

**TOWN OF EDINBURG, VIRGINIA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**



## OFFICERS

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Daniel J. Harshman, Mayor

Steven D. Wood, Vice Mayor

Mary Embrey, Town Clerk

Michelle Heier, Treasurer

## COUNCIL

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Daniel J. Harshman, Mayor

Clyde S. Beachy

Bradley Dellinger

Teresa C. Minnick

Steven D. Wood

Fay Wymer

M. E. Hite



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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 Edinburg, Virginia  
Edinburg, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Edinburg, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

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

### *Emphasis of Matter*

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

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, budgetary comparison information, and schedule of pension funding progress 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. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Edinburg, Virginia's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is 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 May 15, 2014 on our consideration of the Town of Edinburg, 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 Edinburg, Virginia's internal control over financial reporting and compliance.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

May 15, 2014



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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As management of the Town of Edinburg, Virginia we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2013.

### FINANCIAL HIGHLIGHTS

- The assets of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,150,616 (net position). Virtually all of this amount, \$1,062,045 is invested in capital assets and is not available to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year; the Town's funds reported a General Fund balance of \$217,050, an increase of \$157,720 from the prior year.
- The Town's total long-term obligations decreased by \$59,630 during the current fiscal year.

### Overview of the Financial Statements

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

- Government-wide financial statements,
- Fund financial statements, and
- 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's finances, in a manner similar to a private-sector business.

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

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

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

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

## Overview of the Financial Statements: (Continued)

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

Governmental funds - *Governmental funds* are used to account for essentially the same functions reported as Governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statement focus on near-term inflows and outflows of spendable resources, as well as on balance 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 of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains one individual governmental fund - the General Fund.

The Town adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds - The Town maintains one proprietary fund - the Water and Sewer Fund. Proprietary funds use the accrual basis of accounting, similar to the private sector business.

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.

Other information - In addition to the basic financial statement and accompanying notes, this report also presents certain required supplementary information for budgetary comparison schedules.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a Town's financial position. In the case of the Town, assets exceeded liabilities by \$1,150,616 at the close of the most recent fiscal year.

### **Town of Edinburg, Virginia's Net Position**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>
Current and other assets	\$ 411,892	\$ (112,509)	\$ 299,383
Capital assets	<u>1,391,277</u>	<u>1,871,686</u>	<u>3,262,963</u>
Total assets	<u>\$ 1,803,169</u>	<u>\$ 1,759,177</u>	<u>\$ 3,562,346</u>
Long-term liabilities outstanding	\$ 301,799	\$ 1,525,832	\$ 1,827,631
Current liabilities	<u>232,808</u>	<u>226,404</u>	<u>459,212</u>
Total liabilities	<u>\$ 534,607</u>	<u>\$ 1,752,236</u>	<u>\$ 2,286,843</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>\$ 124,887</u>	<u>\$ -</u>	<u>\$ 124,887</u>
Net position:			
Net investment in capital assets	\$ 905,189	\$ 156,856	\$ 1,062,045
Unrestricted	<u>238,486</u>	<u>(149,915)</u>	<u>88,571</u>
Total net position	<u>\$ 1,143,675</u>	<u>\$ 6,941</u>	<u>\$ 1,150,616</u>

A large part of the Town's net position \$1,062,045 reflects its investment in capital assets (e.g., land, buildings and improvements, infrastructure, machinery, and equipment), less any related obligations used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Government-wide Financial Analysis: (Continued)**

Governmental Activities - Governmental activities increased the Town's net position by \$130,854 while proprietary activities decreased net position by \$173,941. Key elements of these increases are as follows:

**Town of Edinburg, Virginia's Changes in Net Position  
For the Year Ended June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
Revenues:			
Program revenues:			
Charges for services	\$ 87,504	\$ 444,721	\$ 532,225
Operating grants and contributions	17,134	-	17,134
General revenues:			
General property taxes	325,191	-	325,191
Other local taxes	203,654	-	203,654
Grants and contributions not restricted to specific programs	49,753	-	49,753
Other general revenues	148,233	-	148,233
Total revenues	\$ 831,469	\$ 444,721	\$ 1,276,190
Expenses:			
General government administration	\$ 185,281	\$ -	\$ 185,281
Public safety	125,111	-	125,111
Public works	239,048	-	239,048
Parks, recreation, and cultural	136,904	-	136,904
Community development	180	-	180
Interest and other fiscal charges	14,091	-	14,091
Water and Sewer Fund	-	618,662	618,662
Total expenses	\$ 700,615	\$ 618,662	\$ 1,319,277
Increase (decrease) in net position	\$ 130,854	\$ (173,941)	\$ (43,087)
Net position, beginning of year, as restated	1,012,821	180,882	1,193,703
Net position, end of year	\$ 1,143,675	\$ 6,941	\$ 1,150,616

## **Financial Analysis of the Town's Funds**

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

**Governmental Funds** - The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a Town's net resources available for spending at the end of the fiscal year. At June 30, 2013 the Town's unassigned fund balance totals \$216,175, as the balance increased \$157,720 during the fiscal year.

