



TOWN OF MOUNT JACKSON, VIRGINIA

FINANCIAL REPORT

YEAR ENDED JUNE 30, 2013

**TOWN OF MOUNT JACKSON, VIRGINIA
FINANCIAL REPORT
YEAR ENDED JUNE 30, 2013**

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TOWN OF MT. JACKSON

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MT. JACKSON, VIRGINIA 22842-0487
(540) 477-2121 – FAX (540) 477-2351

November 26, 2013

Honorable Mayor, Members of the Town Council, and Citizens of Mount Jackson:

We are pleased to submit to you the Financial Report of the Town of Mount Jackson for the year ended June 30, 2013. We believe the information, as presented, is accurate in all material aspects and that all disclosures necessary to enable the reader to gain an adequate understanding of the Town's financial affairs have been included. It is the responsibility of the management of the Town to prepare the Financial Report.

To facilitate your understanding of the Town's financial affairs, the Financial Report is divided into the following sections:

- Introductory Section—Includes a table of contents and a letter of transmittal.
- Financial Section—Consists of the independent auditor's report, management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information.
- Compliance Section

The Town of Mount Jackson provides many municipal services including public safety, some streets, parks, general administration, and public utilities (water/sewer/trash collection). For financial reporting purposes, all funds, agencies, boards, commissions, trusts, and authorities involved in the provision of these services are included if the Town is financially accountable. Financial accountability is determined by several different factors including fiscal dependence, ability to impose will upon the entity's governing body, provision of specific financial burdens or benefits, and separate legal entity status. After a careful evaluation of these factors, the Town has included in this financial report the Town's Enterprise Fund (water/sewer/trash collection), the Community Development Block Grant Fund, and the RBEG grant fund as well as all funds of the Town.

Governmental Structure

The Town operates under Virginia law as a Council-Manager form of government. The legislative authority of the Town is vested in the seven-member Town Council, one of whom is the Mayor. All are elected at large for staggered four-year terms. Two members of the Town Council and the Mayor are also members of the Economic Development Authority of the Town of Mount Jackson. The members of the Town Council appoint a Town Manager, who is the chief executive officer of the Town. They also appoint a Town Attorney, Clerk, Treasurer, and Police Chief. Responsibility for the day-to-day operations of the Town rests with the Town Manager.

Economic Condition and Outlook

Mount Jackson began as Mount Pleasant. The mill owned by Benjamin Allen was constructed prior to 1746, and around it grew the Village of Mount Pleasant. On January 27, 1826 an act of the General Assembly changed the name of the Town in honor of General Andrew “Old Hickory” Jackson. The annexation effective December 31, 2001, expanded the Town’s area from 1.21 square miles to 3.2 square miles and increased the estimated population from 1664 to 1870. There have been four minor additional annexations that added approximately 45 acres of commercial/industrial land since then. According to the U.S. Census Bureau, Mount Jackson had 1,994 residents as of July 1, 2010, a 19.8% increase from the 2000 Census.

The Town’s economic base centers on several manufacturing facilities, the county’s southern three-school campus, and tourism/service commerce related to Interstate I-81 which, along with U.S. Route 11, forms the north-south axis of the Town. Aside from the recent annexations, the Town has experienced modest growth, primarily through addition of new small businesses and in-fill housing construction. As in other areas of the country, the housing slow-down has impacted new construction and as a result, no new residential water and sewer hookups were processed by the Town during this fiscal year.

In October of 2010, Bowman Apple Products, begun by the Bowman family in 1939, became 100% employee owned and then, in the Spring of 2011, 70% of the business was sold to European-based food processor Andros et Cie to create Bowman Andros Products, LLC. Besides hiring to fill additional work shifts, in Fiscal 2012 the new company added a 27,000—sq. ft. expansion to its applesauce plant, which created 50 additional jobs.

The Route 11 Potato Chips plant in Mount Jackson has been in full production for more than three years now and the company celebrated its 20th year of chip-making in 2012. Aside from being a significant employer, it has become a popular tourist destination as well. Also, in 2012, Dollar General opened a new, 9,000-sq.-ft., stand-alone store on Main Street, increasing its space by an additional 25%, making it one of the largest Dollar General stores on the East Coast.

Fiscal 2013 saw the renovation and expansion of two core businesses at the north Interstate exit – the Denny’s restaurant and the Sheetz Travel Center. Near the southern exit, the modern Shenandoah Valley Campground and the Country Roads Gifts & Antiques opened, bringing additional business to the town. In addition, several small businesses opened throughout town replacing an approximately equal number of similar sizes that had closed. These expansions represent reasonable growth and stability in assessable base, employment, and utility revenues considering the recent uncertain economy.

