

Town of Quantico, Virginia

Financial Statements
For The Year Ended June 30, 2013

Town of Quantico, Virginia

Financial Statements
For The Year Ended June 30, 2013

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**Town of Quantico, Virginia
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2013**

TABLE OF CONTENTS

INTRODUCTORY SECTION	<u>PAGE</u>
Directory of Town Officials and Council Members	1
 FINANCIAL SECTION	
Independent Auditor's Report	2-3
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Summary of Compliance Matters	5
 Basic Financial Statements	
Statement of Net Assets	6
Statement of Activities	7
 Fund Financial Statements	
Balance Sheet: <i>Governmental Funds</i>	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures, and Changes in Fund Balance: <i>Governmental Funds</i>	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget Versus Actual: <i>General Fund</i>	12
Statement of Net Assets: Proprietary Fund	13
Statement of Revenues, Expenses, and Changes in Fund Net Assets: Proprietary Funds	14
Statement of Cash Flows: Proprietary Funds	15
Notes to Financial Statements	16-25
 Required Supplemental Information	
Combining Balance Sheet – Governmental Funds	26
Schedule of Funding Progress for Defined Pension Benefit Plan	27
 STATISTICAL SECTION	
Statement of Treasurer's Accountability	28
Computation of Legal Debt Margin	28
General Fund Revenues by Source	29
General Fund Expenditures by Function	29
Property Tax Levies and Collections	30
Assessed Value of Taxable Property	30
Property Tax Rates per \$100 of Assessed Value	30
Schedule of Findings and Questioned Costs	31

Town of Quantico, Virginia

Directory of Town Officials and Council Members

Mayor

Kevin P. Brown

Town Council

Mary Lou DiMarzio

Earlene Clinton

Russell V. Kuhns

Virginia L. MacFarlan

Peggy L. Alexander

Town Attorney

William C. Boyce, Jr.

Town Treasurer

Debra Kidwell

Chief of Police

John P. Clair

FINANCIAL SECTION

Town of Quantico, Virginia
Independent Auditor's Report

To the Honorable Town Council
Town of Quantico, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Quantico as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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.

Auditor's 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. 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 auditor's 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

We were unable to obtain net assets and fund balances for the Town to satisfy ourselves as to the beginning balances for the period ending June 30, 2013.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. 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 an assurance.

In our opinion, except for the effects of not providing the net assets and fund balances for the prior period and the Management Discussion and Analysis, the financial statements referred to above present fairly in all material aspects, the respective financial position of the governmental activities, the business type activities, the aggregated discretely presented component units, proprietary fund, and the aggregate remaining information of the Town of Quantico, Virginia as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

Town of Quantico, Virginia
Independent Auditor's Report (Continued)

Other Matters

Required Supplementary Information

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Quantico's basic financial statements. 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 basic financial statements.

The combining and individual nonmajor 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 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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



Johnson, Certified Public Accountant, PLLC
July 8, 2014

Town of Quantico, Virginia

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 Town Council
Town of Quantico, Virginia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Quantico, Virginia, as of and for the year ended June 30, 2013, which collectively comprise the Town of Quantico, Virginia's basic financial statements and have issued our report thereon dated July 8, 2014. 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.

Internal Control Over Financial Reporting

Management of the Town of Independence, Virginia, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Quantico, Virginia'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 of Quantico, Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Independence, Virginia's internal control over financial reporting.

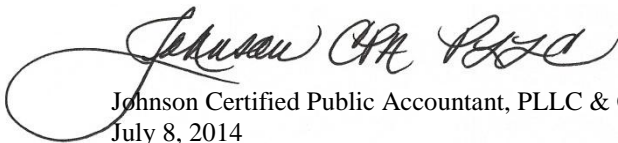
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

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 identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness, as defined above, in internal control over financial reporting as item 2013-1. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 2013-1 and 2013-2. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Quantico, 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 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, City 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
July 8, 2014

Town of Quantico, Virginia
Summary of Compliance Matters

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 Town of Quantico’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

BASIC FINANCIAL STATEMENTS

Town of Quantico, Virginia
Statement of Net Assets
For the Year Ended June 30, 2013

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 174,130	\$ 44,731	\$ 218,861
Investments	104,147	59,903	164,050
Receivables (net of allowance for uncollectibles)	30,186	3,315	33,501
Internal Balance	18,488	-	18,488
Capital assets(net of accumulated depreciation):			
Water/Sewer System	-	1,323,880	1,323,880
Buildings	65,542	-	65,542
Machinery and equipment	122,386	5,738	128,124
Infrastructure/Bike Trail	824,004	-	824,004
Accumulated depreciation	(195,863)	(896,344)	(1,092,207)
Total Assets	\$ 1,143,020	\$ 541,223	\$ 1,684,243
Liabilities			
Accounts payable and other			
Current Liabilities	\$ 8,003	\$ 17,363	\$ 25,366
Accrued Vacation	10,254	-	10,254
Liabilities due within one year	-	14,378	14,378
Internal Balance	-	18,488	18,488
Customer Deposits	-	6,620	6,620
Noncurrent liabilities:			
Due in more than one year	-	188,667	188,667
Total Liabilities	18,257	245,516	263,773
Net Assets			
Invested in Capital Assets, net of related debt	816,069	230,229	1,046,298
Unreserved	308,694	65,478	374,172
Total Net Assets	1,124,763	295,707	1,420,470
Total Liabilities and Net Assets	\$ 1,143,020	\$ 541,223	\$ 1,684,243

