

INCORPORATED TOWN OF DUMFRIES, VIRGINIA

Financial Statements  
For The Year Ended June 30, 2013

INCORPORATED TOWN OF DUMFRIES, VIRGINIA

Financial Statements  
For The Year Ended June 30, 2013

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Incorporated Town of Dumfries, Virginia  
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For the Year Ended June 30, 2013

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## INTRODUCTORY SECTION

Incorporated Town Of Dumfries, Virginia  
Directory of Town Officials and Council Members  
For the Year Ended June 30, 2013

Mayor

Gerald M. Foreman

Vice-Mayor

Willie J. Toney

Town Council

Kristin W. Forester  
Gwen P. Washington  
Derrick R. Wood  
Helen Reynolds  
Charles Brewar

Town Manager

Daniel Taber

Deputy Town Clerk / Treasurer

Retta S. Ladd

Public Works Director

Gregory Tkac

Chief of Police

Robert E. Forker

Town Attorney

Christine Sanders

## FINANCIAL SECTION

**Incorporated Town of Dumfries, Virginia**  
**Independent Auditor's Report**  
**For the Year Ended June 30, 2013**

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

I 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 Incorporated Town of Dumfries, 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.

**Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States, standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that I 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, I 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.

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

**Opinions**

In my 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Incorporated Town of Dumfries, 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.

As disclosed in Note 12, the Town made a prior period adjustment was made to the opening balances of Net Assets and the Fund Balance.

Incorporated Town of Dumfries, Virginia  
Independent Auditor's Report (continued)  
For the Year Ended June 30, 2013

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 – 9 and 15 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Town of Dumfries, Virginia'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 my 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, I do not express an opinion or provide any assurance on them.



**Incorporated Town of Dumfries, Virginia**  
 Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and  
 Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*  
 For the Year Ended June 30, 2013

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and *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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Incorporated Town of Dumfries, Virginia as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Incorporated Town of Dumfries, Virginia's basic financial statements and have issued my report thereon dated September 22, 2014.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, I considered the Incorporated Town of Dumfries, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Incorporated Town of Dumfries, Virginia's internal control. Accordingly, I do not express an opinion on the effectiveness of the Incorporated Town of Dumfries, Virginia's internal control.

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

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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, findings 13-1, 13-2, 13-3 and 13-4 as well as findings 12-1, 12-2, 12-3 and 12-4 for the previous year, pages 34 – 36.

**The Incorporated Town of Dumfries, Virginia's Response to Findings**

The Town of Dumfries Virginia's response to the findings identified in my audit is described in the accompanying schedule of findings and responses, pages 34 - 36. The Town of Dumfries Virginia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

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

Johnson Certified Public Accountant, PLLC & Consulting  
 September 22, 2014

Incorporated Town of Dumfries, Virginia  
Summary of Compliance Matters  
For the Year Ended June 30, 2013

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

State Compliance Matters

Code of Virginia

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

State Agency Requirements

Highway Maintenance Funds  
Police Grants

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

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

### Financial Highlights

- The assets of the Town of Dumfries exceeded its liabilities at the close of the most recent fiscal year. The net assets are \$3,583,427.
- The government's total net assets increased by \$921,526.
- As of the close of fiscal year 2013, the Town of Dumfries governmental funds reported combined ending fund balances of \$2,871,602. Of this total amount, \$1,859,170 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,859,170, or 49.4 percent of total general fund expenditures, compared to 38.86 percent in FY12
- The Town of Dumfries total debt increased from \$1,920,000 at the end of FY 2012 to \$4,645,000 at the end of FY 13. This increase reflects the most recent bond obtained by the Town of Dumfries for continued infrastructure improvements.

### Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during FY 2013. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing* of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 11-12 of this report.

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

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

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

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

The Town of Dumfries adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for all of the funds to demonstrate compliance with this budget. This can be found on page 16 of this report.

The basic governmental fund financial statements can be found on pages 13-16 of this report.

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-27 of this report.

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

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Dumfries, assets exceeded liabilities by \$1,549,809 at the close of FY 2013.

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

The government's net assets increased by \$921,526 during FY 2013.

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

Town of Dumfries' Changes in Net Assets

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Revenue:		
Program revenue:		
Charge for services	\$ 4,349	\$ 4,256
Operating grants and contributions	581,723	472,733
Capital grants and contributions		
General Revenue		
Property taxes	1,025,775	1,017,115
Other taxes	2,863,925	2,440,954
Other	146,386	217,078
Total revenue	<u>4,622,158</u>	<u>4,152,136</u>
Expenses:		
General government	1,054,806	1,101,080
Public safety	1,210,039	1,174,648
Highways and streets	186,854	106,720
Public Works	1,016,661	1,085,796
Culture and recreation	163,158	244,683
Community development	7,425	6,050
Interest on long-term debt	61,689	86,701
Total expenses	<u>3,700,632</u>	<u>3,805,678</u>
Increase in net assets before transfers	<u>921,526</u>	<u>346,458</u>
Transfers		
Increase in net assets	<u>921,526</u>	<u>346,458</u>
Net assets beginning of year	<u>2,661,901</u>	<u>2,252,060</u>
Prior period adjustment		63,383
Net assets end of year	<u>\$ 3,583,427</u>	<u>\$ 2,661,901</u>

- Property taxes increased by \$8,660 during the year.
- Charges for service increased by \$93.
- Operating grants and contributions increased by \$108,990. Grant awards furnished resources to support three of the Town's functions: Public safety, Highways and Streets, and Culture and Recreation.
- Interest Income increased by \$1,715.
- Miscellaneous revenues decreased by \$70,692,
- Other taxes remained fairly consistent with significant increases in the Meals Tax (12%), and Utility Tax (16.3%).