Major Initiatives

The Town of Mount Jackson’s primary goal is to provide quality public services. To achieve that goal the Town has, over the past ten years, undertaken significant rehabilitation of many aging facilities and equipment. Examples preceding the current fiscal year include: renovation of the Town swimming pool, two new water storage facilities and related interconnecting pipes, construction of new water lines and hydrants in Avondale Acres, construction of a new Visitors Center, library, museum, and Town offices, construction of Depot Street, construction of two public works storage sheds, establishment of an equipment replacement fund for Town equipment, drilling of two new wells for the water system, Community Development Block Grant renovations of downtown rental housing, park equipment renovation, instituted a Town newsletter, reconstructed Bank Street, resurfaced Short Street and Court Circle, created a Town web page, acquired emergency power generation capability for the water system, added dry hydrants in the river for fire protection, constructed Race Street public parking area, expanded the park system, constructed additional sidewalks along Main Street, resurfaced Wunder Street, began renovation of the old Triplett School into a Community Center and Town park, and constructed a swimming

pool bath house. In fiscal 2009, the Town completed two of the largest public works projects in the Town's history: The \$1.8 million reconstruction of more than 10,000 feet of sewer collection pipes (I&I Project) and the new \$8 million wastewater treatment plant (WWTP) replacement. Grants from the state and county offset approximately \$4,000,000 of the WWTP costs.

On Veterans Day, 2010, the Veterans Memorial Park, located at the intersection of Main and King Streets, was dedicated. Also completed was the next phase of improvements to the lower level of the Visitors Center, including a community meeting room and access elevator. The adjacent Visitors Center Park was finished as well. Furthermore, 473 trees were planted throughout Mount Jackson as part of the Town's Urban Forestry and Streetscape Plan. Additionally, the Town wrapped up its work on a significant extension of the water distribution system in the Caverns Road area, made significant improvements to the Wastewater Treatment Plant and completely redesigned and rebuilt the Kids Cove playground at the Town Park, in conjunction with the Mount Jackson Lions Club and Moose Lodge. In 2012, the Town completed the replacement of a water main that crosses the North Fork of the Shenandoah River as well as refurbishing the Community Center cafeteria and gymnasium.

In 2013 the Town Hall/Visitors Center complex improvements were completed, providing more meeting space for the public in the council chambers, expanding the police department, adding restroom facilities to the downstairs public area and finishing the historical and welcoming appearance envisioned for the Visitors Center Main Hall when originally designed. Also completed this year were significant repairs, resurfacing, sidewalk and drainage improvements on King Street and improvements to the water supply infrastructure in the Avondale area.

Looking ahead, work toward the long-term goal of providing sidewalks and other significant enhancements along Main Street and a portion of Conicville Boulevard continues and grant applications have been approved to finance a significant portion (80%) of the plan. The Town Council has also given it approval to proceed with a plan to incorporate two additional existing wells and additional storage capacity into the Town's water supply system in the coming year.

The 2001 Annexation created a large area surrounding the Town in which growth can occur. Before acting on any individual zoning applications within that area the Town Council and Planning Commission conducted thorough long range studies about the types of development the community desires, densities, and impact on the Town's utility system. This comprehensive planning process for the annexation area was broken into three parts: Caverns Road Area, Red Banks Road area, and the Northern/Western study area. Those plans now form the basis of the adopted policies that are applied to all new zoning or annexation cases.

Financial Information, Management, and Control

A detailed understanding of the financial position and operating results of the Town is provided in the Financial Report. Presented below is a brief description of financial information, management of financial resources and obligations, and control techniques applicable to financial resources, obligations, and information.

Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the account and reported in the financial statements. In the government-wide Statement of Net Position and Statement of Activities, the accrual basis of accounting is used, which means revenues are recognized when earned and expenses are recognized when incurred. In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. This means that revenues are recognized when they become measurable and available and expenditures are recognized when the related fund liability is incurred. All proprietary funds are accounted for using the accrual basis of accounting.

Accounting systems and budgetary control – In developing and evaluating the Town's accounting control system, consideration is given to the adequacy of internal accounting controls. Accounting control comprises the plan of organization and the procedures and records that are concerned with the safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance that:

- Transactions are executed in accordance with management's general or specific authorization.
- Transactions are recorded as necessary (a) to permit preparation of financial statements in conformity with generally accepted accounting principals or any other criteria, such as finance-related legal and contractual compliance requirements applicable to such statements, and (b) to maintain accountability for assets.
- Access to assets is permitted only in accordance with management's authorization.
- The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

The definition of accounting control comprehends reasonable, but not absolute, assurance that the objectives expressed in it will be accomplished by the system. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits. The benefits consist of reductions in the risk of failing to achieve the objectives implicit in the definition of accounting control.