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
General government	\$ 245,805	\$ 210	\$ -	(245,595)	\$ -	\$ (245,595)
Public Safety	150,362	-	27,031	(123,331)	-	(123,331)
Public Works	31,963	-	-	(31,963)	-	(31,963)
Miscellaneous	16,460	-	-	(16,460)	-	(16,460)
Depreciation	5,206	-	-	(5,206)	-	(5,206)
Bike Trail	-	-	201,519	201,519	-	201,519
Total Governmental activities	449,796	210	228,550	(221,036)	-	(221,036)
Business-type activities						
Water and Sewer	212,761	210,021	-	-	(2,740)	(2,740)
Total Business-type activities	212,761	210,021	-	-	(2,740)	(2,740)
Total Primary Government	<u>\$ 662,557</u>	<u>\$ 210,231</u>	<u>\$ 228,550</u>	<u>\$ (221,036)</u>	<u>\$ (2,740)</u>	<u>\$ (223,776)</u>
General Revenues:						
Property taxes				\$ 78,261	\$ -	\$ 78,261
Sales taxes				32,174	-	32,174
Meals taxes				107,418	-	107,418
Franchise taxes				17,628	-	17,628
Business licenses and permits				98,875	-	98,875
Fines				31,586	-	31,586
Utility Tax				42,017	-	42,017
Rolling stock tax				907	-	907
Interest				2,619	-	2,619
Miscellaneous				2,747	-	2,747
Total general revenues and transfers				414,232	-	414,232
Change in net assets				193,196	(2,740)	190,456
Net assets - beginning				931,567	298,447	1,230,014
Net assets - ending				<u>\$ 1,124,763</u>	<u>\$ 295,707</u>	<u>\$ 1,420,470</u>

The accompanying notes are an integral part of these financial statements

FUND FINANCIAL STATEMENTS

Town of Quantico, Virginia
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	Capital Project Fund	Total Government Funds
<u>Assets</u>			
Cash and Cash Equivalents <i>(See Note 3)</i>	\$ 174,130	\$ -	\$ 174,130
Investments <i>(See Note 3)</i>	104,147	-	104,147
Taxes Receivable <i>(See Note 4)</i>	12,721	-	12,721
Other Accounts Receivable <i>(See Note 6)</i>	19,533	-	19,533
Allowance for Uncollected Accounts <i>(See Note 5)</i>	(2,068)	-	(2,068)
Due From Other Funds <i>(See Note 7)</i>	62,987	-	62,987
<i>Total Current Assets</i>	371,450	-	371,450
Net Fixed Assets <i>(See Notes 8 & 9)</i>	-	-	-
Provision for Retirement of Long Term Debt	-	-	-
<i>Total Long-Term Assets</i>	-	-	-
<i>Total Assets</i>	<u>\$ 371,450</u>	<u>\$ -</u>	<u>\$ 371,450</u>
<u>Liabilities</u>			
Accounts Payable	\$ 5,464	\$ -	\$ 5,464
Accrued Liabilities	2,997	-	2,997
Deferred Revenue	10,653	-	10,653
Due from Other Funds	-	44,042	44,042
Accrued Absences Payable <i>(See Note 10)</i>	-	-	-
<i>Total Current Liabilities</i>	19,114	44,042	63,156
<i>Total Liabilities</i>	19,114	44,042	63,156
<u>Fund Equity</u>			
Fund Balance - Unassigned	352,336	(44,042)	308,294
Restricted	-	-	-
<i>Total Fund Equity</i>	352,336	(44,042)	308,294
<i>Total Liabilities and Fund Equity</i>	<u>\$ 371,450</u>	<u>\$ -</u>	<u>\$ 371,450</u>

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

Town of Quantico, Virginia
 Reconciliation of the Balance Sheet of
 Governmental Funds to the Statement of Net Assets
 For the Year Ended June 30, 2013

Amounts reported for governmental activities in the Statement of Net Assets
 are different because:

Total fund balances - governmental funds	\$ 308,294
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	816,069
Long-term liabilities are not due and payable in the current period and accordingly are not reported in the funds:	
Accrued compensation	(10,253)
Deferred revenues (net of allowance) are recorded in the funds, but are not deferred under Net Assets	<u>10,653</u>
Net assets of governmental activities	<u><u>\$ 1,124,763</u></u>

