capital leases are as follows at June 30, 2011:

	6/30/2010	Increase	Decrease	6/30/2011
Total Lease	\$ 17,958	\$ -	\$ (17,958)	\$ -
Total Long-Term Lease	\$ 17,958	\$ -	\$ (17,958)	\$ -

11. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$2,267,650 difference are as follows:

Bonds Payable	\$ 2,180,000
Compensatee Absences	87,650
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 2,267,650</u>

Another element of the reconciliation is the fixed assets that are not financial resources and are not reported in the funds. The details of the \$2,766,080 difference are as follows:

Fixed Assets	\$ 5,083,896
Accumulated Depreciation	(2,356,960)
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 2,726,936</u>

Another element of the reconciliation is the assets that are not available for current period expenditures and are therefore deferred. The details of the \$141,036 difference are as follows:

Real estate taxes	\$ 70,153
Sanitation revenue	29,733
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 99,886</u>

Incorporated Town of Dumfries, Virginia
Notes to the Financial Statements (continued)
For the Year Ended June 30, 2011

11. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of certain differences between the governmental fund statement of revenues expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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." The details of this \$131,241 are as follows:

Capital Outlay	\$ 147,516
Depreciation Expense	(186,662)
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at changes in <i>net assets-governmental activities</i>	<u>\$ (39,146)</u>

Another element of that reconciliation states that "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." The \$119,114 represents the use of financial resources of governmental funds.

Another element of that reconciliation states the "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 details of this \$26,224 are as follows:

Compensated absences	\$ 14,035
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at changes in <i>net assets-governmental activities</i>	<u>\$ 14,035</u>

Another element of that reconciliation is the revenue in the statement of activities that does not provide current resources and is not reported in the fund. The details of the \$19,703 are as follows:

Real estate tax	\$ (39,704)
Sanitation fee	(1,445)
Net adjustment to decrease <i>net change in fund</i> <i>balance-total governmental funds</i> to arrive at <i>net</i> <i>assets-governmental activities</i>	<u>\$ (41,149)</u>

12. LITIGATION

Per correspondence with the Town's attorney, there was no pending litigation that would have a material effect on the financial statements as of June 30, 2011.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Financial Statements report release date of December 6, 2011.

14. FUND BALANCE

The unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in other classifications. The Town management has not assigned any other category to the fund for the ending June 30, 2011.

REQUIRED SUPPLEMENTAL INFORMATION

Incorporated Town of Dumfries, Virginia
Schedule of Funding Progress for Defined Benefit Plan
As of June 30, 2011

Schedule of Funding Progress for Defined Pension Benefit Plan

Actuarial Valuation Date	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007	June 30, 2006	June 30, 2005
Actuarial Value of Assets	\$ 3,415,549	\$ 3,172,819	\$ 2,866,735	\$ 2,436,617	\$ 2,089,575	\$ 1,923,940
Actuarial Accrued Liability	4,536,006	4,403,377	3,899,656	3,045,567	2,521,160	2,611,696
Unfunded Actuarial Accrued Liability (UAAL)	1,120,457	1,230,557	1,032,921	608,950	431,585	687,756
<i>Funded Ratio</i>	75.30%	72.05%	73.51%	80.01%	82.88%	73.67%
Annual Covered Payroll	1,426,624	1,664,950	1,560,248	1,486,256	1,150,927	1,075,209
<i>UAAL as a Percent of Payroll</i>	78.54%	73.91%	66.20%	40.97%	37.50%	63.96%

The accompanying notes are an integral part of these financial statements.

OTHER SUPPLEMENTAL INFORMATION

Incorporated Town of Dumfries, Virginia
Combining Balance Sheet
Governmental Funds
As of June 30, 2011