All internal control evaluations occur within the above framework. We believe the Town's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In accordance with the Code of Virginia, 1954, as amended, the Town has formally established budgetary accounting control for its operating funds. Budgetary control is maintained at the object category (personal services, materials and supplies, other services and charges, capital outlay, debt service) by department within each fund. The Town has adhered to these budgetary laws.

Fund Descriptions – The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operation of the funds is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and, as applicable, expenditures and expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with special regulations, restrictions, or limitations. The funds used by the Town are grouped into three broad fund types and seven generic funds as follows:

Governmental funds – These funds are used to account for the programs and activities of the governmental functions of the Town.

General Fund – This fund serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

General Capital Projects and Equipment Replacement Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or replacement of equipment (other than those financed by Enterprise Funds).

Community Development Block Grant Fund – This fund is used to account for financial resources received from the U.S. Department of House and Urban Development through the Virginia Department of Housing and Community Development for the purpose of revitalizing the Town's downtown housing area.

Proprietary Funds – These funds are used to account for ongoing organizations and activities that are similar to those found in the private sector.

Enterprise Fund – This fund is used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the revenues; (b) has third-party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or (c) has a pricing policy designed for the fees and charges to recover similar costs.

The funds are further classified as major and non-major. Major funds are determined by a percentage of assets, liabilities, revenues, or expenditures/expenses in relation to the totals of all funds in those categories. The General Fund will always be considered major; the Community Development Block Grant and Enterprise fund were also determined to be major.

Cash Management and Investments – The intention of the cash management system is to limit the amount of funds placed in accounts where low or no interest is paid. Currently the Town has an automatic overnight sweep of all checking accounts into an interest bearing savings account. This strategy is reviewed as interest rates change.

The overall strategy of holding deposits and making investments is to expose the Town to a minimum amount of credit risk and market risk. All of the Town's bank accounts and investments are fully collateralized with securities held by the Town or by its agent in the Town's name.

Risk Management – The Town is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. Risk control techniques have been established to reasonably ensure that the Town's employees are aware of their responsibilities regarding loss exposures related to their duties and to reduce losses to property owned by or under the control of the Town.

Supervisors are responsible for monitoring risk control and employees are routinely involved in risk management through monthly safety committee meetings and input on purchases of safety equipment. The Town also provides all essential safety equipment and places high emphasis on compliance with OSHA standards.

The primary technique used in risk management is the purchase of insurance policies. The Town is an active participant in the pooled risk insurance programs of the Virginia Municipal League, which is the source of our insurance coverage. This non-profit, cooperative pooling arrangement provides lower cost coverage than the commercial market, offers extensive risk management training, and assists in funding the cost of additional safety equipment.

Independent Audit

The financial records, books of account, and transactions of the Town and its component units for the fiscal year ended June 30, 2013, have been audited by a firm of Independent Public Accountants, Robinson, Farmer, Cox Associates, Certified Public Accountants, and their opinion is included in the Financial Section of this report.

The financial statements are the responsibility of the Town. The responsibility of the Independent Public Accountants is to express an opinion on the Town's financial statements based on their audit. An audit is conducted in accordance with generally accepted auditing standards. Those standards require that the audit be planned and performed in a manner to obtain a reasonable assurance as to whether the financial statements are free of material misstatement.

Acknowledgement

We would like to thank our independent auditors, Robinson, Farmer, Cox Associates, for their professional guidance and experience.

We would also like to again recognize and salute the invaluable contributions of the late Joseph A. Williams, who past away on July 16, 2013. Town Council, Town Staff and the citizens of Mount Jackson have all have benefited tremendously from his committed service to this Town as Mayor the past 15 years.

Finally, to Mayor Koontz and Town Council of the Town of Mount Jackson we extend heartfelt thanks for their support. It is their commitment to financial reporting excellence and top quality service to the community that allows the citizens of Mount Jackson to be fully informed about their municipal government finances. We are proud to convey the Mayor and Council's commitment to our citizens and to all readers of this Annual Financial Report for the year ended June 30, 2013.

Respectfully submitted,



Kevin M. Fauber
Town Manager



Neil D. Showalter
Finance Director/Treasurer

TOWN OF MOUNT JACKSON, VIRGINIA

Financial Report

Year Ended June 30, 2013

MEMBERS OF COUNCIL

Michael Koontz, Mayor

Kay P. Whetzel, Vice-Mayor

Donald I. Pifer

Todd Holtzman

Rodney M. Shepherd

Dennis L. Andrick

Kenneth Hackenbracht

OFFICIALS

Kevin Fauber

Town Manager

Neil D. Showalter

Finance Director/Treasurer

Judy L. Fultz

Town Clerk

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ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF MOUNT JACKSON, VIRGINIA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Mount Jackson, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11-18, budgetary comparison information, and schedule of pension funding progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Jackson, Virginia's basic financial statements. The individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2013, on our consideration of the Town of Mount Jackson, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Mount Jackson, Virginia's internal control over financial reporting and compliance.

