

***TOWN OF PARKSLEY,  
INC.-VIRGNIA***

**FINANCIAL STATEMENTS**

**June 30, 2013**

**PREPARED BY LARRY MERCADO, CPA**

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**LARRY A. MERCADO, CPA**  
**REPORT ON FINANCIAL STATEMENTS**  
*Independent Auditor's Report*

August 17, 2015

The Honorable Mayor and Members of the Town Council  
Town of Parksley, Virginia

I have audited the accompanying statements of assets, liabilities, and net assets-modified cash basis of the Town of Parksley, Virginia as of June 30, 2013, and the related statements of revenues, expenses, and changes in net assets-modified cash basis, and the statement of cash flows for year then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Specification 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Town of Parksley, Virginia as of June 30, 2013, and its activities for revenue and expenses and changes in net assets for the year then ended, in accordance with the modified cash basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 17, 2015 on my consideration of the Town of Parksley's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

*Larry Mercado, CPA*



**LARRY MERCADO, CPA**

Committed to Quality

3 Loquat Place  
Hampton, VA 23666

757- 838-3521 (office)  
757-244-5150 (fax)  
larrymercado CPA.com

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*

The Honorable Mayor and Members of the Town Council  
Town of Parksley, Virginia

I have audited the financial statements of the Town of Parksley, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated August 17, 2015. I conducted my 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***

In planning and performing my audit, I considered the Town of Parksley's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but to provide an opinion on effectiveness of internal control over financial reporting. Accordingly, I do not express an opinion of the effectiveness of the Town of Parksley's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

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

As part of obtaining reasonable assurance about whether the Town of Parksley's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

  
\_\_\_\_\_  
Larry Mercado, CPA

8/17/2015  
Dated

TOWN OF PARSKLEY, VIRGINIA  
Statement of Combined Assets, Liabilities, and Net Assets  
Modified Cash Basis  
June 30, 2013

	GOVERNMENT GENERAL <u>ACCOUNTING</u>	SEWAGE & WATER <u>FUND</u>	BROAD- BAND <u>FUND</u>	TOTAL MEMORANDUM <u>(ONLY)</u>
<u>CURRENT ASSETS</u>				
Cash in Banks	\$90,533	\$133,528	\$0	\$224,061
Bank Certificates of Deposit	43,866	13,610	-	57,476
Commercial Loans receiv.	87,410	-	-	87,410
Water/sewer fees receivable	-	-	-	-
TOTAL CURRENT ASSETS	\$221,809	\$147,138	\$0	\$368,947
<u>FIXED ASSETS</u>				
Land	\$5,060	-	-	5,060
Buildings	853,677	-	-	853,677
Office Equipment	741	-	-	741
Computer Equipment	2,700	-	-	2,700
Computer Software	16,653	-	-	16,653
Automobiles	194,460	-	-	194,460
Water Infrastructure		629,940	-	629,940
Sewer Capital Improve.		194,824	-	194,824
Park Equipment	53,000	0	-	53,000
Broadband Infrastructure	0	0	161,649	161,649
Accumulated Depreciation	<u>(381,295)</u>	<u>(100,410)</u>	<u>\$ (17,311)</u>	<u>-499,016</u>
				0
TOTAL FIXED ASSETS	744,996	724,354	144,338	1,613,688
				0
TOTAL ASSETS	<u>\$966,805</u>	<u>\$871,492</u>	<u>\$144,338</u>	<u>\$1,982,634</u>

See accountant's report and accompanying notes

TOWN OF PARSKLEY, VIRGINIA  
Statement of Combined Assets, Liabilities, and Net Assets  
Modified Cash Basis  
June 30, 2013