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

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

	<u>General Fund</u>	<u>Other</u>	<u>Total</u>
<u>Revenues</u>			
General Property Taxes	\$ 77,941	\$ -	\$ 77,941
Other Local Taxes	200,465	-	200,465
Permits and Privilege Fees	98,875	-	98,875
Fines and Forfeitures	31,586	-	31,586
Miscellaneous Revenues	3,254	-	3,254
Intergovernmental Revenues	27,031	201,519	228,550
	<hr/>	<hr/>	<hr/>
Total Revenues	439,152	201,519	640,671
<u>Expenditures</u>			
General Government Administration	226,236	-	226,236
Public Safety	150,362	-	150,362
Public Works	31,963	-	31,963
Miscellaneous	16,460	-	16,460
Capital Outlay	25,000	145,461	170,461
	<hr/>	<hr/>	<hr/>
Total Expenditures	450,021	145,461	595,482
<u>Changes In Fund Balance</u>			
<i>(Deficiency) Excess of Revenues over Expenditures</i>	(10,869)	56,058	45,189
Interest	2,321	-	2,321
	<hr/>	<hr/>	<hr/>
<i>Excess (Deficiency) over Transfers</i>	(8,548)	56,058	47,510
Fund Balance at Beginning of Year	360,884	(100,100)	260,784
	<hr/>	<hr/>	<hr/>
Fund Balance at End of Year	\$ 352,336	\$ (44,042)	\$ 308,294
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

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

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

Net change in fund balances-total governmental funds	\$	47,510
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities the cost of those assets
are allocated over their estimated useful lives and reported as
depreciation expense. This is the amount by which depreciation
exceeded capital outlays in the current period.

Purchase of fixed assets	\$	159,961	
Depreciation expense		<u>(5,206)</u>	154,755

Repayment of the principal of long-term debt consumes the current
financial resources of governmental funds, however, has no effect
on net assets

-

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

(1,067)

Revenues in the statement of activities that do not provide current
financial resources are not reported as revenues in the funds.

(8,002)

Change in net assets of governmental activities

\$ 193,196

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

Town of Quantico, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget Versus Actual
General Fund
For the Year Ended June 30, 2013

	General Fund		Variances
	Original/ Final Budget	Actual	Favorable (Unfavorable)
<u>Revenues</u>			
Taxes			
Property	\$ 77,333	\$ 77,941	\$ 608
Sales	35,000	32,174	(2,826)
Other	173,770	168,291	(5,479)
Permits and Privilege Fees	79,000	98,875	19,875
Fines and Forfeitures	47,000	31,586	(15,414)
Miscellaneous Revenues	72,407	3,254	(69,153)
Intergovernmental Revenues	26,628	27,031	403
Total Revenues	511,138	439,152	(71,986)
<u>Expenditures</u>			
General Government Administration	235,920	226,236	9,684
Public Safety	162,740	150,362	
Public Works	15,700	31,963	(16,263)
Miscellaneous	58,740	16,460	42,280
Capital Outlays	38,838	25,000	13,838
Total Expenditures	511,938	450,021	61,917
<u>Changes In Fund Balance</u>			
<i>(Deficiency) Excess of Revenues over Expenditures</i>	(800)	(10,869)	(10,069)
Interest	800	2,321	1,521
<i>Excess (Deficiency)</i>	<u>\$ -</u>	<u>(8,548)</u>	<u>\$ (8,548)</u>
Fund Balance at Beginning of Year		360,884	
Fund Balance at End of Year		\$ 352,336	

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

Town of Quantico, Virginia
Statement of Net Assets
Proprietary Fund
As of June 30, 2013

Business-type Activities - Enterprise Fund

	Water and Sewer Activity June 30, 2012
<u>Assets</u>	
Cash and Cash Equivalents	\$ 44,731
Investments	59,903
Water and Sewer Accounts Receivable	3,315
Due to/from	-
<i>Total Current Assets</i>	<u>107,949</u>
Net Fixed Assets	433,274
<i>Total Long-Term Assets</i>	<u>433,274</u>
<i>Total Assets</i>	<u>\$ 541,223</u>
<u>Liabilities</u>	
Accounts Payable	\$ 11,363
Accrued Liabilities	6,000
Due To	18,488
Water Deposits Payable	6,620
Current Portion of GO Bond Payable	14,378
<i>Total Current Liabilities</i>	<u>56,849</u>
Long Term Portion of GO Bond Payable	188,667
<i>Total Long-Term Liabilities</i>	<u>188,667</u>
<i>Total Liabilities</i>	<u>245,516</u>
<u>Net Assets</u>	
Restricted	230,229
Unassigned	65,478
<i>Total Fund Equity</i>	<u>295,707</u>
<i>Total Liabilities and Fund Equity</i>	<u>\$ 541,223</u>