Robinson, Finner, Cox Associates

Staunton, Virginia
November 26, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Town of Mt. Jackson's financial performance provides an overview of the Town's financial activities for the year ended June 30, 2013. Please read it in conjunction with the transmittal letter beginning on page 1 and the Town's financial statements, which begin on page 19.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 19-21) provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements start on page 22. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

The Statement of Net Position and the Statement of Activities

Our analysis of the Town as a whole begins on page 19. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. You can think of the Town's net position – the difference between assets and liabilities – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads and utility system, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

- Governmental activities – Most of the Town's basic services are reported here, including the police, general administration, streets, and parks. Real estate taxes, personal property taxes, sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.
- Business-type activities – The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

Summary of Statement of Net Position
As of June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and						
other assets	\$ 1,970,838	\$ 2,043,891	\$ 1,301,200	\$ 1,464,809	\$ 3,272,038	\$ 3,508,700
Capital assets	4,909,308	4,775,168	15,653,844	15,996,405	20,563,152	20,771,573
Total assets	\$ 6,880,146	\$ 6,819,059	\$ 16,955,044	\$ 17,461,214	\$ 23,835,190	\$ 24,280,273
Liabilities:						
Current and other						
liabilities	\$ 80,408	\$ 107,147	\$ 685,174	\$ 650,808	\$ 765,582	\$ 757,955
Noncurrent						
liabilities	758,092	817,795	6,742,099	7,326,606	7,500,191	8,144,401
Total						
liabilities	\$ 838,500	\$ 924,942	\$ 7,427,273	\$ 7,977,414	\$ 8,265,773	\$ 8,902,356
Net Position:						
Net investment						
in capital						
assets	\$ 4,140,833	\$ 3,968,472	\$ 8,334,108	\$ 8,097,661	\$ 12,474,941	\$ 12,066,133
Unrestricted	1,900,813	1,925,645	1,193,663	1,355,592	3,094,476	3,281,237
Total net						
position	\$ 6,041,646	\$ 5,894,117	\$ 9,527,771	\$ 9,453,253	\$ 15,569,417	\$ 15,347,370

Changes in Net Position
Years Ended June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues						
Charges for services	\$ 32,642	\$ 32,835	\$ 1,498,577	\$ 1,524,414	\$ 1,531,219	\$ 1,557,249
Grants and contributions	88,285	79,175	-	-	88,285	79,175
Total program revenues	\$ 120,927	\$ 112,010	\$ 1,498,577	\$ 1,524,414	\$ 1,619,504	\$ 1,636,424
General revenues:						
General property taxes	\$ 402,888	\$ 423,716	\$ -	\$ -	\$ 402,888	\$ 423,716
Other local taxes	868,946	807,266	-	-	868,946	807,266
Intergovernmental, non-categorical aid	42,299	41,864	-	-	42,299	41,864
Use of money and property	18,993	26,286	9,294	14,126	28,287	40,412
Gain(loss) disposal of assets	2,855	-	(2,517)	-	338	-
Miscellaneous	35,221	203,836	-	-	35,221	203,836
Total general revenues	\$ 1,371,202	\$ 1,502,968	\$ 6,777	\$ 14,126	\$ 1,377,979	\$ 1,517,094
Total revenues	\$ 1,492,129	\$ 1,614,978	\$ 1,505,354	\$ 1,538,540	\$ 2,997,483	\$ 3,153,518
Expenses:						
General government						
administration	\$ 724,184	\$ 664,611	\$ -	\$ -	\$ 724,184	\$ 664,611
Public safety	376,139	354,505	-	-	376,139	354,505
Public works	376,808	302,887	-	-	376,808	302,887
Parks, recreation and cultural	56,307	55,018	-	-	56,307	55,018
Community and economic development	3,792	9,011	-	-	3,792	9,011
Interest	36,121	37,832	23,415	28,601	59,536	66,433
Water and sewer	-	-	1,215,471	1,264,386	1,215,471	1,264,386
Total expenses	\$ 1,573,351	\$ 1,423,864	\$ 1,238,886	\$ 1,292,987	\$ 2,812,237	\$ 2,716,851
Income before capital contributions and transfers	\$ (81,222)	\$ 191,114	\$ 266,468	\$ 245,553	\$ 185,246	\$ 436,667
Capital contributions	\$ -	\$ -	\$ 36,801	\$ -	\$ 36,801	\$ -
Transfers	228,751	291,518	(228,751)	(291,518)	-	-
Change in net position	\$ 147,529	\$ 482,632	\$ 74,518	\$ (45,965)	\$ 222,047	\$ 436,667
Net position, beginning, as restated for 2012	5,894,117	5,411,485	9,453,253	9,499,218	15,347,370	14,910,703
Net position, ending	\$ 6,041,646	\$ 5,894,117	\$ 9,527,771	\$ 9,453,253	\$ 15,569,417	\$ 15,347,370