## **General Fund Budgetary Highlights**

The General Fund budget reflected revenues in the amount of \$814,692 and expenditures in the amount of \$802,377 (reference schedules 1 and 2). Actual General Fund revenues totaled \$828,438 which was \$13,746 over the final budget. General Fund expenditures totaled \$704,718 and were under the final budget amounts by \$97,659. Overall general revenues and other financing sources were less than expenditures and other uses by \$157,720, reference Exhibit 9.

## **Capital Asset and Debt Administration**

**Capital assets** - The Town's investment in capital assets for its governmental funds as of June 30, 2013 totals \$1,391,277 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements and machinery and equipment. The Town's investment in capital assets for the current fiscal year decreased by \$41,715, due primarily to current year depreciation.

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

## **Debt**

During the year the Town increased its governmental obligations by \$11,818. Annual requirements to amortize all long-term debt and related interest and other information relative to the Town's debt can be found in Note 5 to the financial statements.

## **Contact The Town's Financial Management**

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Town of Edinburg, P. O. Box 85, Edinburg, Virginia 22824.

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## Basic Financial Statements

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*Government-Wide Financial Statements*

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Statement of Net Position  
June 30, 2013

	Primary Government		
	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 69,890	\$ -	\$ 69,890
Internal balances	180,130	(180,130)	-
Receivables (net of allowance for uncollectibles):			
Property taxes	129,049	-	129,049
Accounts receivable	20,903	67,621	88,524
Due from other governments	11,045		
Prepaid items	875	-	875
Total Current Assets	\$ 411,892	\$ (112,509)	\$ 288,338
Noncurrent Assets:			
Capital assets (net of accumulated depreciation):			
Land	\$ 174,030	\$ 29,485	\$ 203,515
Construction in progress	-	847,077	847,077
Buildings and improvements	1,209,335	971,359	2,180,694
Equipment	7,912	23,765	31,677
Total Capital Assets	\$ 1,391,277	\$ 1,871,686	\$ 3,262,963
Total Assets	\$ 1,803,169	\$ 1,759,177	\$ 3,551,301
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	\$ 19,984	\$ 11,254	\$ 31,238
Accrued expenses	15,794	-	15,794
Customer deposits	-	16,926	16,926
Current portion of long-term obligations	197,030	198,224	395,254
Total Current Liabilities	\$ 232,808	\$ 226,404	\$ 459,212
Noncurrent Liabilities:			
Noncurrent portion of long-term obligations	301,799	1,525,832	1,827,631
Total Liabilities	\$ 534,607	\$ 1,752,236	\$ 2,286,843
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	\$ 124,887	\$ -	\$ 124,887
<b>NET POSITION</b>			
Net investment in capital assets	\$ 905,189	\$ 156,856	\$ 1,062,045
Unrestricted	238,486	(149,915)	88,571
Total Net Position	\$ 1,143,675	\$ 6,941	\$ 1,150,616
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,803,169	\$ 1,759,177	\$ 3,562,346

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

TOWN OF EDINBURG, VIRGINIA

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government administration	\$ 185,281	\$ 435	\$ -	\$ -
Public safety	125,111	7,636	9,994	-
Public works	239,048	-	7,140	-
Parks, recreation and cultural	136,904	79,433	-	-
Community development	180	-	-	-
Interest and other fiscal charges	14,091	-	-	-
Total governmental activities	\$ 700,615	\$ 87,504	\$ 17,134	\$ -
Business-type activities:				
Water and Sewer	\$ 618,662	\$ 444,721	\$ -	\$ -
Total primary government	\$ 1,319,277	\$ 532,225	\$ 17,134	\$ -

General revenues:

General property taxes

Local sales and use taxes

Business license taxes

Bank franchise tax

Meals taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Total general revenues

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business- Type Activities	Total
\$ (184,846)	\$ -	\$ (184,846)
(107,481)	-	(107,481)
(231,908)	-	(231,908)
(57,471)	-	(57,471)
(180)	-	(180)
(14,091)	-	(14,091)
<u>\$ (595,977)</u>	<u>\$ -</u>	<u>\$ (595,977)</u>
<u>\$ -</u>	<u>\$ (173,941)</u>	<u>\$ (173,941)</u>
<u><u>\$ (595,977)</u></u>	<u><u>\$ (173,941)</u></u>	<u><u>\$ (769,918)</u></u>
\$ 325,191	\$ -	\$ 325,191
47,541	-	47,541
41,253	-	41,253
43,006	-	43,006
35,544	-	35,544
36,310	-	36,310
2,133	-	2,133
146,100	-	146,100
49,753	-	49,753
<u>\$ 726,831</u>	<u>\$ -</u>	<u>\$ 726,831</u>
\$ 130,854	\$ (173,941)	\$ (43,087)
1,012,821	180,882	1,193,703
<u><u>\$ 1,143,675</u></u>	<u><u>\$ 6,941</u></u>	<u><u>\$ 1,150,616</u></u>

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## *Fund Financial Statements*

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Balance Sheet - Governmental Fund  
June 30, 2013