	GOVERNMENTAL GENERAL <u>ACCOUNTING</u>	SEWAGE & WATER <u>FUND</u>	BROAD- BAND <u>FUND</u>	TOTAL MEMORANDUM <u>(ONLY)</u>
<u>CURRENT LIABILITIES</u>				
Accounts Payable-General	\$717			717
Contingency fund	6,963			6,963
USDA Sewage Loan	-	40,266		40,266
Shore Bank-Sewage Land Note	-	25,100		25,100
US Rural Develop.-Police car	13,140	-	-	13,140
TOTAL CURRENT LIABILITIES	20,820	65,366	-	86,186
<u>LONG TERM LIABILITIES</u>				
Sewer System Bond 2006	-	185,532		185,532
Sewer System Bond 2008	-	475,367		475,367
TOTAL LONG TERM LIABILITIES	-	660,899		660,899
Net Assets:				
General Fund Bal.-unrestricted	673,943	-	-	673,943
Enterprise Fund Bal.-unrestricted	-	526,297	-	526,297
Net Increase (decr.) in net assets	(170,544)	219,985	(14,132)	35,309
TOTAL NET ASSETS	503,399	746,282	(\$14,132)	1,235,549
TOTAL LIABILITIES & NET ASSETS				<u>1,982,634</u>

See accountant's report and accompanying notes

**TOWN OF PARKSLEY, VIRGINIA**  
**Statement of Revenue and Expenses, and Changes in Net Assets-Combined**  
**Modified Cash**  
**For the Fiscal Year Ended June 30, 2013**

	12 Months Ended Jun. 30, 2013	Pct
<b>Revenue</b>		
Real Estate & Property Taxes	\$ 177,348.66	27.62
Decal fees	11,419.85	1.78
Business Licenses	10,679.69	1.66
Sales Tax Revenue	51,679.65	8.05
Consumer Utility Tax	35,862.27	5.59
Zoning fees	560.00	0.09
Fines	5,268.53	0.82
Police Service fees	19,907.68	3.10
Litter Fees	6,535.90	1.02
Franchise Receipts	16,260.52	2.53
Sewage Service Fee Income	7,605.63	1.18
Water Service Charges	260,584.87	40.58
Trash Receipts	8,083.44	1.26
Dept. of Housing & Comm. Devel	6,130.51	0.95
Telephone Communications	20,742.21	3.23
Commonwealth of VA Reimburse	<u>3,415.92</u>	<u>0.53</u>
<b>Total Revenue</b>	642,085.33	100.00
General & Admin.(schedule 1)	<u>548,955.92</u>	<u>85.50</u>
<b>Operating Income</b>	93,129.41	14.50
Depreciation Expense	(57,956.00)	9.03
Interest Income	<u>135.50</u>	<u>0.02</u>
<b>Net non-operating expenses</b>	<u>(57,820.50)</u>	<u>(9.01)</u>
<b>Net Increase in net assets</b>	\$ 35,308.91	<u>5.50</u>
Combined net assets-beginning of year	1,200,240.60	
<b>Combined net assets-end of year</b>	<u>\$ 1,235,548.51</u>	

See accountant's report and accompanying notes



## TOWN OF PARKSLEY, VIRGINIA

Schedule of Operating Expenses-Combined  
Modified Cash Basis  
For the Fiscal Year Ended June 30, 2013

	12 Months Ended Jun. 30, 2013	Pct
<b>General &amp; Admin.(schedule 1)</b>		
Advertising	\$ 2,035.60	0.32
Vehicle Operations	20,196.23	3.15
Vehicle Maintenance	12,618.93	1.97
Office Supplies	1,887.68	0.29
Bank Charges	2,554.23	0.40
Printing & Reproduction	431.02	0.07
Dues and Subscriptions	520.00	0.08
Entertainment	1,675.00	0.26
Equipment Maintenance	5,988.17	0.93
Health and Life Insurance	43,848.00	6.83
Commercial Insurance	50,234.05	7.82
Loan Interest Expense	12,438.65	1.94
Lease-equipment	1,413.96	0.22
Landfill Expense	13,984.81	2.18
Legal	875.00	0.14
Broadband Expense	13,502.96	2.10
Miscellaneous	242.10	0.04
Police Expenses	3,946.82	0.61
Postage	2,675.09	0.42
Professional fees	487.50	0.08
Salaries - Office Staff	255,087.12	39.73
Town Council Payroll	14,667.00	2.28
Mosquito control	1,883.70	0.29
Taxes - Payroll	22,671.34	3.53
Telephone	5,628.12	0.88
Water Testing	4,858.43	0.76
Trash Removal	1,047.57	0.16
Electricity	3,498.30	0.54
Utilities	25,908.54	4.04
Sewage Testing	7,170.01	1.12
Other sewage expenses	10,937.04	1.70
Water Permits	887.30	0.14
Water Quality Control	3,155.65	0.49
<b>Total General &amp; Admin.(schedule 1)</b>	<b>\$ 548,955.92</b>	<b>85.50</b>