### Financial Analysis of the Government's Funds

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

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

The *restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The *committed* fund balance classification includes amounts that can be used only for the specific purpose determined by a formal action of the Town's highest level of decision making authority, the Town Council. Amounts in the *assigned* fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as restrictive or committed. In governmental funds other than the general fund, *assigned* fund balance represents the remaining amount that is not restricted or committed. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund balance as of June 30, 2013:

Restricted	\$ 882,045
Committed	62,337
Assigned	68,050
Unassigned	1,859,170
 Total Fund Balance	 \$2,871,602

As of the end of FY 2013, the Town of Dumfries governmental funds reported combined ending fund balances of \$2,871,602, an increase of \$967,400 in comparison with the prior year. The key reason for the increase was largely due to greater restrictions placed on spending by Town Management.

The unassigned fund balance is available for spending at the government's discretion. The restricted, committed and assigned fund balance are reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period.

The general fund is the chief operating fund of the Town of Dumfries. At the end of FY 2013, unreserved fund balance of the general fund was \$1,859,170 while total government fund balance reached \$4,905,220. As a measure of the fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 43 percent of total general fund expenditures.

#### **Capital Asset and Debt Administration**

**Capital assets.** The Town of Dumfries' investment in capital assets for its governmental and business type activities as of June 30, 2013, amounted to \$3,476,052 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and infrastructure.

Additional information on the Town of Dumfries' capital assets can be found on page 24.

**Long-term debt.** At the end of FY 2013, the Town of Dumfries had a total bonded debt outstanding of \$4,800,000.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Town of Dumfries is \$36,142,828 (not including percentage of Public Service Assessments) which is significantly in excess of the Town of Dumfries' outstanding general obligation debt.

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

A synopsis of the budgetary amounts and the amounts actually incurred for the fiscal year June 30, 2013 are as follows:

	Original/Amended Budget	Actual	Differences Favorable (Unfavorable)
Revenues:			
General Property Taxes	\$1,036,506	\$1,006,758	(\$29,748)
Other Local Taxes	2,107,666	2,656,046	548,380
Other	851,817	988,761	136,944
Total	\$3,995,989	\$4,651,565	\$655,576
Expenditures:			
General Government Administration	\$950,550	\$814,069	\$136,481
Public Safety	1,402,389	1,277,980	124,409
Public Works	1,116,932	1,203,515	(86,583)
Other	526,118	462,879	63,239
Total	\$3,995,989	\$3,758,443	\$237,546

The major differences between the original budgeted amounts and the Amended Budget as indicated in the above table were largely the result of an unexpected increase in tax revenues in several different areas. Adjustments were made at mid-year where appropriate.

#### Economic Factors and Next Year's Budgets and Rates

- Financial recovery at the federal, state and local level appears to be happening, but at a rate slower than originally predicted. Assessments of residential and commercial properties continue to rise slightly, but the uncertainty of the overall economy continues to be a significant drag factor.
- Economic Development and redevelopment will continue to be the major challenge for the Town of Dumfries over the next several years.
- Transportation issues, especially as they pertain to the widening of Route 1 throughout the Town, will continue to have an effect on the Town's ability to attract and retain business and investments in the Town of Dumfries.
- It is expected that the real estate tax rate and the BPOL tax rate will decline somewhat over the next two fiscal years.

All of these factors will be considered in preparing the budget for the next fiscal year.

#### Requests for Information

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

Daniel E. Taber  
Town Manager  
The Town of Dumfries  
17755 Main Street  
Dumfries, VA 22026

## BASIC FINANCIAL STATEMENTS



Incorporated Town of Dumfries, Virginia  
Statement of Net Assets  
As of June 30, 2013

	Primary Government Governmental Activities
<b>Assets</b>	
Cash and Cash Equivalents	\$ 2,309,957
Investments	\$ 3,228,894
Receivables, net of allowance for uncollectibles of \$11,501	\$ 259,615
<i>Total Current Assets</i>	<u>\$ 5,798,466</u>
Fixed Assets, net of accumulated depreciation of \$2,542,902	\$ 3,476,052
<i>Total Long-Term Assets</i>	<u>\$ 3,476,052</u>
<i>Total Assets</i>	<u><u>\$ 9,274,518</u></u>
<b>Liabilities</b>	
Accounts Payable	\$ 133,179
Accrued Liabilities	\$ 683,203
Current Portion of Bonds Payable	\$ 155,000
<i>Total Current Liabilities</i>	<u>\$ 971,382</u>
Accrued Compensation	\$ 74,709
Long Term Portion of Bonds Payable	\$ 4,645,000
<i>Total Long-Term Liabilities</i>	<u>\$ 4,719,709</u>
<i>Total Liabilities</i>	<u>\$ 5,691,091</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 1,323,948
Restricted	\$ -
Unrestricted	\$ 2,259,479
<i>Total Net Assets</i>	<u>\$ 3,583,427</u>
<i>Total Liabilities and Net Assets</i>	<u><u>\$ 9,274,518</u></u>

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

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

Program Activities	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants and Contributions	
Functions/programs				
Primary Government:				
Governmental Activities				
General government	\$ 1,054,806	\$ -	\$ -	\$ (1,054,806)
Public safety	1,210,039	-	181,944	(1,028,095)
Highway and streets	186,854	-	396,443	209,589
Public works	1,016,661	2,377	-	(1,014,284)
Culture and recreation	163,158	-	3,336	(159,822)
Community development/planning	7,425	1,972	-	(5,453)
Interest on long-term debt	61,689	-	-	(61,689)
Total primary government	3,700,632	4,349	581,723	(3,114,560)
General revenue:				
Taxes:				
Property taxes				\$ 1,025,775
Sales taxes				407,796
Franchise taxes				61,145
Motor vehicle taxes				59,731
Bank stock taxes				28,729
Transient taxes				161,547
Meal taxes				634,445
Business licenses and permits				724,230
Fines				102,690
Rental tax				98,566
Telecom phone tax				193,860
Utility taxes				174,852
Cigarette taxes				216,334
Miscellaneous				552
Right of way use				21,994
Stormwater management				121,267
Interest Income				2,573
Total general revenues and transfers				4,036,086
Change in net assets				921,526
Net assets beginning of year				2,661,901
Net assets end of year				\$ 3,583,427