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 69,890
Receivables (Net of allowance for uncollectibles):	
Property taxes	129,049
Accounts receivable	20,903
Due from other governments	11,045
Due from other fund	180,130
Prepaid items	875
	<u>          </u>
Total assets	\$ <u><u>411,892</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 19,984
Accrued expenses	15,794
	<u>          </u>
Total liabilities	\$ <u><u>35,778</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	\$ <u><u>159,064</u></u>
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	\$ 875
Unassigned:	
General	216,175
	<u>          </u>
Total fund balances	\$ <u><u>217,050</u></u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u><u>411,892</u></u>
Detailed explanation of adjustments from fund statements to government-wide Statement of Net Position:	
Fund balance of governmental funds	\$ 217,050
When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets among the assets of the town as a whole.	1,391,277
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 revenues in the governmental funds and thus are not included in the fund balance.	34,177
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. All liabilities--both current and long-term--are reported in the statement of net position.	<u>(498,829)</u>
Net position of governmental activities	\$ <u><u>1,143,675</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances -  
 Governmental Fund  
 Year Ended June 30, 2013

	<u>General Fund</u>
Revenues:	
General property taxes	\$ 322,160
Other local taxes	203,654
Permits, privilege fees and regulatory licenses	435
Fines and forfeitures	7,636
Revenue from use of money and property	2,133
Charges for services	79,433
Miscellaneous	146,100
Intergovernmental revenue:	
Commonwealth	66,887
	<u>          </u>
Total revenues	\$ 828,438
	<u>          </u>
Expenditures:	
Current:	
General administration	\$ 189,682
Public safety	121,262
Public works	203,885
Parks, recreation and cultural	110,117
Community development	180
Nondepartmental	3,500
Capital projects	20,584
Debt service:	
Principal retirement	41,417
Interest and other fiscal charges	14,091
	<u>          </u>
Total expenditures	\$ 704,718
	<u>          </u>
Excess (deficiency) of revenues over (under) expenditures	\$ 123,720
	<u>          </u>
Other financing sources (uses):	
Issuances of notes payable	\$ 34,000
	<u>          </u>
Total other financing sources (uses)	\$ 34,000
	<u>          </u>
Net change in fund balance	\$ 157,720
	<u>          </u>
Fund balance at beginning of year	59,330
	<u>          </u>
Fund balance at end of year	\$ 217,050
	<u>          </u>

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

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

		<u>Primary Government Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:		
Net change in fund balances - total governmental funds	\$	157,720
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation exceeded capital outlays in the current period. The following details support this adjustment.		
Capital outlay	\$ 5,685	
Depreciation expense	<u>(47,400)</u>	(41,715)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of unavailable taxes.		3,031
The issuance of long-term obligations (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term obligations consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the 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 obligations and related items and details are as follows:		
Principal retired on notes payable	\$ 40,797	
Issuance of line of credit	(34,000)	
Principle retired on line of credit	<u>620</u>	7,417
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		<u>4,401</u>
Change in net position of governmental activities	\$	<u><u>130,854</u></u>

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

Statement of Net Position - Proprietary Fund  
June 30, 2013

	Enterprise Fund Water and Sewer Fund
<b>ASSETS</b>	
Current Assets	
Receivables (net of allowance for uncollectibles):	\$ 67,621
Total Current Assets	<u>\$ 67,621</u>
Noncurrent Assets	
Capital assets:	
Land	\$ 29,485
Construction in progress	847,077
Buildings and improvements	3,914,707
Equipment	214,080
Accumulated depreciation	(3,133,662)
Total Noncurrent Assets	<u>\$ 1,871,686</u>
Total Assets	<u><u>\$ 1,939,307</u></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 11,254
Customer deposits	16,926
Due to other fund	180,130
Long-term obligations, current portion	198,224
Total Current Liabilities	<u>\$ 406,534</u>
Noncurrent Liabilities	
Long-term obligations, noncurrent portion	<u>\$ 1,525,832</u>
Total Liabilities	<u>\$ 1,932,366</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 156,856
Unrestricted	<u>(149,915)</u>
Total Net Position	<u>\$ 6,941</u>
Total Liabilities and Net Position	<u><u>\$ 1,939,307</u></u>

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

Statement of Revenues, Expenses and Changes in Net Position -  
 Proprietary Fund  
 Year Ended June 30, 2013

	Enterprise Fund Water and Sewer Fund
Operating revenues:	
Charges for services	\$ 444,721
Total operating revenues	\$ 444,721
Operating expenses:	
Payroll expenditures	\$ 79,454
Insurance	39,795
Contractual services	132,750
Other charges	182,052
Depreciation	105,671
Total operating expenses	\$ 539,722
Operating income (loss)	\$ (95,001)
Nonoperating revenues (expenses):	
Interest expense	\$ (78,940)
Total nonoperating revenues (expenses)	\$ (78,940)
Changes in net position	\$ (173,941)
Net position at beginning of year	180,882
Net position at end of year	\$ 6,941