Reporting the Town's Most Significant Funds

Fund Financial Statements

Our analysis of the Town's major funds begins on page 19. The fund financial statements begin on page 22 and provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use difference accounting approaches.

- Governmental funds – Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the Town's enterprise fund is the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows.

THE TOWN AS A WHOLE

The Town's combined Net Position increased by approximately \$222,047 in FY 2013. Of that total, Government Activities Net Position increased \$147,529 as revenues were sufficient to meet General Fund operating expenditures. The business-type activities net position increased in FY 2013 by \$74,518. Water and sewer rates were sufficient to meet plant operating expenditures and service debt. Our analysis on the following page focuses on the net position and changes in net position of the Town's governmental and business-type activities.

Governmental Activities

There was a \$214,083 decrease in the General Fund's fund balance during FY 2013. The predominate reasons for the changes in the General Fund condition during the fiscal year:

- Routine inflationary costs (fuel, utilities, insurance, compensation, etc.) added costs throughout all operations, resulting in an overall increase in General Fund expenditures of \$164,214. However, revenues from taxes and receipts from the Federal government and the Commonwealth of Virginia funded all but \$6,183.
- Net transfers to other funds, primarily to acquire or construct capital assets, reduced the fund balance by \$207,900.

Business-type Activities

Water/Sewer/Trash Collection

The Town operates these utility services on a self supporting basis. These operations are supported by user fees, not by tax revenues. Rates for services are set to cover the cost of operations plus debt service and capital outlay. In 2003 the system completed construction of two new water storage facilities and interconnecting water mains. In FY 2004 the system began a multi-year program to reduce the amounts of Inflow and Infiltration (I&I) water that enter the sewer collection system during rainy seasons. Construction on I&I and the new 0.7 MGD Wastewater Treatment Plant was completed by the end of FY 2009. Payments on the zero percent interest bond issue for them began in FY 2009. Drilling of two new water supply wells was begun in FY 2009. Additional capital expense to connect them to the system is necessary and Town Council has given its approval to proceed with a plan to incorporate the wells and additional storage capacity into the Town's water supply system in the coming year.

In FY 2013, business-type fund operating revenues for the year exceeded operating expenses by \$283,106, increasing net position. Also adding to net position were connection fees of \$36,801. However net interest expense of \$14,121, a property casualty loss of \$2,517 and net transfers to other Town funds of \$228,751 (primarily for current and planned capital asset acquisitions) resulted in an overall increase of \$74,518 in total net position in the fund for Fiscal Year 2013.

Component Units

Economic Development Authority

In 2001 the Town created the Industrial Development Authority of the Town of Mount Jackson which provides incentives to enhance the economy of the community. The Authority is somewhat unique because it has dual purposes: the traditional role of encouraging development in the Town's Industrial/Technology Park, AND enhancing the development of small business opportunities in the downtown area. The Authority administers a loan program to encourage new small business in the community. It also provides grants to assist tourism activities in the community and to encourage new industries locating in the Town. It also has participated in several tax-exempt financing bond issues which do not create debt liabilities for the IDA or the Town. In 2006 the Authority changed its name to Economic Development Authority to reflect these dual missions.

Community Development Block Grant Program

This program completed all its work and exhausted all the grant funds in FY 2007. Some repayment proceeds from loans made from the program will be received in future years and will be available for minor additional projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund

The normal operating activities came reasonably close to budget in nearly all categories. While local revenues fell short of the FY 2013 budget by \$57,710, the shortfall was offset primarily by payments from the Commonwealth of Virginia and the federal government so that final Fund revenues fell short of the budgeted amount by \$24,625.

Favorable budget variances across the board in Public Works, Public Safety, and Administrative expenses led to a total positive General Fund expenditure variance of \$78,342.