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

Town of Quantico, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Fund
As of June 30, 2013

	Water and Sewer Authority June 30, 2013
<u>Operating Revenues</u>	
Water/Sewer Department	\$ 187,181
Surcharge	20,282
Penalties	1,752
	<hr/>
<i>Total Operating Revenues</i>	209,215
<u>Operating Expenses</u>	
Water/Sewer Department	120,002
Operator	24,000
Supplies/Testing	23,802
Meter Reader	3,133
	<hr/>
<i>Total Operating Expenses</i>	170,937
	<hr/>
<u>Nonoperating Revenue(Expense)</u>	
<i>Net Income Before Non-Operating Items</i>	38,278
Interest Income	806
Interest Expense	(9,683)
Depreciation Expense	(32,141)
	<hr/>
<i>Net Income</i>	(2,740)
Total Net Assets - Beginning	298,447
	<hr/>
Total Net Assets - Ending	\$ 295,707
	<hr/> <hr/>

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

Town of Quantico, Virginia
Statement of Cash Flows
Proprietary Fund
For the Years Ended June 30, 2013

	Water and Sewer Authority June 30, 2013
<u>Cash Flows From Operating Activities</u>	
Cash Received from Customers	\$ 208,382
Cash Paid for Goods and Services	(172,311)
	<hr/>
<i>Net Cash from Operating Activities</i>	36,071
<u>Cash Flows From Investing Activities</u>	
Interest and Dividends on Investments	806
Increase in Investments	(678)
	<hr/>
<i>Net Cash from Investing Activities</i>	128
<u>Cash Flows From Non-Capital Financing Activities</u>	
Principal Payments on GO Bonds	(13,678)
Interest Paid on Notes Payable	(9,683)
	<hr/>
<i>Net Cash used in Financing Activities</i>	(23,361)
<u>Cash Flows From Capital Financing Activities</u>	
Acquisition and Construction of Capital Assets	-
Loan Proceeds	-
Net Proceeds from Water Deposits	50
	<hr/>
<i>Net Cash used in Financing Activities</i>	50
	<hr/>
<i>Net Increase in Cash</i>	12,888
Cash at Beginning of Year	31,843
	<hr/>
<i>Cash at End of Year</i>	\$ 44,731
	<hr/>
<u>Reconciliation of Net Income to Net Cash Provided by Operating Activities:</u>	
Adjustments to reconcile Net Margin & Net Cash	
Depreciation	\$ 32,141
Net Non-Operating Revenues	8,877
Increase in Net Accounts Receivable	(833)
Increase in Due From Other Funds	(312)
Increase in Accounts Payable	(1,062)
	<hr/>
<i>Total adjustments</i>	38,811
Net Income	(2,740)
	<hr/>
<i>Net Cash Provided by Operating Activities</i>	\$ 36,071
	<hr/>

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

Town of Quantico, Virginia
Notes to the Financial Statements
For the Year Ended June 30, 2013

1. DESCRIPTION OF THE TOWN

The Town of Quantico, Virginia (the "Town"), was incorporated in 1927. The Town is a municipal entity governed by an elected Mayor, and a five-member elected Town Council. The Town provides the following services: general government, including water, sewer utilities, police protection, street maintenance, and community development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly 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 and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Financial Statement Presentation

The financial statements of the Town conform to accounting principles generally accepted in the United States of America (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 equity, revenues, and expenditures or expenses. The various funds are grouped in the financial statements as follows:

1. 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, which accounts for all revenue and expenditures applicable to the general operations of the Town.
2. Proprietary funds – This group of funds account for business-type operations. The measurement focus is upon determination of net income and changes in cash flows. The Town's proprietary funds are all enterprise funds, which account for financing of general public services. The expenses in the enterprise funds are mainly recovered through charges to the general public for the services rendered. The Town's enterprise funds consist of the water, sewer, and sanitation.
3. Other Governmental funds – This group of funds account for expendable financial resources, including other governments, or on behalf of other funds within the Town. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

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 the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. 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. Sales and utility taxes, which are collected by the State or Utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or Utility, which is generally in the month preceding receipt by the Town.

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.

Budget and Budgetary Accounting

Prior to April 1, the Mayor submits to Town Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means to finance them. After a public hearing has been conducted to obtain taxpayer comments, the budget is legally adopted through passage of an ordinance prior to July 1 of each year.

The Town Treasurer is authorized to transfer budgeted amounts within each fund. Transfers between funds require Town Council approval.

An annual operating budget is adopted for only the General Fund. All budgets are presented on the modified accrual basis of accounting. Accordingly, the accompanying Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles accepted in the United States of America on a basis consistent with the legally adopted budget as amended.

Budgets are adopted for management control for the Enterprise Fund. The restrictions on transfer of budgeted amounts of governmental funds also apply to the Enterprise Fund.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the enterprise fund considers all highly liquid investments (including restricted assets) with maturity of three months or less, when purchased, to be cash equivalents.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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" or a "Due To," respectively on the balance sheet.