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

Statement of Cash Flows -  
Proprietary Fund  
Year Ended June 30, 2013

	Enterprise Fund Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers and users	\$ 421,687
Payments to employees (including fringe benefits)	(79,549)
Payments for operating activities	<u>(350,636)</u>
Net cash provided by (used for) operating activities	\$ <u>(8,498)</u>
Cash flows from capital and related financing activities:	
Retirement of indebtedness	\$ (47,717)
Interest expense	<u>(78,940)</u>
Net cash provided by (used for) capital and related financing activities	\$ <u>(126,657)</u>
Cash flows from noncapital financing activities:	
Due to other fund	\$ <u>145,795</u>
Net cash provided by (used for) noncapital financing activities	\$ <u>145,795</u>
Cash flows from investing activities:	
Purchase of capital assets	\$ <u>(10,641)</u>
Net cash provided by (used for) by investing activities	\$ <u>(10,641)</u>
Increase (decrease) in cash and cash equivalents	\$ -
Cash and cash equivalents at beginning of year	<u>-</u>
Cash and cash equivalents at end of year	\$ <u>-</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ <u>(95,001)</u>
Adjustments to reconcile net loss to net cash provided by (used for) operations:	
Depreciation	105,671
Changes in operating assets and liabilities:	
(Increase) in accounts receivable	(23,034)
(Decrease) in accounts payable	4,071
Increase in customer deposits	(110)
Increase in compensated absences	<u>(95)</u>
Net cash provided by (used for) operating activities	\$ <u><u>(8,498)</u></u>

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

## TOWN OF EDINBURG, VIRGINIA

### Notes to Financial Statements As of June 30, 2013

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

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The Town of Edinburg is governed by an elected seven member Town Council. The Town provides a wide range of services for its citizens. These services include police protection, water services, recreational activities, cultural events, health, and road maintenance.

##### Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

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

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

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

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities). 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 asset, 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 segment is 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.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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Government-wide and Fund Financial Statements: Continued

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

**A. The 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 general-purpose 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 the reporting entity. These financial statements present the Town of Edinburg (the primary government).

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. 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.

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



**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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

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

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

**1. Governmental Funds**

Governmental Funds are those through which most governmental functions typically are financed. The Town reports the following governmental funds:

**a. General Fund**

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

**2. Proprietary Funds**

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

**Enterprise Funds**

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise Funds consist of the Water and Sewer Fund.

The Town reports the following major enterprise fund:

**Water and Sewer Fund:** This fund is used to account for water and sewer services of the Town.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**C. 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 March 30, the Mayor submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
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 department level or category level. The appropriation for each department or category can be revised only by the Town Council. The Mayor is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All appropriations lapse on June 30, for all Town units.
8. All budget data presented in the accompanying financial statements is the original budget to the current comparison of the final budget and actual results.

**D. Cash and Cash Equivalents:**

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

The Town does not have any investments at June 30, 2013.

**E. Prepaid Items:**

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

**F. Receivables and Payables:**

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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

F. Receivables and Payables: (Continued)

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

Property Tax Calendar

The Town collects real and personal property taxes semiannually. Real and personal property taxes are levied as of January 1 for a calendar year and are due on June 5 and December 5; penalties and interest accrue on all unpaid balances as of these dates. Unpaid real estate taxes constitute a lien against the property as of the due date of the tax. The Town bills and collects its own property taxes.

G. Capital Assets:

Capital assets, which include property, plant and equipment, and intangible assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$2,000 (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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2013 was immaterial.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Vehicles and equipment	5 to 10
Water and sewer system	20 to 50
Intangible assets	5

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**H. Deferred Outflows/Inflows of Resources:**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th, and amounts prepaid on the 2nd half installments and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**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 Governmental Accounting Standards 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.

**J. Long-term Obligations:**

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**K. Retirement Plan:**

Retirement plan contributions are actuarially determined and consist of current services costs and amortization of prior service cost over a 30-year period. The Town's policy is to fund pension costs as they accrue.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

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L. 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.

M. Fund Equity:

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

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

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

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

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

The details of governmental fund balances are reported in Exhibit 3.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

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**N. Net Position:**

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

**O. Net Position Flow Assumption:**

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

**P. Adoption of Accounting Principles:**

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

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

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

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

## TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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### NOTE 2—DEPOSITS AND INVESTMENTS:

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#### 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 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 amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

#### 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).

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

### NOTE 3—DUE FROM OTHER GOVERNMENTAL UNITS:

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The Town had receivables due from other governmental units at June 30, 2013 as follows:

	<u>General Fund</u>
Commonwealth of Virginia:	
Communication taxes	\$ 1,585
Rolling stock tax	1,460
Fire Program Funds	<u>8,000</u>
Total	<u>\$ 11,045</u>

TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

NOTE 4—CAPITAL ASSETS:

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

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 170,530	\$ 3,500	\$ -	\$ 174,030
Total capital assets not being depreciated	\$ 170,530	\$ 3,500	\$ -	\$ 174,030
Other capital assets:				
Buildings and improvements	\$ 1,449,184	\$ -	\$ -	\$ 1,449,184
Equipment	258,759	2,185	29,100	231,844
Intangible assets	10,927	-	-	10,927
Total other capital assets	\$ 1,718,870	\$ 2,185	\$ 29,100	\$ 1,691,955
Accumulated depreciation:				
Buildings and improvements	\$ 198,447	\$ 41,402	\$ -	\$ 239,849
Equipment	249,219	3,813	29,100	223,932
Intangible assets	8,742	2,185	-	10,927
Total accumulated depreciation	\$ 456,408	\$ 47,400	\$ 29,100	\$ 474,708
Other capital assets, net	\$ 1,262,462	\$ (45,215)	\$ -	\$ 1,217,247
Net capital assets	\$ 1,432,992	\$ (41,715)	\$ -	\$ 1,391,277

Depreciation is allocated to:

Public safety	\$ 3,849
Public works	35,163
Parks, recreation and cultural	8,388
Total	\$ 47,400



TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

NOTE 4—CAPITAL ASSETS: (CONTINUED)

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 29,485	\$ -	\$ -	\$ 29,485
Construction in progress	847,077	-	-	847,077
Total capital assets not being depreciated	\$ 876,562	\$ -	\$ -	\$ 876,562
Other capital assets:				
Buildings and improvements	\$ 3,914,707	\$ -	\$ -	\$ 3,914,707
Equipment	203,439	10,641	-	214,080
Total other capital assets	\$ 4,118,146	\$ 10,641	\$ -	\$ 4,128,787
Accumulated depreciation:				
Buildings and improvements	\$ 2,845,307	\$ 98,041	\$ -	\$ 2,943,348
Equipment	182,684	7,630	-	190,314
Total accumulated depreciation	\$ 3,027,991	\$ 105,671	\$ -	\$ 3,133,662
Other capital assets, net	\$ 1,090,155	\$ (95,031)	\$ -	\$ 995,124
Net capital assets	\$ 1,966,717	\$ (95,031)	\$ -	\$ 1,871,686

TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS:

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

	<u>Balance at July 1, 2012</u>	<u>Issuances/ Increases</u>	<u>Retirements/ Decreases</u>	<u>Balance at June 30, 2013</u>	<u>Current Portion</u>
<b>Governmental Activities Obligations:</b>					
Notes payable	\$ 370,812	\$ -	\$ 40,797	\$ 330,015	\$ 39,683
Line of credit	122,693	34,000	620	156,073	156,073
Compensated absences	<u>17,142</u>	<u>-</u>	<u>4,401</u>	<u>12,741</u>	<u>1,274</u>
Total Governmental Activities Obligations	<u>\$ 510,647</u>	<u>\$ 34,000</u>	<u>\$ 45,818</u>	<u>\$ 498,829</u>	<u>\$ 197,030</u>
<b>Business-type Activities Obligations:</b>					
General obligation bonds	\$ 1,473,770	\$ -	\$ 37,250	\$ 1,436,520	\$ 43,820
Note payable	144,934	-	9,847	135,087	10,255
Line of credit	143,843	-	620	143,223	143,223
Compensated absences	<u>9,321</u>	<u>-</u>	<u>95</u>	<u>9,226</u>	<u>927</u>
Total Business-type Activities Obligations	<u>\$ 1,771,868</u>	<u>\$ -</u>	<u>\$ 47,812</u>	<u>\$ 1,724,056</u>	<u>\$ 198,224</u>

TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ending June 30,	Governmental Activities			
	Notes Payable		Line of Credit	
	Principal	Interest	Principal	Interest
2014	\$ 39,683	\$ 9,015	\$ 156,073	\$ -
2015	40,406	8,292	-	-
2016	41,159	7,539	-	-
2017	197,656	5,142	-	-
2018	11,111	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
Total	\$ 330,015	\$ 29,988	\$ 156,073	\$ -

TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirements to amortize long-term obligations and related interest are as follows: (Continued)

Year Ending June 30,	Business-type Activities					
	General		Note Payable		Line of	
	Obligation Bonds				Credit	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 43,820	\$ 66,766	\$ 10,255	\$ 5,294	\$ 143,223	\$ -
2015	45,461	64,673	10,679	4,870	-	-
2016	47,183	62,535	11,121	4,428	-	-
2017	48,987	60,309	103,032	3,020	-	-
2018	50,880	57,968	-	-	-	-
2019	52,866	55,508	-	-	-	-
2020	59,947	52,819	-	-	-	-
2021	62,131	49,899	-	-	-	-
2022	64,420	46,873	-	-	-	-
2023	66,821	43,738	-	-	-	-
2024	69,340	40,486	-	-	-	-
2025	71,980	37,108	-	-	-	-
2026	74,750	33,599	-	-	-	-
2027	67,182	30,069	-	-	-	-
2028	55,755	27,271	-	-	-	-
2029	57,673	24,608	-	-	-	-
2030	62,400	21,734	-	-	-	-
2031	56,514	18,970	-	-	-	-
2032	58,192	16,293	-	-	-	-
2033	59,946	13,538	-	-	-	-
2034	61,781	10,701	-	-	-	-
2035	63,701	7,780	-	-	-	-
2036	75,708	4,526	-	-	-	-
2037	47,808	1,681	-	-	-	-
2038	11,274	69	-	-	-	-
Total	\$ 1,436,520	\$ 849,521	\$ 135,087	\$ 17,612	\$ 143,223	\$ -

## TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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### NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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Details of long-term obligations at June 30, 2013, are as follows:

#### Governmental Activities:

---

##### Notes payable:

Note payable, Farmers & Merchants Bank, payable in 60 monthly installments of \$2,206 through February 2017, interest at 4.064%, with a balloon payment of \$162,705 due on March 1, 2017 \$ 230,015

\$200,000 issued November 16, 2007, payable in semi-annual installments of \$11,111 beginning May 2009 through December 2018, interest at 0% 100,000

Total Notes Payable \$ 330,015

##### Line of credit:

Line of Credit payable, Farmers & Merchants Bank note dated July 3, 2008 interest payable monthly at 4.0% \$ 156,073