Equipment Acquisition/Replacement Fund

Routine contributions to this fund from all operating funds were continued and the schedule of replacements remains essentially unchanged.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

This past year the Town completed several capital projects. The Town Hall/Visitors Center complex improvements were completed, providing more meeting space for the public in the council chambers, expanding the police department, adding restroom facilities to the downstairs public area and finishing the historical and welcoming appearance envisioned for the Visitors Center Main Hall when originally designed. Also completed this year were significant repairs, resurfacing, sidewalk and drainage improvements on King Street. Also, survey and design work was performed toward the long-term goal of providing sidewalks and other significant enhancements along Main Street and a portion of Conicville Boulevard. In total, \$174,389 in capital assets for governmental activities were added in 2013.

The Town also completed its work to improve the water supply infrastructure in the Avondale area. Work to bring two existing production wells and additional storage into the water system was begun during the year. In total \$87,625 in capital assets used in business-type activities were acquired in Fiscal Year 2013.

In Fiscal 2013, the Town received a total of \$171,455 toward the cost of the aforementioned projects and for other town activities, including law enforcement, through federal and state grants, and through private contributions of individuals, businesses and civil organizations.

Summary of Statement of Capital Assets
As of June 30, 2013 and 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Capital assets not being depreciated:						
Land	\$ 413,135	\$ 413,135	\$ 361,551	\$ 361,551	\$ 774,686	\$ 774,686
Construction in progress	113,360	211,313	58,719	2,330	172,079	213,643
Total capital assets not being depreciated	\$ 526,495	\$ 624,448	\$ 420,270	\$ 363,881	\$ 946,765	\$ 988,329
Capital assets being depreciated:						
Buildings and improvements	\$ 4,890,040	\$ 4,669,160	\$ 565,009	\$ 544,310	\$ 5,455,049	\$ 5,213,470
Infrastructure	283,177	209,463	-	-	283,177	209,463
Distribution and collection system	-	-	18,438,093	18,415,459	18,438,093	18,415,459
Equipment	278,936	254,538	228,988	214,367	507,924	468,905
Vehicles	361,514	310,728	155,196	130,703	516,710	441,431
Total capital assets being depreciated	\$ 5,813,667	\$ 5,443,889	\$ 19,387,286	\$ 19,304,839	\$ 25,200,953	\$ 24,748,728
Less accumulated depreciation for:						
Buildings and improvements	\$ 1,007,109	\$ 901,886	\$ 321,444	\$ 303,767	\$ 1,328,553	\$ 1,205,653
Infrastructure	55,926	42,789	-	-	55,926	42,789
Distribution and collection system	-	-	3,578,575	3,144,388	3,578,575	3,144,388
Equipment	188,613	168,994	160,416	152,262	349,029	321,256
Vehicles	179,206	179,500	93,277	71,898	272,483	251,398
Total accumulated depreciation	\$ 1,430,854	\$ 1,293,169	\$ 4,153,712	\$ 3,672,315	\$ 5,584,566	\$ 4,965,484
Total capital assets being depreciated, net	\$ 4,382,813	\$ 4,150,720	\$ 15,233,574	\$ 15,632,524	\$ 19,616,387	\$ 19,783,244
Capital assets, net	\$ 4,909,308	\$ 4,775,168	\$ 15,653,844	\$ 15,996,405	\$ 20,563,152	\$ 20,771,573

Debt

No new debt instruments were issued by the Town during Fiscal Year 2013, and its long-term liability for compensated absences was reduced by a total of \$19,663. The total principal repaid by the Town on its existing obligations was \$617,229 for FY 2013.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund

For most of the last ten years, the entire Shenandoah County area has experienced growth pressures; however those pressures have temporarily subsided during the recent recession, but those pressures are expected to return again in the future. The 2001 annexation and our improvements (past and future) to the water and sewer system should make the Town well positioned to accommodate such growth without drastic changes in tax rates. The occupancy rate in Main Street commercial structures progressed from approximately 50% in 2000 to nearly 90% in FY 2008 and has returned to about 80% in FY 2013.

Mount Jackson is benefitting economically from the recent combination of Bowman Apple Products with European fruit processor Andros et Cie which is bringing an expansion of Bowman's local operations, resulting in additional employment in the immediate area. Route 11 Potato Chips has continued operations at their new factory in Mount Jackson since January 2008. Merrilat Cabinet manufacturer has reduced its workforce approximately 50%, but is continuing to operate and maintain modest production at this facility. Fast-growing retailer Dollar General invested in a brand new Main Street location. The Town's Interstate 81 interchanges continue to be an important source of cigarette and meals tax revenues.

Unemployment in Shenandoah County rose to a high of 10.2% in February 2010, but has improved to 5.7% by August 2013, according to the Virginia Employment Commission. However, tepid economic conditions are expected to continue throughout FY 2014 and the Town's expected revenues and expenses have been budgeted accordingly.