Fixed Assets

Fixed assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Major outlays for fixed assets are capitalized as projects are constructed. Plant, property and equipment of the primary government are depreciated using the straight-line method over the estimated useful life of the asset.

General fund fixed assets are not capitalized in the fund used to acquire or construct them. Instead, capital acquisitions and construction are reflected as expenditures in the general fund, and the related assets are reported in the general fixed assets account group. Proprietary fund fixed assets are accounted for in that fund.

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 capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain (infrastructure) general fixed assets consist of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems. These assets are not capitalized since they are immobile and of value only to the government.

Both general fund and proprietary fund fixed assets are depreciated on a straight-line basis over the period of their estimated useful life. The Town capitalizes any purchase of \$1,000 or more.

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

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures/expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. 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

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure/expense in the fund that will pay it. Amounts of vested or accumulated vacation leave of the general fund that is not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group with no associated expenditure. Vested or accumulated vacation leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrue to employees. In accordance with GASB 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, 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, in the Governmental fund statement, 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 in the government-wide statement of net assets.

Proprietary fund debt principal payments are recognized as a reduction to the liability and interest payments are recognized as an interest expense. The remaining portion of the debt payable is recorded as a current liability and a long-term liability to the proprietary fund.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

3. CASH AND CASH EQUIVALENTS

Deposits

At year-end, the carrying value of the Town's cash was \$218,861. Of this amount, \$231 was petty cash, kept on hand, and \$218,630 was deposits with banks and savings institutions. The bank balance was \$291,934, which 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, 2013.

Investments

In accordance with the *Code of Virginia* and other applicable law, including regulations, the Town's investment policy (Policy) permits investments in U.S. treasury securities, U.S. agency securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U.S. treasury/agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool). Pursuant to Sec. 2.1-234.7 of the *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings and the fair value of the position in LGIP is the same as the value of the pool shares (i.e., the LGIP maintains a stable net asset value of \$1 per share). The LGIP investment policy specifies that no investment may have a maturity greater than one year from the date of purchase.

The Policy limits investment maturities to five years maximum maturity for any negotiable certificate of deposit or any sovereign government obligation excluding those of the United States; to 15 years for any single corporate security; and five years for any single asset-backed security.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

3. CASH AND CASH EQUIVALENTS, CONTINUED

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
CD United	\$ 95,486	B1 Moody's Investors Service
CD Bank of America	8,420	P1 Moody's Investors Service
CD Marine Bank	<u>60,144</u>	None Noted
Total Investments	<u><u>\$ 164,050</u></u>	

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

Total Investments	\$ 164,050
Total Deposits	<u>218,861</u>
<i>Total Investments and Deposits</i>	<u><u>\$ 382,911</u></u>

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.

4. PROPERTY TAXES RECEIVABLE

Property is assessed at its value on January 1. Real estate taxes are payable in one installment on December 5th. The Town bills and collects its own property taxes. At June 30, 2013, \$12,721 of real estate taxes receivable are expected to be collected within forty-five days of year-end.

5. ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

General fund receivables from real estate taxes are subject to a 100% reserve. At June 30, 2013 the general fund allowance for uncollectible accounts was \$2,068 for real and personal property taxes.

6. OTHER ACCOUNTS RECEIVABLE

At June 30, 2013, other accounts receivable consisted of the following.

	<u>General Fund</u>
Meals Taxes	\$ 12,194
Sales	2,960
Utility	<u>4,379</u>
<i>Total Other Accounts Receivable</i>	<u><u>\$ 19,533</u></u>

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

7. INTERFUND OBLIGATIONS

A summary of interfund obligations and interfund transfers is presented below.

	Due From	Due To	Transfers In	Transfers Out
General Fund	\$ 18,488	-	-	-
Enterprise Fund	-	18,488	-	-
<i>Totals</i>	<u>\$ 18,488</u>	<u>\$ 18,488</u>	<u>\$ -</u>	<u>\$ -</u>

8. PROPRIETARY FIXED ASSETS

A summary of changes in proprietary fixed assets is presented below.