Compensated Absences \$ 12,741

Total Long-Term Obligations from Governmental Activities \$ 498,829

#### Business-type Activities:

---

##### General Obligation Bonds:

G.O. Bonds 1988A Series, Serial General Obligation Bonds, original principal amount of \$327,200, payable in monthly installments of \$1,607 through February 2028, including interest at 5% \$ 188,800

1988B Series, Serial General Obligation Bonds, original principal amount of \$77,500, payable in monthly installments of \$381 through February 2028, including interest at 5% 45,841

TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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NOTE 5—LONG-TERM OBLIGATIONS: (CONTINUED)

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Details of long-term obligations at June 30, 2013, are as follows: (continued)

Business-type Activities: (Continued)

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General Obligation Bonds: (Continued)

1990 Series, Serial General Obligation Bonds, original principal amount of \$169,700, payable in monthly installments of \$827 through December 2030, including interest at 5%	\$ 112,522
1997A Series, Serial General Obligation Bonds, original principal amount of \$675,600, payable in monthly installments of \$3,068 through October 2037, including interest at 4.50%	542,654
1997B Series, Serial General Obligation Bonds, original principal amount of \$232,500, payable in monthly installments of \$1,056 through October 2037, including interest at 4.50%	186,703
2006 A Series, Infrastructure Revenue bonds, issued June 1, 2006, Original Principal Amount of \$390,000, payable in various semi-annual Installments beginning October 1, 2007 through October 1, 2036, interest at 4.41%	<u>360,000</u>
Total General Obligation Bonds	\$ <u>1,436,520</u>
Note Payable:	
Note payable, Farmers & Merchants Bank, payable in 60 monthly installments of \$1,296 through February 2017, interest at 4.064%, with a balloon payment of \$95,557 due on March 1, 2017	\$ <u>135,087</u>
Line of credit:	
Line of Credit payable, Farmers & Merchants Bank note dated July 3, 2008 interest payable monthly at 4.0%	\$ <u>143,223</u>
Compensated Absences	\$ <u>9,226</u>
Total Long-term Obligations from Business-type Activities	\$ <u><u>1,724,056</u></u>

## TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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### NOTE 6—UNEARNED REVENUE / DEFERRED INFLOWS OF RESOURCES:

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Unearned revenue / deferred inflows represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Governmental Fund unearned revenue / deferred inflows totaling \$159,064 is comprised of the following:

Unearned Property Tax Revenue - Unearned revenue representing uncollected tax billings not available for funding of current expenditures totaled \$34,177 at June 30, 2013.

Unearned Revenue Governmental Funds - Property taxes due subsequent to June 30, 2013 but paid in advance by the taxpayers totaled \$33,153 at June 30, 2013 and 2<sup>nd</sup> half assessment, totaled \$91,734.

### NOTE 7—DEFINED BENEFIT PENSION PLAN:

---

#### A. Plan Description

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

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

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

- Members hired before July 1, 2010 and who were vested as of January 1, 2013 are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least five years of service credit or age 50 with at least 10 years of service credit.
- Members hired or rehired on or after July 1, 2010 and Plan 1 members who were not vested on January 1, 2013 are covered under Plan 2. Non-hazardous duty members are eligible for an unreduced benefit beginning at their normal Social Security retirement age with at least five years of service credit or when the sum of their age and service equals 90. They may retire with a reduced benefit as early as age 60 with at least five years of service credit.
- Eligible hazardous duty members in Plan 1 and Plan 2 are eligible for an unreduced benefit beginning at age 60 with at least 5 years of service credit or age 50 with at least 25 years of service credit. These members include sheriffs, deputy sheriffs and hazardous duty employees of political subdivisions that have elected to provide enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

**NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

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**A. Plan Description: (Continued)**

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

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

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

**B. Funding Policy**

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 8.20% of annual covered payroll.



# TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

## NOTE 7—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

### C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost was \$20,053 was equal to the Town's required and actual contributions.

Fiscal Year Ending	Three Year Trend Information		
	Annual Pension Cost (APC) (1)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 20,053	100%	\$ -
June 30, 2012	15,894	100%	-
June 30, 2011	16,696	100%	-

(1) Employer portion only

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

### D. Funded Status and Funding Programs

As of June 30, 2012, the most recent actuarial valuation date, the plan was 88.27% funded. The actuarial accrued liability for benefits was \$803,858 and the actuarial value of assets was \$709,548, resulting in an unfunded actuarial accrued liability (UAAL) of \$94,310. The covered payroll (annual payroll of active employees covered by the plan) was \$231,296, and ratio of the UAAL to the covered payroll was 40.77%.

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

## TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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### NOTE 8—CONTINGENT LIABILITIES:

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Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

At June 30, 2013, there were no matters of litigation involving the Town which would materially affect the Town's financial position should any court decision or pending matter not be favorable to the Town.

### NOTE 9—RISK MANAGEMENT:

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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.

### NOTE 10—COMPENSATED ABSENCES:

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In accordance with GASB Statement 16 "*Accounting for Compensated Absences*", the Town has accrued the liability arising from outstanding compensated absences. Town employees earn vacation and sick leave at a variable rate based on length of service. No benefits or pay is received for unused sick leave upon termination. Vacation accumulates on a calendar year basis not to exceed 240 hours. The Town has outstanding vacation pay totaling \$21,967 at June 30, 2013.