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

Incorporated Town of Dumfries, Virginia  
Balance Sheet  
Governmental Funds  
June 30, 2013

	General Fund	Capital Project Funds	Total Governmental Fund
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,309,957	\$ -	\$ 2,309,957
Investments	1,195,276	2,033,618	3,228,894
Taxes receivable, net of allowances for uncollectible amounts of \$11,346	76,865	-	76,865
Sanitation receivable	-	-	-
Other receivables	182,750	-	182,750
Total Assets	<u>\$ 3,764,848</u>	<u>\$ 2,033,618</u>	<u>\$ 5,798,466</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 133,179	\$ -	\$ 133,179
Accrued expenses	103,602	-	103,602
Deferred revenue	656,465	-	656,465
Due to other funds	-	-	-
Total Liabilities	<u>893,246</u>	<u>\$ -</u>	<u>893,246</u>
<u>FUND EQUITY</u>			
Fund balance - Nonspendable	-	-	-
Fund balance - Restricted	882,045	2,033,618	2,915,663
Fund balance - Committed	62,337	-	62,337
Fund balance - Assigned	68,050	-	68,050
Fund balance - Unassigned	1,859,170	-	1,859,170
Total Fund Balance	<u>2,871,602</u>	<u>2,033,618</u>	<u>4,905,220</u>
Total Liabilities and Fund Equity	<u>\$ 3,764,848</u>	<u>\$ 2,033,618</u>	<u>\$ 5,798,466</u>

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

Total fund equity	\$ 4,905,220
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,476,052
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(4,874,710)
Other assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	76,865
Net assets of governmental activities	<u>\$ 3,583,427</u>

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

**Incorporated Town of Dumfries, Virginia**  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Government Funds  
For The Year Ended June 30, 2013

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

**Incorporated Town of Dumfries, Virginia**  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balance Government  
Funds to the Statement of Activities: Governmental Funds  
For The Year Ended June 30, 2013

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

Net change in fund balances-total governmental funds	\$	330,124
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.		474,906
Revenues in the statement of activities that do not provide current resources are not reported as revenue in the funds.		(30,952)
The issuance of long-term debt (e.g., bonds, and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on the net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		150,000
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.		(2,552)
Change in net assets of governmental activities	\$	<u>921,526</u>

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

	Original/Final Budget	Amended Budget	Actual	Variances Favorable (Unfavorable)
<b><u>Revenues</u></b>				
General Property Taxes	\$ 1,036,506	\$ -	\$ 1,006,758	\$ (29,748)
Other Local Taxes	2,107,666	-	2,656,046	548,380
Permits and Privilege Fees	267,659	-	258,267	(9,392)
Fines and Forfeitures	60,000	-	102,690	42,690
Revenue from Use of Money and Property	500	-	1,031	531
Charges for Services	30,516	-	27,600	(2,916)
Recreational and Cultural Fees	10,500	-	20,236	9,736
Miscellaneous Revenues	3,000	-	552	(2,448)
Intergovernmental Revenues	479,642	-	578,385	98,743
<b>Total Revenues</b>	<b>3,995,989</b>	<b>-</b>	<b>4,651,565</b>	<b>655,576</b>
<b><u>Expenditures</u></b>				
General Government Administration	950,550	-	814,069	136,481
Public Safety	1,402,389	-	1,277,980	124,409
Public Works	1,116,932	-	1,203,515	(86,583)
Recreational and Cultural	225,632	-	170,583	55,049
Non-Departmental	300,486	-	80,607	219,879
Debt Service	-	-	211,689	(211,689)
<b>Total Expenditures</b>	<b>3,995,989</b>	<b>-</b>	<b>3,758,443</b>	<b>237,546</b>
<b><u>Changes In Fund Balance</u></b>				
<i>Excess (Deficiency) of Revenues over Expenditures</i>	-	-	893,122	893,122
<i>Excess (Deficiency) over Transfers</i>	\$ -	\$ -	893,122	\$ 893,122
Fund Balance at Beginning of Year			1,978,480	
<b>Fund Balance at End of Year</b>			<b>\$ 2,871,602</b>	

These schedules are prepared on the funds basis of accounting. The accompanying notes are an integral part of these financial statements.

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial Reporting Entity

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

### Government-wide and fund financial statements

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

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

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

### Measurement Focus

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

### Financial Statement Presentation

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

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting for Governmental Funds

These funds utilize the modified accrual basis of accounting, under which revenues and related assets are recorded when measurable and available to finance operations during the year. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. One exception is that property taxes not collected within 45 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the State or Utility and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the State or Utility, which is generally in the month preceding receipt by the Town. Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of Federal, State and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. Expenditures are recorded as the related fund liabilities are incurred. .

Budgets

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

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

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

Cash and Cash Equivalents

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

Short-Term Interfund Receivables / Payables

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

Fixed Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

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

Property and equipment is recorded depreciated over their estimated useful lives. Depreciation expense is computed on the straight-line basis for financial reporting purposes. The town capitalizes any purchase over \$5,000.



## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

### Interfund Transactions

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

### Compensated Absences

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

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

### Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

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

### Net Assets

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

### Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the County/City/Town classifies governmental fund balances as follows:

- Non-spendable: includes fund balance amounts that cannot be spent either because it spendable form or because of legal or contractual constraints.
- Restricted: includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed: includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned: includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the (fill in appropriated titles such as Clerk, Mayor, etc)
- Unassigned includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balance.

## 2. CASH AND CASH EQUIVALENTS

### Deposits

At year-end, the carrying value of the Town's cash was \$2,309,957. Of this amount, \$150 was petty cash, kept on hand, and \$2,294,957 was deposits with banks and savings institutions. The bank balance was \$2,362,587, of which, \$2,362,587 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

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

### Credit Risk

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>
TD Bank	\$ 592,833	PI Moody's
LGIP	602,443	LGIP
Wells Fargo	2,033,618	PI Moody's
Total Investment	<u>\$ 3,228,894</u>	

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

Total Investments	\$ 3,228,894
Total Deposits	2,309,957
<i>Total Investments and Deposits</i>	<u>\$ 5,538,851</u>

## 3. ACCOUNTS RECEIVABLE - TAXES

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

All delinquent property taxes are considered collectible. For the Year Ended June 30, 2013, \$76,865 was classified as taxes receivable.

4. INSURANCE COVERAGE

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

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

5. ACCOUNTS RECEIVABLE - OTHER

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

Real Estate	15,645
Meals	60,842
Sales	68,686
Storm Water Mgt Fees	426
Transit Tax	11,577
Utility Taxes	13,437
Miscellaneous	12,137
	<hr/>
<i>Total Accounts Receivable - Other</i>	<i>\$ 182,750</i>
	<hr/>

6. RETIREMENT PLAN

Defined Benefit Pension Plan

Plan Description

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

All full-time, salaried permanent (professional) employees of public schools 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 VRS.

Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously VRS service as credit in their plan.

VRS administers two defined 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 five years of service credit or age 50 with at least 10 years of service credit.

6. RETIREMENT PLAN-(CONTINUED)

#### PLAN DESCRIPTION-(CONTINUED)

- 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 enhanced coverage for hazardous duty service. They may retire with a reduced benefit as early as age 50 with at least five years of service credit. All other provisions of the member's plan apply.

The VRS Basic Benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of 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

#### Defined Pension Benefit Plan

superintendants is 1.85%. The retirement multiplier for eligible political subdivision hazardous duty employees other than sheriffs and jail superintendants 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 Payment (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 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 (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 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 June 30, 2013 contribution rate was 13.63 of the annual covered payroll. The Town's contribution rate includes the employee's share of 5% paid by the employer.

#### Annual Pension

For the fiscal year ended June 30, 2013, the Town annual pension cost of \$271,998 for VRS was equal to the required and actual contributions.

## Annual Pension Cost

### Three-Year Trend Information for Town

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2013	\$ 271,998	100%	\$ -
6/30/2012	\$ 216,577	100%	\$ -
6/30/2011	\$ 238,272	100%	\$ -

The FY 2012 required contribution was determined as part of the June 30, 2013 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 assets is equal to the modified market value of assets. This method uses technique that smoothes 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 level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2013 for the Unfunded Actuarial Accrued liability (UAAL) was 20 years.

### Funded Status and Funding Progress

As of June 30, 2013, the most recent actuarial valuation date, the plan was 67.35% funded. The actuarial accrued liability for benefits was \$5,105,256, and the actuarial value of assets was \$3,438,165, resulting in an unfunded accrued liability (UAAL) of \$1,667,091. The covered payroll (annual payroll of active employees covered by the plan) was \$1,123,072, and the ratio of the UAAL to the covered payroll was 148.44%.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 320,876	\$ -	\$ -	\$ 320,876
Construction in process	-	841,382	-	841,382
Total capital assets, not being depreciated	320,876	841,382	-	1,162,258
Capital assets, being depreciated:				
Buildings	974,253	-	-	974,253
Furniture and Fixtures	105,862	-	-	105,862
Equipment	1,012,191	70,494	-	1,082,685
Infrastructure	2,693,896	-	-	2,693,896
Total capital assets being depreciated	4,786,202	70,494	-	4,856,696
Less accumulated depreciation for:				
Buildings	(739,580)	(8,865)	-	(748,445)
Furniture and Fixtures	(105,862)	-	-	(105,862)
Equipment	(870,922)	(59,926)	-	(930,848)
Infrastructure	(667,951)	(89,796)	-	(757,747)
Total accumulated depreciation	(2,384,315)	(158,587)	-	(2,542,902)
Total capital assets, being depreciated, net	2,401,887	(88,093)	-	2,313,794
Governmental activities capital assets, net	\$ 2,722,763	\$ 753,289	\$ -	\$ 3,476,052

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

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

#### 8. LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT

##### Revenue Bonds

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

	6/30/2012	Increase	Decrease	6/30/2013
2010A Revenue Bond	\$ 1,520,000	\$ -	\$ 75,000	\$ 1,445,000
2012B Revenue Bond	555,000	-	75,000	480,000
2012 IDA Bond	-	2,875,000	-	2,875,000
<i>Total Liabilities</i>	2,075,000	2,875,000	150,000	4,800,000
Less Current maturities	(155,000)	-	-	(155,000)
<i>Total long-term Liabilities</i>	\$ 1,920,000	\$ 2,875,000	\$ 150,000	\$ 4,645,000

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

#### 8. LONG-TERM DEBT AND CHANGES IN LONG TERM DEBT-(CONTINUED)

## Revenue Bonds-(continued)

A summary of payments due is presented below,

Fiscal Year Ending	Principal	Interest
June 30, 2014	\$ 80,000	\$ 58,425
June 30, 2015	80,000	56,700
June 30, 2016	85,000	53,950
June 30, 2017	85,000	50,619
June 30, 2018	90,000	46,863
June 2019-2023	525,000	169,303
June 2024-2028	500,000	46,916
<i>Totals</i>	<u>\$ 1,445,000</u>	<u>\$ 482,776</u>