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
Machinery & Equipment	\$ 5,738	\$ -	\$ -	\$ 5,738
Water/Sewer Improve	1,323,880	-	-	1,323,880
<i>Total Assets</i>	<u>1,329,618</u>	<u>-</u>	<u>-</u>	<u>1,329,618</u>
Accumulated Depreciation	(864,203)	(32,141)	-	(896,344)
<i>Net Assets</i>	<u>\$ 465,415</u>	<u>\$ (32,141)</u>	<u>\$ -</u>	<u>\$ 433,274</u>

9. GENERAL FIXED ASSETS ACCOUNT GROUP

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

	Balance at June 30, 2012	Additions	Retirements	Balance at June 30, 2013
Moveable Equipment	107,886	14,500	-	122,386
Buildings & Improvements	65,542	-	-	65,542
Infrastructure	678,543	145,461	-	824,004
<i>Total Assets</i>	<u>851,971</u>	<u>159,961</u>	<u>-</u>	<u>1,011,932</u>
Accumulated Depreciation	(190,657)	(5,206)	-	(195,863)
<i>Net Assets</i>	<u>\$ 661,314</u>	<u>\$ 154,755</u>	<u>\$ -</u>	<u>\$ 816,069</u>

10. CLAIMS, JUDGMENTS, AND COMPENSATED ABSENCES

In accordance with GASB 16, the Town has accrued liabilities arising from outstanding claims, judgments, and compensated absences. Town employees may accrue up to a maximum of 192 hours vacation time, which would be paid upon termination. A maximum of 480 hours of sick leave would be paid upon termination. The Town's general fund had \$10,254 of accrued absences at June 30, 2013 in the general fund.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

11. LONG TERM DEBT AND CHANGES IN LONG TERM DEBT

Rural Development Loan/Water Improvement Project

A loan in the amount of \$414,000 was approved by Rural Development for the water improvement project on November 1, 1985. At June 30, 2013, the balance was \$203,045. The loan is for 40 years with an interest rate of 5.00%. The Town made payment for interest only for the first two years in accordance with the loan agreement. Principal payments started in January 1986.

	Balance at June 30, 2011	Additions	Retirements	Balance at June 30, 2012
Loan Rural Development				
Water/Sewer	216,723	-	(13,678)	203,045
	216,723	-	(13,678)	203,045
Less current liability	(10,526)	-	(3,852)	(14,378)
Liability due in more than one year	\$ 206,197	\$ -	\$ (17,530)	\$ 188,667

The maturities for the loan are as following:

Fiscal Year Ending	Principal	Interest	Total Payment
June 30, 2014	\$ 14,378	\$ 9,826	\$ 24,204
June 30, 2015	15,114	9,090	24,204
June 30, 2016	15,887	8,317	24,204
June 30, 2017	16,701	7,503	24,204
June 30, 2018	17,554	6,650	24,204
2019-2023	102,202	18,820	121,022
2024-2027	21,209	525	21,734
<i>Totals</i>	<u>\$ 203,045</u>	<u>\$ 60,731</u>	<u>\$ 263,776</u>

12. RETIREMENT PLAN

Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Costs-Sharing, Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers of public schools 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 purchases prior public service, active duty military service, certain periods of leave and preciously refunded VRS service as credit in their plans.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

12. RETIREMENT PLAN (CONTINUED)

Plan Description (Continued)

VRS administers two defined benefit plans for local government employees – Plan 1 and Plan 2;

- Members hired before July 1, 2010 and who have service credits before July 1, 2010 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 as early as 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 who have no service credits before July 1, 2010 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 enhance 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 provision of the member's plan apply.

The VRS Basic Benefit is a life time 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 other than sheriff and jail superintendents is 1.70% or 1.85% as elected by the employer. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option (PLOP) or the Advanced Pension Option. A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advanced 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 5.00%. During years of not 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 (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS Web site at <http://www.varetire.org/Pdf/Publications/2011-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

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. In addition, the Town of Quantico is required to contribute the remaining amounts necessary to fund its participation the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town of Quantico contribution rate for the fiscal year ended June 30, 2012 was 11.44% of the annual covered payroll.

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

12. RETIREMENT PLAN (CONTINUED)

Annual Pension Cost

For the fiscal year ended June 30, 2013, The Town of Quantico's annual pension cost of \$16,685 for VRS was equal to the required and actual contributions.

Three-Year Trend Information for the Town of Quantico

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/2013	16,685	7.75%	402,944
6/30/2012	22,175	10.23%	472,648
6/30/2011	27,401	9.13%	564,471

The FY 2012 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, 2009 included (a) an investment rate of return (net of administrative expenses) of 7.50%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees and 3.50% to 4.75% per year 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. Both the investment rate of return and the projected salary increases also include an inflation component of 2.50%. The actuarial value of the Town of Quantico's assets is equal to the modified market value of assets. This method uses techniques that smooth the effect of short-term volatility in the market value of assets over a five-year period. The Town of Quantico's unfunded actuarial accrued liability is being amortized as level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 for the Unfunded Actuarial Accrued Liability (UAAL) was 20 years.

Funded Status and Funding Progress

As of June 30, 2013, most recent actuarial valuation date, the plan was 136.62% funded. The actuarial accrued liability for benefits was \$472,648, and the actuarial value of assets was \$550,519, resulting in an unfunded actuarial accrued liability (UAAL) of \$147,575. The covered payroll (annual payroll of active employees covered by the plan) was \$130,786, and the ratio of the UAAL to the covered payroll was -112.84%.