See accountant's report and accompanying notes

**TOWN OF PARKSLEY, VIRGINIA**  
**Statement of Revenue and Expenses-General Fund**  
**Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2013**

	12 Months Ended Jun. 30, 2013	Pct
<b>Revenue</b>		
Real Estate & Property Taxes	\$ 177,348.66	47.43
Decal fees	11,419.85	3.05
Business Licenses	10,679.69	2.86
Sales Tax Revenue	51,679.65	13.82
Consumer Utility Tax	35,862.27	9.59
Zoning fees	560.00	0.15
Fines	5,268.53	1.41
Police Service fees	19,907.68	5.32
Litter Fees	6,535.90	1.75
Franchise receipts	16,260.52	4.35
Trash Receipts	8,083.44	2.16
Dept. of Housing & Comm. Devel	6,130.51	1.64
Telephone Communications	20,742.21	5.55
Commonwealth of VA Reimburse	<u>3,415.92</u>	<u>0.91</u>
<b>Total Revenue</b>	373,894.83	100.00
General & Admin.(schedule 1)	<u>490,661.71</u>	<u>131.23</u>
<b>Operating Loss</b>	(116,766.88)	(31.23)
Depreciation Expense	(53,833.00)	14.40
Interest Income	<u>55.54</u>	<u>0.01</u>
<b>Net non-operating expenses</b>	<u>(53,777.46)</u>	<u>(14.38)</u>
<b>Excess receipts (expenses)</b>	\$ <u><u>(170,544.34)</u></u>	<u><u>(45.61)</u></u>

See accountant's report and accompanying notes

**TOWN OF PARKSLEY, VIRGINIA**  
**Schedule of Operating Expenses - General Fund**  
**Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2013**

	12 Months Ended Jun. 30, 2013	Pct
<b>General &amp; Admin.(schedule 1)</b>		
Advertising	\$ 2,035.60	0.54
Vehicle Operations	20,196.23	5.40
Vehicle Maintenance	12,618.93	3.37
Office Supplies	1,887.68	0.50
Bank Charges	2,554.23	0.68
Printing & Reproduction	431.02	0.12
Dues and Subscriptions	520.00	0.14
Entertainment	1,675.00	0.45
Health and Life Insurance	43,848.00	11.73
Commerical Insurance	50,234.05	13.44
Loan Interest Expense	644.00	0.17
Lease-equipment	1,413.96	0.38
Landfill Expense	13,984.81	3.74
Legal	875.00	0.23
Miscellaneous	242.10	0.06
Police Expenses	3,946.82	1.06
Postage	2,675.09	0.72
Professional fees	487.50	0.13
Salaries - Office Staff	255,087.12	68.22
Town Council Payroll	14,667.00	3.92
Mosquito control	1,883.70	0.50
Taxes - Payroll	22,671.34	6.06
Telephone	5,628.12	1.51
Trash Removal	1,047.57	0.28
Electricity/Heat Exp.	3,498.30	0.94
Utilities	25,908.54	6.93
<b>Total General &amp; Admin.(schedule 1)</b>	<b>\$ <u>490,661.71</u></b>	<b><u>131.23</u></b>