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

Fiscal Year Ending	Principal	Interest
June 30, 2014	\$ 25,000	\$ 21,684
June 30, 2015	25,000	20,928
June 30, 2016	25,000	20,047
June 30, 2017	25,000	19,041
June 30, 2018	25,000	17,909
June 2019-2023	150,000	68,275
June 2024-2025	205,000	23,216
<i>Totals</i>	<u>\$ 480,000</u>	<u>\$ 191,100</u>

A \$2,875,000 IDA of Stratford County and City of Staunton, VA Bond was issued in 2012 for infrastructure of the Town. The funds are administered by Wells Fargo Corp Trust. The bonds mature annually in amounts ranging from \$50,000.00 to \$190,000.00 through February 2041, with interest paid semi-annually at 3.0% to 5.5%.

Fiscal Year Ending	Principal	Interest
June 30, 2014	\$ 50,000	\$ 147,006
June 30, 2015	55,000	145,506
June 30, 2016	55,000	143,856
June 30, 2017	60,000	142,206
June 30, 2018	60,000	139,806
June 2019-2023	335,000	659,388
June 2024-2028	430,000	567,856
June 2029-2033	555,000	444,298
June 2034-2038	735,000	274,446
June 2039-2043	540,000	60,500
<i>Totals</i>	<u>\$ 2,875,000</u>	<u>\$ 2,724,868</u>

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains the “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$4,874,705 difference are as follows:

Bonds Payable	\$ 4,800,000
Compensatee Absences	74,705
Net adjustment to reduce <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 4,874,705</u>

Another element of the reconciliation is the fixed assets that are not financial resources and are not reported in the funds. The details of the \$2,634,670 difference are as follows:

Fixed Assets	\$ 6,018,954
Accumulated Depreciation	(2,542,902)
Net adjustment to increase <i>fund balance-total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 3,476,052</u>

Another element of the reconciliation is the assets that are not available for current period expenditures and are therefore deferred. The details of the \$76,865 are as follows:

Real estate taxes, net	\$ 76,865
to arrive at <i>net assets-governmental activities</i>	<u>\$ 76,865</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances-total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$(88,093) are as follows:

Capital Outlay	\$ 70,494
Depreciation Expense	(158,587)
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at changes in <i>net assets-governmental activities</i>	<u>\$ (88,093)</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The \$105,000 represents the use of financial resources of governmental funds.



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

Another element of that reconciliation states the "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,552) are as follows:

Compensated absences	\$	(2,552)
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i>		
to arrive at changes in <i>net assets-governmental activities</i>	<u>\$</u>	<u>(2,552)</u>

Another element of that reconciliation is the revenue in the statement of activities that does not provide current resources and is not reported in the fund. The details of the \$(30,952) are as follows:

Sanitation accounts receivable	\$	(30,952)
Net adjustment to decrease net change in <i>fund</i>		
balance-total governmental funds to arrive at <i>net</i>		
assets-governmental activities	<u>\$</u>	<u>(30,952)</u>

10. LITIGATION

Per correspondence with the Town's Manager, there was no pending litigation that would have a material effect on the financial statements as of June 30, 2013.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through the Financial Statements report release date of TBD.

12. PRIOR PERIOD ADJUSTMENT

The Town has determined that certain transactions were recorded incorrectly in a prior year.

Governmental Activities: In the Governmental Fund Statements an adjustment of \$2,596,616 was made to increase the opening balance of Fund Balance in the Capital Project Fund. This represents bond income of \$2,875,000 in previous year and capital expenses of \$278,384.

	Fund Balance as Previously Reported	Restatement	Fund Balance as Restated
Fund Balance	\$ 1,978,480	\$ 2,596,616	\$ 4,575,096

## REQUIRED SUPPLEMENTAL INFORMATION

**Incorporated Town of Dumfries, Virginia**  
**Schedule of Annual Required Contribution Rate and Funding Progress for Defined Benefit Plan**  
**As of June 30, 2013**

**A. Annual Required Contribution Rate**

Annual Required Contribution Rate	June 30, 2013	June 30, 2012	June 30, 2011
a. Contribution Rate	16.53%	19.65%	19.09%
b. Funding Period in Years	30 years	29 years	30 Years
c. Amortization Factor based on funding period	18.2204	17.8892	18.2276

**B. Schedule of Funding Progress**

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3)-(2)	Funded Ratio Assets as % of AAL (2)/(3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4)/(6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2013	\$ 3,438,165	\$ 5,105,256	\$ 1,667,091	67.35%	\$ 1,123,072	148.44%
6/30/2012	\$ 3,361,533	\$ 5,262,981	\$ 1,901,448	63.87%	\$ 1,147,058	167.77%
6/30/2011	\$ 3,411,855	\$ 5,461,421	\$ 2,049,566	62.47%	\$ 1,134,844	180.60%
6/30/2010	\$ 3,415,549	\$ 4,536,006	\$ 1,120,457	75.30%	\$ 1,426,624	78.54%
6/30/2009	\$ 3,172,819	\$ 4,403,377	\$ 1,230,557	72.05%	\$ 1,664,950	73.91%
6/30/2008	\$ 2,866,735	\$ 3,899,656	\$ 1,032,921	73.51%	\$ 1,560,248	66.20%

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

## OTHER SUPPLEMENTAL INFORMATION

Incorporated Town of Dumfries, Virginia  
Combining Balance Sheet  
Governmental Funds  
As of June 30, 2013