Schedule of Funding Progress for the Town of Quantico

<u>Actuarial</u> <u>Variation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
6/30/2013	\$ 550,519	\$ 402,944	\$ (147,575)	136.62%	\$ 130,786	-112.84%
6/30/2012	\$ 546,305	\$ 472,648	\$ (73,657)	115.58%	\$ 145,624	-50.58%
6/30/2011	\$ 576,607	\$ 564,471	\$ (12,136)	102.15%	\$ 193,840	-6.26%
6/30/2010	\$ 583,817	\$ 470,737	\$ (113,080)	124.02%	\$ 179,999	-62.82%
6/30/2009	\$ 592,185	\$ 411,521	\$ (180,664)	143.90%	\$ 174,192	-103.72%

Town of Quantico, Virginia
Notes to the Financial Statements, continued
For the Year Ended June 30, 2013

13. SURETY BONDS

Liability, automobile and workmen's compensation insurance was provided by policies with the Virginia Municipal League Self-Insurance Group. Public Officials and law enforcement officers' liability coverage was provided by a policy with the Virginia Risk 2.

14. 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, 2013.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the financial statements report release date of July 8, 2014.

16. 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, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

Town of Quantico, Virginia
 Balance Sheet
 Governmental Funds
 June 30, 2013

	Governmental Fund		Account Groups		Totals
	General Fund	Capital Project Fund	Long-Term Debt	General Fixed Assets	(Memorandum Only)
<u>Assets</u>					
Cash and Cash Equivalents <i>(See Note 3)</i>	\$ 174,130	\$ -	\$ -	\$ -	\$ 174,130
Investments <i>(See Note 3)</i>	104,147	-	-	-	104,147
Taxes Receivable <i>(See Note 4)</i>	12,721	-	-	-	12,721
Other Accounts Receivable <i>(See Note 6)</i>	19,533	-	-	-	19,533
Allowance for Uncollected Accounts <i>(See Note 5)</i>	(2,068)	-	-	-	(2,068)
Due From Other Funds <i>(See Note 7)</i>	62,987	-	-	-	62,987
<i>Total Current Assets</i>	371,450	-	-	-	371,450
Net Fixed Assets <i>(See Notes 8 & 9)</i>	-	-	-	24,777	24,777
Provision for Retirement of Long Term Debt	-	-	10,254	-	10,254
<i>Total Long-Term Assets</i>	-	-	10,254	24,777	35,031
<i>Total Assets</i>	\$ 371,450	\$ -	\$ 10,254	\$ 24,777	\$ 406,481
<u>Liabilities</u>					
Accounts Payable	\$ 5,464	\$ -	\$ -	\$ -	\$ 5,464
Accrued Liabilities	2,997	-	-	-	2,997
Deferred Revenue	10,653	-	-	-	10,653
Due from Other Funds	-	44,042	-	-	44,042
Accrued Absences Payable <i>(See Note 10)</i>	-	-	10,254	-	10,254
<i>Total Current Liabilities</i>	19,114	44,042	10,254	-	73,410
<i>Total Liabilities</i>	19,114	44,042	10,254	-	73,410
<u>Fund Equity</u>					
Fund Balance - Unassigned	352,336	(44,042)	-	-	308,294
Restricted	-	-	-	24,777	24,777
<i>Total Fund Equity</i>	352,336	(44,042)	-	24,777	333,071
<i>Total Liabilities and Fund Equity</i>	\$ 371,450	\$ -	\$ 10,254	\$ 24,777	\$ 406,481

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

Town of Quantico, Virginia
Schedule for Funding Progress for Defined Pension Benefit Plan
As of June 30, 2013

Schedule of Funding Progress for Defined Pension Benefit Plan

Actuarial Valuation Date	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008	June 30, 2007
Actuarial Value of Assets	\$ 550,519	\$ 546,305	\$ 576,607	\$ 583,817	\$ 592,185	\$ 601,466	\$ 558,698
Actuarial Accrued Liability	402,944	472,648	564,471	470,737	411,521	368,109	329,623
Unfunded Actuarial Accrued Liability (UAAL)	(147,575)	(73,657)	(12,136)	(113,080)	(180,664)	(233,357)	(229,075)
<i>Funded Ratio</i>	136.62%	115.58%	102.15%	124.02%	143.90%	163.39%	169.50%
Annual Covered Payroll	130,786	145,624	193,840	179,999	174,192	160,988	148,885
<i>UAAL as a Percent of Payroll</i>	-112.84%	-50.58%	-6.26%	-62.82%	-103.72%	-144.95%	-153.86%