Replacement schedules for major equipment are in place and fully funded again this year.

Water/Sewer/Trash Collection

Annual cost of living increases and fuel surcharges to refuse collection contracts are anticipated. These will cause a slight increase in rates.

Cost of living and fuel/utility costs created some upward pressure on water/sewer rates, but the more significant pressure on those rates has come from the WWTP and I&I bond which was issued in FY 2007. A complete rate study was completed in FY 2007 and a five-year phased implementation of higher rates was selected after public hearings. These increases are necessary to accommodate the higher operating costs of the new wastewater treatment plant and the debt service on the loans for those projects. Debt service on those zero-percent bonds began in FY 2009. Beginning in FY 2013, the Town Council lowered the minimum billing amount from 3,000 gallons per month to 2,000 gallons, thus rewarding water conservation by low volume users. Rate increases the last two years have been limited to the percentage change in CPI.

Since the new Wastewater Treatment Plant has been completed, Bowman Andros Products has significantly increased the amount wastewater it discharges into the Town's system. This constitutes a significant customer in the system's revenue stream, but has also added significant operating costs as well.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds it receives. If you have questions about this report or need additional financial information, contact the Finance Director's Office at P.O. Box 487, 5901 Main Street, Mount Jackson, VA 22842.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 724,184	\$ 2,060	\$ -	\$ -
Public safety	376,139	16,686	46,323	-
Public works	376,808	-	1,263	40,699
Parks, recreation, and cultural	56,307	13,896	-	-
Community development	3,792	-	-	-
Interest on long-term debt	36,121	-	-	-
Total governmental activities	<u>\$ 1,573,351</u>	<u>\$ 32,642</u>	<u>\$ 47,586</u>	<u>\$ 40,699</u>
Business-type activities:				
Water & Sewer	\$ 1,241,403	\$ 1,498,577	\$ -	\$ 36,801
Total business-type activities	<u>\$ 1,241,403</u>	<u>\$ 1,498,577</u>	<u>\$ -</u>	<u>\$ 36,801</u>
Total primary government	<u>\$ 2,814,754</u>	<u>\$ 1,531,219</u>	<u>\$ 47,586</u>	<u>\$ 77,500</u>

General revenues:

General property taxes

Other local taxes:

Local sales and use tax

Consumers' utility tax

Meals tax

Cigarette tax

Business licenses tax

Motor vehicle taxes

Other local taxes

Unrestricted revenues from use of money and property

Miscellaneous

Grants and contributions not restricted to specific programs

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as restated

Net position - ending

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

Exhibit 2

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (722,124)	\$ -	\$ (722,124)
(313,130)	-	(313,130)
(334,846)	-	(334,846)
(42,411)	-	(42,411)
(3,792)	-	(3,792)
(36,121)	-	(36,121)
<u>\$ (1,452,424)</u>	<u>\$ -</u>	<u>\$ (1,452,424)</u>
\$ -	\$ 293,975	\$ 293,975
\$ -	\$ 293,975	\$ 293,975
<u>\$ (1,452,424)</u>	<u>\$ 293,975</u>	<u>\$ (1,158,449)</u>
\$ 402,888	\$ -	\$ 402,888
122,712	-	122,712
55,026	-	55,026
292,255	-	292,255
197,055	-	197,055
96,511	-	96,511
40,468	-	40,468
64,919	-	64,919
18,993	9,294	28,287
35,221	-	35,221
42,299	-	42,299
2,855	-	2,855
228,751	(228,751)	-
<u>\$ 1,599,953</u>	<u>\$ (219,457)</u>	<u>\$ 1,380,496</u>
\$ 147,529	\$ 74,518	\$ 222,047
5,894,117	9,453,253	15,347,370
<u>\$ 6,041,646</u>	<u>\$ 9,527,771</u>	<u>\$ 15,569,417</u>

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Town of Mount Jackson, Virginia
Statement of Net Position
As of June 30, 2013