	Governmental Funds		Account Groups		Totals
	General Fund	Capital Projects Fund	Long-Term Debt	General Fixed Assets	(Memorandum Only)
<u>Assets</u>					
Cash and cash equivalents	\$ 1,411,675	\$ -	\$ -	\$ -	\$ 1,411,675
Investments	826,611	126,000	-	-	952,611
Taxes receivables, net of allowance for uncollectible amount of \$11,126	70,153	-	-	-	70,153
Sanitation receivable	29,733	-	-	-	29,733
Other receivable	141,063	-	-	-	141,063
Due from other funds	-	112,244	-	-	112,244
<i>Total Current Assets</i>	2,479,235	238,244	-	-	2,717,479
Net Fixed Assets	-	-	-	2,726,936	2,726,936
Amounts to be provided for Long-term debt	-	-	2,267,650	-	2,267,650
<i>Total Long-Term Assets</i>	-	-	2,267,650	2,726,936	4,994,586
<i>Total Assets</i>	\$ 2,479,235	\$ 238,244	\$ 2,267,650	\$ 2,726,936	\$ 7,712,065
<u>Liabilities</u>					
Accounts Payable	\$ 134,431	\$ -	\$ -	\$ -	\$ 134,431
Accrued Liabilities	98,427	-	-	-	98,427
Deferred Revenue	679,485	-	-	-	679,485
Due to other funds	112,244	-	-	-	112,244
Current Portion of Notes Payable	-	-	105,000	-	105,000
<i>Total Current Liabilities</i>	1,024,587	-	105,000	-	1,129,587
Accrued Liability	-	-	87,650	-	87,650
Lease Payable	-	-	-	-	-
Bond Payable	-	-	2,075,000	-	2,075,000
<i>Total Long-Term Liabilities</i>	-	-	2,162,650	-	2,162,650
<i>Total Liabilities</i>	1,024,587	-	2,267,650	-	3,292,237
<u>Fund Equity</u>					
Fund Balance - Restricted	-	-	-	-	-
Fund Balance - Unassigned	1,454,648	238,244	-	-	1,692,892
Investment in General Fixed Assets	-	-	-	2,726,936	2,726,936
<i>Total Fund Equity</i>	1,454,648	238,244	-	2,726,936	4,419,828
<i>Total Liabilities and Fund Equity</i>	\$ 2,479,235	\$ 238,244	\$ 2,267,650	\$ 2,726,936	\$ 7,712,065

The accompanying notes are an integral part of these financial statements.

STATISTICAL SECTION

Incorporated Town of Dumfries, Virginia
Statistical Section
As of June 30, 2011

Statement of Treasurer's Accountability

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 150
TD Bank - Checking Account	1,312,007
TD Bank - Saving Accounts	99,518
<i>Total Cash</i>	<u>1,411,675</u>
<u>Other Investments</u>	
Local Government Investment Pool	234,405
Certificates of Deposits	592,206
U.S. Treasury Investments	126,000
<i>Total Other Investments</i>	<u>952,611</u>
<i>Total Assets Held By Treasurer</i>	<u><u>\$ 2,364,286</u></u>
<u>Liabilities Held By Treasurer</u>	
<u>Cash Allocated to Funds</u>	
General Fund	\$ 2,238,286
Capital Projects Fund	126,000
<i>Total Cash Allocated to Funds</i>	<u>2,364,286</u>
<i>Total Liabilities Held By Treasurer</i>	<u><u>\$ 2,364,286</u></u>

Computation of Legal Debt Margin

Net Assessed Debt Value	\$ 284,878,800
Debt Limit Percentage	<u>10%</u>
Debt Limit Calculated	28,487,880
Total Long-Term Debt	2,180,000
<i>Legal Margin for Creation of Additional Debt</i>	<u><u>\$ 26,307,880</u></u>

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Statistical Section
As of June 30, 2011

	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004	FYE June 30, 2003	FYE June 30, 2002
General Fund Revenues by Source (for the past 10 years)										
General Property Taxes	\$ 1,039,493	\$ 1,052,180	\$ 748,870	\$ 834,730	\$ 954,704	\$ 802,928	\$ 425,431	\$ 329,014	\$ 407,290	\$ 271,105
Other Local Taxes	2,126,602	2,080,461	1,935,084	1,922,311	2,064,189	2,078,842	1,918,011	1,697,979	1,459,258	1,406,608
Permits & Privilege Fees	253,549	195,129	89,364	122,013	141,298	259,650	157,085	131,284	94,286	91,407
Fines & Forfeitures	51,181	69,351	92,394	76,658	61,106	48,408	49,398	56,803	47,269	57,789
Revenue from Use of										
Money and Property	962	4,417	34,640	65,715	56,498	25,701	7,671	379	15,563	15,650
Charges for Services	33,197	29,355	13,151	2,693	4,548	41,087	222,984	192,074	242,764	180,573
Recreational and Cultural Fees	9,834	12,310	10,087	27,174	29,281	14,076	13,933	12,170	24,452	27,985
Miscellaneous	743	28,041	12,847	45,584	-	76,138	18,020	17,696	10,802	7,841
Intergovernmental	442,592	439,078	422,909	450,327	456,192	467,141	420,704	398,373	568,324	361,652
<i>Total Revenues</i>	\$ 3,958,153	\$ 3,910,322	\$ 3,359,346	\$ 3,547,205	\$ 3,767,816	\$ 3,813,971	\$ 3,233,237	\$ 2,835,772	\$ 2,870,008	\$ 2,420,610
General Fund Expenditures by Function (for the past 10 years)										
General Administration	\$ 1,113,936	\$ 852,959	\$ 979,214	\$ 935,749	\$ 978,510	\$ 746,061	\$ 618,444	\$ 559,346	\$ 550,003	\$ 473,693
Public Safety	1,009,511	1,403,128	1,548,375	1,481,997	1,442,950	1,170,198	997,750	1,065,244	1,003,811	884,686
Public Works	1,117,074	1,120,386	1,159,419	1,144,155	826,975	697,498	762,722	962,653	621,523	656,115
Recreational and Cultural	51,116	120,655	157,528	140,589	131,764	98,007	106,210	93,142	96,470	95,458
Non-Departmental	112,093	-	-	(206,984)	-	-	-	-	-	-
Debt Service	191,349	242,503	202,154	200,009	197,471	199,865	287,409	227,827	105,876	105,764
Capital Outlays	147,518	79,523	72,798	19,800	221	185,680	533	5,054	87,404	32,053
<i>Total Expenditures</i>	\$ 3,742,597	\$ 3,819,154	\$ 4,119,488	\$ 3,715,315	\$ 3,577,891	\$ 3,097,309	\$ 2,773,068	\$ 2,913,266	\$ 2,465,087	\$ 2,247,769