	Governmental Funds		Account Groups		Totals
	General Fund	NonMajor Fund	Debt Service	General Fixed Assets	(Memorandum Only)
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 2,309,957	\$ -	\$ -	\$ -	\$ 2,309,957
Investments	1,195,276	2,033,618	-	-	3,228,894
Taxes receivables, net of allowance for uncollectible amount of \$11,346	76,865	-	-	-	76,865
Sanitation receivable	-	-	-	-	-
Other receivable	182,750	-	-	-	182,750
Due from other funds	-	-	-	-	-
<b><i>Total Current Assets</i></b>	<b>3,764,848</b>	<b>2,033,618</b>	<b>-</b>	<b>-</b>	<b>5,798,466</b>
Net Fixed Assets	-	-	-	2,634,670	2,634,670
Amounts to be provided for Long-term debt	-	-	4,874,705	-	4,874,705
<b><i>Total Long-Term Assets</i></b>	<b>-</b>	<b>-</b>	<b>4,874,705</b>	<b>2,634,670</b>	<b>7,509,375</b>
<b><i>Total Assets</i></b>	<b>\$ 3,764,848</b>	<b>\$ 2,033,618</b>	<b>\$ 4,874,705</b>	<b>\$ 2,634,670</b>	<b>\$ 13,307,841</b>
<b><u>Liabilities</u></b>					
Accounts Payable	\$ 133,179	\$ -	\$ -	\$ -	\$ 133,179
Accrued Liabilities	103,602	-	-	-	103,602
Deferred Revenue	656,465	-	-	-	656,465
Due to other funds	-	-	-	-	-
Current Portion of Notes Payable	-	-	155,000	-	155,000
<b><i>Total Current Liabilities</i></b>	<b>893,246</b>	<b>-</b>	<b>155,000</b>	<b>-</b>	<b>1,048,246</b>
Accrued Liability	-	-	74,705	-	74,705
Lease Payable	-	-	-	-	-
Bond Payable	-	-	4,645,000	-	4,645,000
<b><i>Total Long-Term Liabilities</i></b>	<b>-</b>	<b>-</b>	<b>4,719,705</b>	<b>-</b>	<b>4,719,705</b>
<b><i>Total Liabilities</i></b>	<b>893,246</b>	<b>-</b>	<b>4,874,705</b>	<b>-</b>	<b>5,767,951</b>
<b><u>Fund Equity</u></b>					
Fund Balance - Restricted	-	-	-	-	-
Fund Balance - Unassigned	2,871,602	2,033,618	-	-	4,905,220
Investment in General Fixed Assets	-	-	-	2,634,670	2,634,670
<b><i>Total Fund Equity</i></b>	<b>2,871,602</b>	<b>2,033,618</b>	<b>-</b>	<b>2,634,670</b>	<b>7,539,890</b>
<b><i>Total Liabilities and Fund Equity</i></b>	<b>\$ 3,764,848</b>	<b>\$ 2,033,618</b>	<b>\$ 4,874,705</b>	<b>\$ 2,634,670</b>	<b>\$ 13,307,841</b>

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

Incorporated Town of Dumfries, Virginia  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
*Governmental Funds*  
As of June 30, 2013

	Governmental Funds		Totals
	General Fund	Capital Project Fund	(Memorandum Only)
<b><u>Revenues</u></b>			
General Property Taxes	\$ 1,006,758	\$ -	\$ 1,006,758
Other Local Taxes	2,656,046	-	2,656,046
Permits and Privilege Fees	258,267	-	258,267
Fines and Forfeitures	102,690	-	102,690
Recreational and cultural fees	20,236	-	20,236
Charges for services	27,600	-	27,600
Revenue from use of money and property	1,031	1,543	2,574
Miscellaneous Revenues	552	-	552
Intergovernmental Revenues	578,385	-	578,385
<b>Total Revenues</b>	<b>4,651,565</b>	<b>1,543</b>	<b>4,653,108</b>
<b><u>Expenditures</u></b>			
General Government Administration	814,069	-	814,069
Public Safety	1,277,980	-	1,277,980
Public Works	1,203,515	-	1,203,515
Recreational, cultural and planning	170,583	-	170,583
Non-Departmental	80,607	564,541	645,148
Debt Service:	211,689		211,689
Principal Retirement	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Expenditures</b>	<b>3,758,443</b>	<b>564,541</b>	<b>4,322,984</b>
<b><u>Changes In Fund Balance</u></b>			
Excess (Deficiency) of Revenues over Expenditures	893,122	(562,998)	330,124
Fund Balance at Beginning of Year	1,978,480	-	1,978,480
Prior Period Adjustment	-	2,596,616	2,596,616
<b>Fund Balance at End of Year</b>	<b>\$ 2,871,602</b>	<b>\$ 2,033,618</b>	<b>\$ 4,905,220</b>

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

## STATISTICAL SECTION

Incorporated Town of Dumfries, 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	\$ 150
TD Bank - Checking Account	2,210,190
TD Bank - Saving Accounts	99,617
<i>Total Cash</i>	<u>2,309,957</u>
<u>Other Investments</u>	
Local Government Investment Pool	602,443
Certificates of Deposits	592,833
Wells Fargo	2,033,618
<i>Total Other Investments</i>	<u>3,228,894</u>
<i>Total Assets Held By Treasurer</i>	<u><u>\$ 5,538,851</u></u>
<u>Liabilities Held By Treasurer</u>	
<u>Cash Allocated to Funds</u>	
General Fund	\$ 2,309,957
Capital Projects Fund	3,228,894
<i>Total Cash Allocated to Funds</i>	<u>5,538,851</u>
<i>Total Liabilities Held By Treasurer</i>	<u><u>\$ 5,538,851</u></u>