See accountant's report and accompanying notes

**TOWN OF PARKSLEY, VIRGINIA**  
**Statement of Revenue and Expenses-Sewage & Water Fund**  
**Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2013**

	12 Months Ended Jun. 30, 2013	Pct
<b>Revenue</b>		
Sewage Service Fee Income	\$ 7,605.63	2.84
Water Service Charges Income	<u>260,584.87</u>	<u>97.16</u>
<b>Total Revenue</b>	268,190.50	100.00
General & Admin.(schedule 1)	<u>44,791.25</u>	<u>16.70</u>
<b>Operating Income</b>	223,399.25	83.30
Depreciation Expense	(3,494.00)	1.30
Interest Income	<u>79.96</u>	<u>0.03</u>
<b>Net non-operating expenses</b>	<u>(3,414.04)</u>	<u>(1.27)</u>
<b>Excess receipts (expenses)</b>	\$ <u><u>219,985.21</u></u>	<u><u>82.03</u></u>

See accountant's report and accompanying notes



**TOWN OF PARKSLEY, VIRGINIA**  
**Schedule of Operating Expenses - Sewage & Water Fund**  
**Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2013**

	12 Months Ended <u>Jun. 30, 2013</u>	<u>Pct</u>
<b>General &amp; Admin.(schedule 1)</b>		
Equipment Maintenance	\$ 5,988.17	2.23
Loan Interest Expense	11,794.65	4.40
Water Testing	4,858.43	1.81
Sewage Testing	7,170.01	2.67
Other Sewage Expenses	10,937.04	4.08
Water Permits	887.30	0.33
Water Quality Control	<u>3,155.65</u>	<u>1.18</u>
<b>Total General &amp; Admin.(schedule 1)</b>	<b>\$ <u>44,791.25</u></b>	<b><u>16.70</u></b>

See accountant's report and accompanying notes

**TOWN OF PARKSLEY, VIRGINIA**  
**Statement of Revenue and Expenses-Broadband Fund**  
**Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2013**

	12 Months Ended Jun. 30, 2013	Pct
<b>Expenses</b>		
General & Admin.(schedule 1)	<u>13,502.96</u>	<u>0.00</u>
<b>Operating Income</b>	(13,502.96)	0.00
Depreciation Expense	<u>(629.00)</u>	<u>0.00</u>
<b>Total non-operating expenses</b>	<u>(629.00)</u>	<u>0.00</u>
<b>Excess receipts (expenses)</b>	\$ <u><u>(14,131.96)</u></u>	<u><u>0.00</u></u>

See accountant's report and accompanying notes

**TOWN OF PARKSLEY, VIRGINIA**  
**Statement of Cash Flows-Modified Cash Basis**  
**For the Fiscal Year Ended June 30, 2013**  
**INCREASE (DECREASE) IN CASH OR CASH EQUIVALENTS**

**Cash Flow from Operating Activities**

Net Increase in net assets	\$	35,308.91
Adjustments to Reconcile Cash Flow		
Depreciation	57,956.00	
Decrease (Increase) in Current Assets		
Increase (Decrease) in Current Liabilities		
Accounts Payable - General FD	(2,824.63)	
Contingency Fund	6,963.51	
US Seweage Bond 2008 S/T	22,016.49	
US Sewage Bond 2006-S/T	(65,892.49)	
Shore Bank-Sewage Land Note	(22,294.11)	
Police Car Loan-US Rural Devel	<u>(6,943.94)</u>	
<b>Total Adjustments</b>		<u>(11,019.17)</u>
<b>Cash Provided (Used) by Operations</b>		24,289.74

**Cash Flow From Investing Activities**

Finalized Projects		
Broadband Infrastructure	<u>132,563.03</u>	
<b>Cash Provided (Used) by Investing</b>		132,563.03