### NOTE 11—SURETY BOND INFORMATION:

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The Town has a \$100,000 blanket policy through the Virginia Municipal League group insurance plan covering all employees for fraud and other employee dishonesty.

### NOTE 12—OTHER POSTEMPLOYMENT BENEFITS:

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The Town offers postemployment medical coverage to its retired employees and has several employees enrolled in the program. The Town has elected not to obtain an actuarial valuation to determine liability for this benefit in accordance with the financial reporting requirements of GASB 45 and believes there is no material effect on the Town's financial position.

TOWN OF EDINBURG, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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NOTE 13—BEGINNING NET POSITION RESTATEMENT:

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Net position was restated as of July 1, 2012 as follows:

		Governmental Activities
Net position as previously reported	\$	1,105,047
Adjustment for 2nd half taxes		(92,226)
Net position, as restated		<u>1,012,821</u>

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## Required Supplementary Information

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

	General Fund			Variance From Amended Budget Positive (Negative)
	Original Budget	Budget As Amended	Actual	
Revenues:				
General property taxes	\$ 297,999	\$ 292,300	\$ 322,160	\$ 29,860
Other local taxes	205,993	197,993	203,654	5,661
Permits, privilege fees and regulatory licenses	500	500	435	(65)
Fines and forfeitures	10,400	6,400	7,636	1,236
Revenue from use of money and property	2,400	2,400	2,133	(267)
Charges for services	83,000	83,000	79,433	(3,567)
Miscellaneous	171,850	174,046	146,100	(27,946)
Intergovernmental revenue:				
Commonwealth	58,201	58,053	66,887	8,834
Total revenues	\$ 830,343	\$ 814,692	\$ 828,438	\$ 13,746
Expenditures:				
Current:				
General government administration	\$ 183,109	\$ 184,954	\$ 189,682	\$ (4,728)
Public safety	142,968	135,253	121,262	13,991
Public works	207,784	207,749	203,885	3,864
Parks, recreation and cultural	123,575	116,378	110,117	6,261
Community development	3,350	1,750	180	1,570
Nondepartmental	88,495	37,793	3,500	34,293
Capital projects	5,000	20,000	20,584	(584)
Debt service:				
Principal retirement	87,348	82,348	41,417	40,931
Interest and other fiscal charges	9,214	16,152	14,091	2,061
Total expenditures	\$ 850,843	\$ 802,377	\$ 704,718	\$ 97,659
Excess (deficiency) of revenues over (under) expenditures	\$ (20,500)	\$ 12,315	\$ 123,720	\$ 111,405
Other financing sources (uses):				
Issuance of line of credit	\$ 26,500	\$ 34,000	\$ 34,000	\$ -
Total other financing sources (uses)	\$ 26,500	\$ 34,000	\$ 34,000	\$ -
Changes in fund balance	\$ 6,000	\$ 46,315	\$ 157,720	\$ 111,405
Fund balance (deficit) at beginning of year	(6,000)	(46,315)	59,330	105,645
Fund balance (deficit) at end of year	\$ -	\$ -	\$ 217,050	\$ 217,050

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

Schedule of Pension Funding Progress for the Virginia Retirement System  
Last Three Fiscal Years

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Actuarial Valuation Date	Actuarial Value of Assets (AVA)	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Covered Payroll	UAAL as % of Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012 \$	709,548 \$	803,858 \$	94,310	88.27% \$	231,296	40.77%
6/30/2011	692,933	769,207	76,274	90.08%	277,056	27.53%
6/30/2010	658,621	711,476	52,855	92.57%	253,156	20.88%



## Supporting Schedules

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Governmental Fund -  
Schedule of Revenues - Budget and Actual  
Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 219,599	\$ 215,000	\$ 234,340	\$ 19,340
Personal property taxes	77,400	76,000	85,365	9,365
Penalties and interest	1,000	1,300	2,455	1,155
Total general property taxes	\$ 297,999	\$ 292,300	\$ 322,160	\$ 29,860
Other local taxes:				
Local sales and use taxes	\$ 36,500	\$ 49,000	\$ 47,541	\$ (1,459)
Consumers' utility taxes	13,500	15,500	15,032	(468)
Business license taxes	39,500	37,000	41,253	4,253
Motor vehicle licenses	20,000	20,000	21,278	1,278
Bank franchise tax	39,493	39,493	43,006	3,513
Meals taxes	57,000	37,000	35,544	(1,456)
Total other local taxes	\$ 205,993	\$ 197,993	\$ 203,654	\$ 5,661
Permits, privilege fees and regulatory licenses:				
Zoning fees	\$ 500	\$ 500	\$ 435	\$ (65)
Total permits, privilege fees and regulatory licenses	\$ 500	\$ 500	\$ 435	\$ (65)
Fines and Forfeitures:				
Court fines and forfeitures	\$ 10,400	\$ 6,400	\$ 7,636	\$ 1,236
Total fines and forfeitures	\$ 10,400	\$ 6,400	\$ 7,636	\$ 1,236
Revenue from use of money and property:				
Revenue from use of property	\$ 2,400	\$ 2,400	\$ 2,133	\$ (267)
Total revenue from use of money and property	\$ 2,400	\$ 2,400	\$ 2,133	\$ (267)
Charges for services:				
Park income	\$ 23,000	\$ 23,000	\$ 20,379	\$ (2,621)
Trash pick up fees	47,000	47,000	47,904	904
Open / close grave	7,000	7,000	6,350	(650)
Sale of lots	6,000	6,000	4,800	(1,200)
Total charges for services	\$ 83,000	\$ 83,000	\$ 79,433	\$ (3,567)