**Computation of Legal Debt Margin**

Net Assessed Debt Value	\$ 339,310,600
Debt Limit Percentage	<u>10%</u>
Debt Limit Calculated	33,931,060
Total Long-Term Debt	4,800,000
<i>Legal Margin for Creation of Additional Debt</i>	<u><u>\$ 29,131,060</u></u>

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



Incorporated Town of Dumfries, Virginia  
Statistical Section  
As of June 30, 201

	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004
<b>General Fund Revenues by Source (for the past 10 years)</b>										
General Property Taxes	\$ 1,006,758	\$ 1,009,185	\$ 1,039,493	\$ 1,052,180	\$ 748,870	\$ 834,730	\$ 954,704	\$ 802,928	\$ 425,431	\$ 329,014
Other Local Taxes	2,656,046	2,244,838	2,126,602	2,080,461	1,935,084	1,922,311	2,064,189	2,078,842	1,918,011	1,697,979
Permits & Privilege Fees	258,267	234,215	253,549	195,129	89,364	122,013	141,298	259,650	157,085	131,284
Fines & Forfeitures	102,690	80,063	51,181	69,351	92,394	76,658	61,106	48,408	49,398	56,803
Revenue from Use of										
Money and Property	1,031	858	962	4,417	34,640	65,715	56,498	25,701	7,671	379
Charges for Services	27,600	31,772	33,197	29,355	13,151	2,693	4,548	41,087	222,984	192,074
Recreational and Cultural Fees	20,236	18,470	9,934	12,310	10,087	27,174	29,281	14,076	13,933	12,170
Miscellaneous	552	19,833	743	28,041	12,847	45,584	-	76,138	18,020	17,696
Intergovernmental	578,385	504,934	463,308	439,078	422,909	450,327	456,192	467,141	420,704	398,373
<b>Total Revenues</b>	<b>\$ 4,651,565</b>	<b>\$ 4,144,168</b>	<b>\$ 3,978,969</b>	<b>\$ 3,910,322</b>	<b>\$ 3,359,346</b>	<b>\$ 3,547,205</b>	<b>\$ 3,767,816</b>	<b>\$ 3,813,971</b>	<b>\$ 3,233,237</b>	<b>\$ 2,835,772</b>
<b>General Fund Expenditures by Function (for the past 10 years)</b>										
General Administration	\$ 814,069	\$ 989,472	\$ 1,122,360	\$ 852,959	\$ 979,214	\$ 935,749	\$ 978,510	\$ 746,061	\$ 618,444	\$ 559,346
Public Safety	1,277,980	1,201,994	1,157,029	1,403,128	1,548,375	1,481,997	1,442,950	1,170,198	997,750	1,065,244
Public Works	1,203,515	1,214,505	1,141,320	1,120,386	1,159,419	1,144,155	826,975	697,498	762,722	962,653
Recreational and Cultural	170,583	114,253	48,416	120,655	157,528	140,589	131,764	98,007	106,210	93,142
Non-Departmental	80,607	137,803	112,093	-	-	(206,984)	-	-	-	-
Debt Service	211,689	105,000	105,000	242,503	202,154	200,009	197,471	199,865	287,409	227,827
Capital Outlays	-	86,701	86,349	79,523	72,798	19,800	221	185,680	533	5,054
<b>Total Expenditures</b>	<b>\$ 3,758,443</b>	<b>\$ 3,849,728</b>	<b>\$ 3,772,567</b>	<b>\$ 3,819,154</b>	<b>\$ 4,119,488</b>	<b>\$ 3,715,315</b>	<b>\$ 3,577,891</b>	<b>\$ 3,097,309</b>	<b>\$ 2,773,068</b>	<b>\$ 2,913,266</b>

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

**Incorporated Town of Dumfries, Virginia**  
**Statistical Section**  
**As of June 30, 2013**

	FYE June 30, 2013	FYE June 30, 2012	FYE June 30, 2011	FYE June 30, 2010	FYE June 30, 2009	FYE June 30, 2008	FYE June 30, 2007	FYE June 30, 2006	FYE June 30, 2005	FYE June 30, 2004
<b>Property Tax Levies and Collections (for the past 10 years)</b>										
Total Tax Levy	\$ 1,063,060	\$ 1,033,885	\$ 1,011,245	\$ 1,034,544	\$ 722,942	\$ 939,785	\$ 941,536	\$ 836,188	\$ 420,287	\$ 328,171
Total Tax Collections	1,006,758	1,009,185	1,039,493	1,052,180	748,870	876,238	931,799	773,498	416,818	322,020
Percent of Tax Collections to Tax Levy	94.7%	97.6%	102.7%	101.70%	103.50%	93.20%	98.97%	92.50%	99.17%	98.13%
Outstanding Delinquent Taxes	\$ 88,366	\$ 78,083	\$ 67,923	\$ 64,508	\$ 75,052	\$ 60,902	\$ 53,869	\$ 37,815	\$ 31,906	\$ 29,048
Percent of Delinquent Taxes to Tax Levy	8.30%	7.55%	6.72%	6.24%	10.38%	6.48%	5.72%	4.52%	7.59%	8.85%
<b>Assessed Value of Taxable Property (for the past 10 years)</b>										
Real Estate	\$ 339,310,600	\$ 310,196,400	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568
Total	\$ 339,310,600	\$ 310,196,400	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568
<b>Property Tax Rates per \$100 of Assessed Value (for the past 10 years)</b>										
Real Estate	0.3133	0.3333	0.3533	0.3533	0.18	0.18	0.18	0.12	0.12	0.13
<b>Ratio of Net General Bonded to Assessed Value</b>										
Population	5,207	4,937	4,937	4,937	4,937	4,937	4,937	4,937	4,937	4,937
Assessed Value	\$ 339,310,600	\$ 310,196,400	\$ 284,878,800	\$ 292,154,885	\$ 308,543,700	\$ 504,091,500	\$ 540,986,800	\$ 523,076,092	\$ 386,337,110	\$ 290,453,568
Net Bonded Debt	\$ 4,800,000	\$ 2,075,000	\$ 2,180,000	\$ 2,285,000	\$ 2,422,072	\$ 2,445,000	\$ 2,505,030	\$ 2,851,730	\$ 2,780,966	\$ 2,836,500
Percentage of Net Bonded Debt to Assessed Value	1.40%	0.66%	0.76%	0.78%	0.79%	0.49%	0.46%	0.55%	0.72%	0.98%
Net Obligation Debt per Capita	\$ 921	\$ 420	\$ 442	\$ 463	\$ 491	\$ 495	\$ 507	\$ 578	\$ 563	\$ 575