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

STATISTICAL SECTION

Town of Quantico, Virginia
Statistical Section
As of June 30, 2013

Statement of Treasurer's Accountability

<u>Assets Held By Treasurer</u>	<u>All Funds</u>
<u>Cash</u>	
Cash on Hand	\$ 231
Bank of America	184,916
Marine Bank	33,714
<i>Total Cash</i>	218,861
<i>Total Assets Held By Treasurer</i>	\$ 218,861
<u>Liabilities Held By Treasurer</u>	
<u>Cash Allocated to Funds</u>	
General Fund	\$ 174,130
Water and Sewer Fund	44,731
<i>Total Cash Allocated to Funds</i>	218,861
<i>Total Liabilities Held By Treasurer</i>	\$ 218,861

Computation of Legal Debt Margin

Net Assessed Debt Value	\$ 35,530,100
Debt Limit Percentage	10%
Debt Limit Calculated	3,553,010
Total Long-Term Debt	203,045
<i>Legal Margin for Creation of Additional Debt</i>	\$ 3,349,965

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

Town of Quantico, Virginia
Statistical Section
For the Year Ended June 30, 2013

	FYE <u>June 30, 2013</u>	FYE <u>June 30, 2012</u>	FYE <u>June 30, 2011</u>
General Fund Revenues by Source (for the past three years)			
General Property Taxes	\$ 77,941	\$ 69,370	\$ 68,986
Other Local Taxes	200,465	225,331	224,390
Permits & Privilege Fees	98,875	125,521	118,086
Fines & Forfeitures	31,586	35,603	50,198
Miscellaneous	5,575	13,818	26,087
Intergovernmental	<u>27,031</u>	<u>22,584</u>	<u>37,314</u>
<i>Total Revenues</i>	<u><u>\$ 441,473</u></u>	<u><u>\$ 492,227</u></u>	<u><u>\$ 525,061</u></u>
General Fund Expenditures by Function (for the past three years)			
General Administration	\$ 226,236	\$ 301,490	\$ 238,180
Public Safety	150,362	147,856	177,879
Public Works	31,963	12,483	20,026
Other	<u>41,460</u>	<u>21,688</u>	<u>134,163</u>
<i>Total Expenditures</i>	<u><u>\$ 450,021</u></u>	<u><u>\$ 483,517</u></u>	<u><u>\$ 570,248</u></u>

Town of Quantico, Virginia
Statistical Section
June 30, 2013

	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011
Property Tax Levies and Collections (for the past three years)			
Total Tax Levy	\$ 75,886	\$ 73,143	\$ 72,387
Total Tax Collections	77,941	69,370	77,105
Percent of Tax Collections to Tax Levy	100.2%	95.0%	94.0%
Outstanding Delinquent Taxes	\$ 12,721	\$ 14,361	\$ 13,788
Percent of Delinquent Taxes to Tax Levy	16.0%	19.0%	19.0%
Assessed Value of Taxable Property (for the past three years)			
Real Estate	34,755,000	33,805,600	33,432,700
Pipeline	1,726,392	1,060,837	1,060,837
Public Service	1,462,405	1,705,293	1,700,437
Total	37,943,797	36,571,730	36,193,974
Property Tax Rates per \$100 of Assessed Value (for the past two years)			
Real Estate	0.2	0.2	0.2
Pipeline	0.2	0.2	0.2
Public Service	0.2	0.2	0.2

The accompanying notes are an integral part of these statements.

Town of Quantico, Virginia
Schedule of Findings and Questioned Costs
For the Year ended June 30, 2013

I. Summary of Audit Results

Financial Statements:

Type of auditor report issued: Unqualified

Internal Control over Financial Reporting:

Material weakness identified: Yes

Significant deficiency identified: Yes

Non compliance material to financial statements: No

Auditee qualified as low-risk: No

II. Financial Statement Findings:

Finding 2013 -01, Material Deficiency

Criteria: Internal Controls should be in place that provides reasonable assurance that the system will prevent, detect, and correct potential misstatements in the financial statements and disclosures.

Condition: Management seeks the assistance of the auditor in drafting the financial statements, recording major capital assets, and conversion of financial statements to comply with GASB34as well as to make numerous adjusting entries.

Context: The auditee numerous adjusting journal entries and assistance in completing the financial statements.

Effect: Management relied on the auditor to draft the financial statements and make significant adjusting journal entries to the financial statements.

Cause: The auditee did not prepare its own financial statements nor make the necessary adjusting entries

Recommendations: It is recommended that the auditee develop criteria that will assist the staff in preparing their financial statements and make the necessary adjusting entries.

Views of Responsible Officials: We will implement procedures to assist our staff in preparation of our financial statements and to make the necessary adjusting entries within the context of cost effectiveness.

Finding 2013 -02, Significant Deficiency

Criteria: Procedures should be in place to facilitate the audit preparation in a timely manner.

Condition: The auditee was very late in having its audit performed.

Context: The auditee did not have its audit performed timely.

Cause: The auditee experienced delays in gathering and providing information and contracting for their audit.

Recommendations: It is recommended that the auditee develop criteria and controls that will have their annual audit performed in a timelier manner.

Views of Responsible Officials: We will implement procedures to have our audits performed timelier manner.