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

Fund, Major and Minor Revenue Source	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
<b>General Fund: (continued)</b>				
Miscellaneous revenue:				
Gifts and donations	\$ 1,000	\$ 1,896	\$ 1,896	\$ -
Reimbursed expense	1,000	300	290	(10)
Miscellaneous	4,850	6,850	6,980	130
Edinburg Heritage Foundation	165,000	165,000	136,934	(28,066)
Total miscellaneous revenue	\$ 171,850	\$ 174,046	\$ 146,100	\$ (27,946)
Total revenue from local sources	\$ 772,142	\$ 756,639	\$ 761,551	\$ 4,912
Intergovernmental revenue:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	\$ 1,210	\$ 1,383	\$ 2,841	\$ 1,458
Communications Tax	10,000	9,000	10,859	1,859
Local police aid	20,121	20,500	20,383	(117)
PPTRA	15,670	15,670	15,670	-
Total noncategorical aid	\$ 47,001	\$ 46,553	\$ 49,753	\$ 3,200
Categorical aid:				
Law enforcement grants	\$ 1,500	\$ 1,000	\$ 1,000	\$ -
VDOT grant	2,500	2,500	7,140	4,640
LLEBG grant	-	-	994	994
State fire grant	7,200	8,000	8,000	-
Total other categorical aid	\$ 11,200	\$ 11,500	\$ 17,134	\$ 5,634
Total categorical aid	\$ 11,200	\$ 11,500	\$ 17,134	\$ 5,634
Total revenue from the Commonwealth	\$ 58,201	\$ 58,053	\$ 66,887	\$ 8,834
<b>Total General Fund</b>	<b>\$ 830,343</b>	<b>\$ 814,692</b>	<b>\$ 828,438</b>	<b>\$ 13,746</b>

## Governmental Fund -

## Schedule of Expenditures - Budget and Actual

Year Ended June 30, 2013

Fund, Function, Activities and Elements	Original Budget	Budget As Amended	Actual	Variance From Amended Budget Positive (Negative)
<b>General Fund:</b>				
General government administration:				
Town Council	\$ 4,800	\$ 4,500	\$ 3,842	\$ 658
Mayor	68,693	66,691	71,798	(5,107)
Legal services	5,000	5,000	4,302	698
Independent auditor	9,500	9,500	9,500	-
Clerk - Treasurer	95,116	99,263	100,240	(977)
Total general government administration	\$ 183,109	\$ 184,954	\$ 189,682	\$ (4,728)
Public Safety:				
Police department	\$ 131,518	\$ 125,053	\$ 118,462	\$ 6,591
Volunteer fire department	11,200	10,000	2,800	7,200
Rescue squad	250	200	-	200
Total public safety	\$ 142,968	\$ 135,253	\$ 121,262	\$ 13,991
Public works:				
Maintenance highways and streets	\$ 50,292	\$ 55,187	\$ 52,419	\$ 2,768
Maintenance of general properties	60,338	63,600	66,689	(3,089)
Cemetery	56,154	54,462	45,845	8,617
Trash removal	41,000	34,500	38,932	(4,432)
Total public works	\$ 207,784	\$ 207,749	\$ 203,885	\$ 3,864
Parks and recreation and cultural:				
Parks and recreation	\$ 45,992	\$ 41,558	\$ 34,889	\$ 6,669
Museum	100	260	-	260
Library	250	200	-	200
Edinburg mill	77,233	74,360	75,228	(868)
Total parks recreation and cultural	\$ 123,575	\$ 116,378	\$ 110,117	\$ 6,261

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

<u>Fund, Function, Activities, and Element</u>	<u>Original Budget</u>	<u>Budget As Amended</u>	<u>Actual</u>	<u>Variance From Amended Budget Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Community development:				
Zoning	\$ 3,350	\$ 1,750	\$ 180	\$ 1,570
Total community development	\$ 3,350	\$ 1,750	\$ 180	\$ 1,570
Nondepartmental:				
Contingency reserve	\$ 88,495	\$ 37,793	\$ 3,500	\$ 34,293
Total nondepartmental	\$ 88,495	\$ 37,793	\$ 3,500	\$ 34,293
Capital projects:				
Edinburg mill	\$ 5,000	\$ 20,000	\$ 20,584	\$ (584)
Debt service:				
Principal retirement	\$ 87,348	\$ 82,348	\$ 41,417	\$ 40,931
Interest and other fiscal charges	9,214	16,152	14,091	2,061
Total debt service	\$ 96,562	\$ 98,500	\$ 55,508	\$ 42,992
<b>Total General Fund</b>	<b>\$ 850,843</b>	<b>\$ 802,377</b>	<b>\$ 704,718</b>	<b>\$ 97,659</b>

## Compliance

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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 Edinburg, Virginia  
Edinburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Edinburg, 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 Edinburg, Virginia's basic financial statements, and have issued our report dated May 15, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Edinburg, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Edinburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Edinburg, 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 Edinburg, Virginia'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*.

## Purpose of this Report

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

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia

May 15, 2014