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

## **SCHEDULE OF FINDINGS AND RESPONSES**

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Incorporated Town of Dumfries, Virginia  
*Schedule of Finding and Responses*  
June 30, 2013

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**A. SUMMARY OF AUDITOR'S RESULTS**

1. An **unqualified opinion** was issued on the financial statements of the Town of Dumfries, Virginia (See Independent Auditor's Report.)
2. **Three material weaknesses** relating to the audit of the financial statements were reported in the 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.
3. **No instance of noncompliance** material to the financial statements, which would be required to be reported in accordance with Government Auditing Standards, was disclosed during the audit.
4. The Town of Dumfries has **no major federal award programs** during FY2013.
5. The Town of Dumfries was **not determined to be a low-risk auditee**.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**13-1: Segregation of Duties (Material Weakness)**

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

Management's Response:

The Town of Dumfries has a small staff and it is not possible to segregate duties to more than the number of employees we have; however we will implement mitigating, overriding controls.

**13-2: Auditor Adjustments (Material Weakness)**

Condition:

We noted that there were errors which required adjustments to current year and prior period financial statements, indicating a material weakness in controls over financial reporting.

Recommendation:

The Town should implement steps to improve its financial reporting process.

Management's Response:

The Town of Dumfries will implement procedures to alleviate these adjustments.

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Incorporated Town of Dumfries, Virginia  
*Schedule of Finding and Responses*  
June 30, 2013

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**13-3: The Tracking of Fix Asset (Material Weakness)**

Condition:

The Town of Dumfries doesn't have any accounts to record the Fix Asset amounts.

Recommendation:

We recommend the town treasurer record fix assets. The town Manager should document a policy depicting the depreciation methods utilized. The treasurer should also develop and start procedures to keep up with the items that are fully depreciated indicating which items the Town owns and which items have been disposed of.

Management's Response:

The Town of Dumfries will initiate procedures to track purchases and disposition of fixed assets.

**13- 4: No Separate Capital Project Fund (Material Weakness)**

Condition:

The Town of Dumfries only has General Fund, which it does not have a Capital Project Fund to account for financial resources segregated for acquisition or construction of major general government capital facilities.

Recommendation:

We recommend to the Town Manager to create a new Capital Project Fund. Required financial statements include: Balance sheet, Statement of revenues, expenditures, and changes in fund balance (GAAP basis); Statement of revenues, expenditures, and changes in fund balance-budget and actual (for CPFs with legally adopted annual budgets).

Management's Response:

The Town of Dumfries will explore the creation of a Capital Project Fund with required financial statements

**SCHEDULE OF PRIOR YEAR FINDINGS**

**12-1: Segregation of Duties (Material Weakness)**

Condition:

A fundamental concept of internal controls is the separation of duties. No one employee should have access to both physical assets and the related accounting records, or to all phases of a transaction. A proper segregation of duties has not been established in functions related to payroll, accounts payable, accounts receivable, and cash disbursements.

Recommendation:

Steps should be taken to eliminate performance of conflicting duties where possible or to implement effective compensating controls.

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Incorporated Town of Dumfries, Virginia  
*Schedule of Finding and Responses*  
June 30, 2013

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Management's Response:

The Town of Dumfries has a small staff and it is not possible to segregate duties to more than the number of employees we have; however we will implement mitigating, overriding controls.

**12-2: Auditor Adjustments (Material Weakness)**

Condition:

We noted that there were errors which required adjustments to current year and prior period financial statements, indicating a material weakness in controls over financial reporting.

Recommendation:

The Town should implement steps to improve its financial reporting process.

Management's Response:

The Town of Dumfries will implement procedures to alleviate these adjustments.

**12-3: No Separate Capital Project Fund (Material Weakness)**

Condition:

The Town of Dumfries only has General Fund, which it does not have a Capital Project Fund to account for financial resources segregated for acquisition or construction of major general government capital facilities.

Recommendation:

We recommend to the Town Manager to create a new Capital Project Fund. Required financial statements include: Balance sheet, Statement of revenues, expenditures, and changes in fund balance (GAAP basis); Statement of revenues, expenditures, and changes in fund balance-budget and actual (for CPFs with legally adopted annual budgets).

Management's Response:

The Town of Dumfries will create the creation of a Capital Project Fund with required financial statements.

**12-4: The Tracking of Fix Asset (Material Weakness)**

Condition:

The Town of Dumfries doesn't have any accounts to record the Fix Asset amounts.

Recommendation:

We recommend the town treasurer record fix assets. The town Manager should document a policy depicting the depreciation methods utilized. The treasurer should also develop and start procedures to keep up with the items that are fully depreciated indicating which items the Town owns and which items have been disposed of.

Management's Response:

The Town of Dumfries will initiate procedures to track purchases and disposition of fixed assets.