**Cash Flow From Financing Activities**

Cash (Used) or provided by:		
Sewer System Bond 2006	(28,467.80)	
Sewer System Bond 2008	(50,633.32)	
General Fund Bal-unrestricted	<u>59,979.12</u>	
<b>Cash Provided (Used) by Financing</b>		<u>(19,122.00)</u>
<b>Net Increase (Decrease) in Cash</b>		137,730.77
<b>Cash Equivalents at Beginning of Year</b>		<u>231,216.00</u>
<b>Cash Equivalents at End of Year</b>	\$	<u><u>368,946.77</u></u>

See accountant's report and accompanying notes

TOWN OF PARKSLEY, VIRGINIA  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF ACCOUNTING POLICIES AND PROCEDURES

A. Reporting Equity

For financial reporting purposes, in conformity with Circular A-133, "Audits of State and Local Governments," the Town includes all funds and account groups that are controlled by or dependent upon the Town Council, including a proprietary fund which provides, and bills for sewage, water and broadband services.

B. Basis of Accounting

The accompanying financial statements has been prepared on modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under that basis, certain revenues and the related assets are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligations are incurred. Consequently, the organization has not recognized receivables from residents, accounts payable to vendors, and their related effects on the change in net assets in the accompanying financial statements.

C. Financial Statement Presentation

The accounts are organized on the basis of fund classifications, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing separate sets of self-balancing accounts which comprise its assets, liabilities, net assets, revenues, and expenditures or expenses. The various funds are grouped in the financial statements as follows:

*Notes to the financial statements continued next page*



**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
PROCEDURES (continued)**

- 1) Governmental Funds account for the expendable financial resources, other than those accounted for in Proprietary or Fiduciary Funds. The governmental Fund measurement focus is upon determination of financial position and changes in financial position rather than upon net income determination as would apply to a commercial enterprise. The individual Governmental Funds are:

General Fund

General Fund accounts for all revenues and expenditures applicable to the general operations of the Town which are not accounted for in other funds.

Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprise, determining net income and financial position. The Town's proprietary fund accounts for the financing of water, sewer, and broadband services in which all or most of the operating expenses are recovered through charges to those using these services. Infrastructure and other improvements are shown under the proprietary funds, along with the provision for depreciation has been recorded, with all capital purchases provided for as capital outlays.

**Cash and Cash Equivalents**

The Organization's cash and cash equivalents include cash in banks, demand deposits, and investments with original maturities of three months or less.

**D. Use of Estimates**

Preparation of financial statements in conformity with the modified cash basis of accounting requires estimating some of the amounts reported. Actual results could differ from the estimates.

Notes to the financial statements continued next page

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
PROCEDURES (continued)

**E. Property and Equipment and Depreciation**

Property and equipment are recorded at cost. Expenditures for repairs and maintenance are charged to expense as incurred, whereas renewals and betterments that extend the lives of property are capitalized. Depreciation is computed on the straight-line and accelerated methods over estimated useful lives.

**G. Budget/Legal Compliance**

Prior to June 1, the Budget Committee submits to the Town Council a proposed operating and capital budget for the fiscal year beginning the following July 1. After a public hearing, and prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution. Budget data presented in the accompanying financial statements are the actual budget data as of the beginning of the fiscal year.

**2. REVENUES RECOGNITION-PROPERTY TAXES**

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

Property tax revenues are recognized when they become available. Available includes those property taxes expected to be collected within forty-five days after year end.

**3. DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

The Town of Parksley contributes to the Virginia Retirement System (VRS), as agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia. The Town payroll for employees covered by VRS for the year ended June 30, 2013 was \$195,491.

Notes to financial statements continued next page.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND  
PROCEDURES (continued)**

All full-time, salaried permanent employees of the Commonwealth of Virginia or of any participating Virginia city, county, or town or political subdivision are eligible to become members of VRS. Benefits vest after five years of service. Employees who retire at or after age 55 with at least five years of credited service are entitled to an annual retirement benefit, payable monthly for life in an account equal to 1.70% of their average final compensation (AFC) times years of service.