The accompanying notes are an integral part of these financial statements.

Incorporated Town of Dumfries, Virginia
Statistical Section
As of June 30, 2011

	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004	FYE June 30, 2003	FYE June 30, 2002
Property Tax Levies and Collections (for the past 10 years)										
Total Tax Levy	\$ 1,011,245	\$ 1,034,544	\$ 722,942	\$ 939,785	\$ 941,536	\$ 836,188	\$ 420,287	\$ 328,171	\$ 295,598	\$ 297,330
Total Tax Collections	1,039,493	1,052,180	748,870	876,238	931,799	773,498	416,818	322,020	371,683	237,225
Levy	102.7%	101.70%	103.50%	93.20%	98.97%	92.50%	99.17%	98.13%	125.74%	79.79%
Outstanding Delinquent Taxes	\$ 67,923	\$ 64,508	\$ 75,052	\$ 60,902	\$ 53,869	\$ 37,815	\$ 31,906	\$ 29,048	\$ 26,135	\$ 60,105
Levy	6.72%	6.24%	10.38%	6.48%	5.72%	4.52%	7.59%	8.85%	8.84%	20.21%
Assessed Value of Taxable Property (for the past 10 years)										
Real Estate	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568	\$ 235,585,700	\$ 205,656,100
Total	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568	\$ 235,585,700	\$ 205,656,100
Property Tax Rates per \$100 of Assessed Value (for the past 10 years)										
Real Estate	0.3533	0.3533	0.18	0.18	0.18	0.12	0.12	0.13	0.13	0.13
Ratio of Net General Bonded to Assessed Value										
Population	4,937	4,937	4,937	4,937	4,937	4,937	4,937	4,937	4,282	4,282
Assessed Value	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568	\$ 235,585,700	\$ 205,656,100
Net Bonded Debt	\$ 2,180,000	\$ 2,285,000	\$ 2,422,072	\$ 2,445,000	\$ 2,505,030	\$ 2,851,730	\$ 2,780,966	\$ 2,836,500	\$ 2,989,000	\$ 342,000
Percentage of Net Bonded										
Debt to Assessed Value	0.76%	0.78%	0.79%	0.49%	0.46%	0.55%	0.72%	0.98%	1.27%	0.17%
Net Obligation Debt per Capita	\$ 442	\$ 463	\$ 491	\$ 495	\$ 507	\$ 578	\$ 563	\$ 575	\$ 698	\$ 80

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF FINDINGS AND RESPONSES

Incorporated Town of Dumfries, Virginia
Schedule of Finding and Responses
June 30, 2011

A. SUMMARY OF AUDITOR'S RESULTS

1. An unqualified opinion was issued on the financial statements of the Town of Dumfries, Virginia (See Independent Auditor's Report.)
2. No material weakness in internal control was disclosed by our audit.
3. Our audit disclosed no instances of material non-compliance or significant deficiency.

B. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

1. An unqualified opinion was issued on the financial statements of the Town of Dumfries, Virginia (See Independent Auditor's Report.)
2. Material weakness in internal control were disclosed by our audit.
3. Our audit disclosed no instances of material non-compliance

Summary Schedule of Prior Audit Findings and Responses

10.01 Town did not have a formal policy concerning payment of invoices in accordance with budgeted items.

Current Status:

Corrective Action Taken: The Town implemented procedures to monitor budget line items by the respective department heads and to follow the State Procurement Policy