DEFINED BENEFIT PLAN-continued:

Employees with more than 20 years of credited service are entitled to an annual benefit equal to 7.0% of AFC for each year of credited service. AFC is defined as the average of the member's highest consecutive 36 months of salary under Plan 1 and the average of the member's highest 60 consecutive months of salary under Plan 2. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for retirement benefits. The VRS also provides deaths and disability benefits. These benefit provisions and all other requirements are established by the State Statute.

Employees are required by title 51.1 of the Code of Virginia (1950) as amended, to contribute 5% of their annual salary to the VRS. The employer may "pick-up" the member's assessments under the provisions of Internal Revenue Code Section 414(h). If an employee leaves covered employment, the accumulated contributions plus interest earned may be refunded to the employee. The employer is required to contribute the remaining amounts necessary to fund the System using the actuarial basis specified by Statute. State Statute may be amended only by the Commonwealth of Virginia legislature.

**NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES  
(continued)**

Funding Status and Progress

The amount shown below as the pension benefit obligation is a standardized disclosure measure of the present value for pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits, and is intended to help users assess the VRS funding status on a going-concern basis, assess progress made in the accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is determined as part of an actuarial valuation performed as of June 30, 2012. Significant actuarial assumptions used to compute the pension obligation as of June 30, 2013 include (a) a rate of return on the investment of present and future assets of 7.0 percent per year compounded annually, (b) projected salary increase that range between 3.50 percent to 5.35 percent depending on the member's service and classification, (c) additional projected salary increases, graded by age, of approximately 3.50 percent to 5.35% per year attributed to seniority/merit, and (d) post-retirement benefit increases of 2.5 percent per year cost of living adjustment under Plan 1 and 2.25 percent under Plan 2.

At June 30, 2013, the total unfunded pension accrued liability applicable to the Town of Parksley were as follows:

Pension Benefit Obligation

Total actuarial accrued liability           \$625,383.

Actuarial Value of assets available for benefits  
\$490,597.

Unfunded Actuarial Accrued Liability       \$134,786.

Notes to financial statements continued next page.



## NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (continued)

B. Contributions Required and Made

The funding policy of VRS provides for periodic contributions at actuarially determined rates which will remain relatively level over time as a percentage of payroll, and will accumulate sufficient assets to meet the cost of all basic benefits when due. Contribution rates are developed using the entry age normal cost method for both normal cost and amortization of the unfunded actuarial accrued liability. Rates necessary to support post-retirement supplements which may be payable in addition to the basic benefits are determined separately on a pay as you basis. Gains and losses are reflected in the unfunded accrued liability that is being amortized as a level percentage of payroll within a period of 20 years or less.

**NOTE 2-CURRENT AND LONG-TERM DEBT**

The Town of Parksley has various short-term loans and the current portion of long-term debt totaling \$86,187 at fiscal year-end.

Long-term debt consisted of the following at June 30, 2013:

United States Governmental General Obligations and Revenue Sewer System Bond, Series 2006 payable in monthly installments, interest only for the first thirty-six months, beginning July 2008. On the thirty-seventh month following issuance of the bond, payments of principal and interest at a rate of 1.55% shall be payable in two hundred fifty-six (256) consecutive monthly installments in the amount of \$983.00 each. Current total loan balance at June 30, 2013 was \$196,818. attributable to the Proprietary Sewage and Water Fund.

United States Governmental General Obligations and Revenue Sewer System Bond, Series 2008 payable in monthly installments, interest only for the first thirty-six months, beginning July 2009. On the thirty-seventh month following issuance of the bond, payments of principal and interest at a rate of 1.55% shall be payable in two hundred fifty-six (256) consecutive monthly installments in the amount of \$2,415.00 each. Current total loan balance at June 30, 2013 was \$504,347. attributable to the Proprietary Sewage and Water Fund.

**End of Notes to the Financial Statements**