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,843,393	\$ 1,143,967	\$ 2,987,360
Receivables (net of allowance for uncollectibles):			
Taxes receivable	17,748	-	17,748
Accounts receivable	48,844	157,233	206,077
Due from other governmental units	60,853	-	60,853
Capital assets (net of accumulated depreciation):			
Land	413,135	361,551	774,686
Buildings and improvements	3,882,931	243,565	4,126,496
Equipment	90,323	68,572	158,895
Infrastructure	227,251	14,859,518	15,086,769
Vehicles	182,308	61,919	244,227
Construction in progress	113,360	58,719	172,079
Total assets	<u>\$ 6,880,146</u>	<u>\$ 16,955,044</u>	<u>\$ 23,835,190</u>
LIABILITIES			
Accounts payable	\$ 26,036	\$ 49,511	\$ 75,547
Accrued payroll and benefits	14,518	2,295	16,813
Customers' deposits	-	46,167	46,167
Accrued interest payable	-	2,486	2,486
Long-term liabilities:			
Due within one year	39,854	584,715	624,569
Due in more than one year	758,092	6,742,099	7,500,191
Total liabilities	<u>\$ 838,500</u>	<u>\$ 7,427,273</u>	<u>\$ 8,265,773</u>
NET POSITION			
Net investment in capital assets	\$ 4,140,833	\$ 8,334,108	\$ 12,474,941
Unrestricted	1,900,813	1,193,663	3,094,476
Total net position	<u>\$ 6,041,646</u>	<u>\$ 9,527,771</u>	<u>\$ 15,569,417</u>

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

FUND FINANCIAL STATEMENTS

Town of Mount Jackson, Virginia
Balance Sheet
Governmental Funds
As of June 30, 2013

Exhibit 3

	General	Community Development Block Grant	General Capital Projects	Other Governmental Funds	Total
ASSETS					
Cash and cash equivalents	\$ 612,768	\$ 15,334	\$ 752,547	\$ 462,744	\$ 1,843,393
Receivables (net of allowance for uncollectibles):					
Taxes receivable	17,748	-	-	-	17,748
Accounts receivable	48,844	-	-	-	48,844
Due from other governmental units	20,154	-	40,699	-	60,853
Total assets	<u>\$ 699,514</u>	<u>\$ 15,334</u>	<u>\$ 793,246</u>	<u>\$ 462,744</u>	<u>\$ 1,970,838</u>
LIABILITIES					
Accounts payable	\$ 20,170	\$ -	\$ 5,866	\$ -	\$ 26,036
Accrued payroll and benefits	14,518	-	-	-	14,518
Total liabilities	<u>\$ 34,688</u>	<u>\$ -</u>	<u>\$ 5,866</u>	<u>\$ -</u>	<u>\$ 40,554</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	\$ 16,561	\$ -	\$ -	\$ -	\$ 16,561
Total deferred inflows of resources	<u>\$ 16,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,561</u>
FUND BALANCES					
Restricted:					
Community development block grant	\$ -	\$ 15,334	\$ -	\$ -	\$ 15,334
Assigned:					
Capital projects funds	-	-	787,380	-	787,380
Equipment replacement	-	-	-	462,744	462,744
Unassigned, reported in:					
General fund	648,265	-	-	-	648,265
Total fund balances	<u>\$ 648,265</u>	<u>\$ 15,334</u>	<u>\$ 787,380</u>	<u>\$ 462,744</u>	<u>\$ 1,913,723</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 699,514</u>	<u>\$ 15,334</u>	<u>\$ 793,246</u>	<u>\$ 462,744</u>	<u>\$ 1,970,838</u>

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

**Town of Mount Jackson, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
As of June 30, 2013**

Exhibit 4

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$ 1,913,723
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,909,308
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	16,561
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(797,946)</u>
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Net position of governmental activities	<u>\$ 6,041,646</u>
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The notes to the financial statements are an integral part of this statement.

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

Exhibit 5

	<u>General</u>	<u>Community Development Block Grant</u>	<u>General Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES					
General property taxes	\$ 408,758	\$ -	\$ -	\$ -	\$ 408,758
Other local taxes	868,946	-	-	-	868,946
Permits, privilege fees, and regulatory licenses	2,060	-	-	-	2,060
Fines and forfeitures	16,686	-	-	-	16,686
Revenue from the use of money and property	15,373	-	-	3,620	18,993
Charges for services	13,896	-	-	-	13,896
Miscellaneous	40,871	1,200	-	-	42,071
Intergovernmental revenues:					
Commonwealth	88,594	-	-	-	88,594
Federal	1,291	-	40,699	-	41,990
Total revenues	<u>\$ 1,456,475</u>	<u>\$ 1,200</u>	<u>\$ 40,699</u>	<u>\$ 3,620</u>	<u>\$ 1,501,994</u>
EXPENDITURES					
Current:					
General government administration	\$ 639,473	\$ -	\$ -	\$ -	\$ 639,473
Public safety	349,047	-	-	-	349,047
Public works	352,963	-	-	-	352,963
Parks, recreation, and cultural	43,041	-	-	-	43,041
Community development	3,792	-	-	-	3,792
Capital projects	-	-	196,741	110,111	306,852
Debt service:					
Principal retirement	38,221	-	-	-	38,221
Interest and other fiscal charges	36,121	-	-	-	36,121
Total expenditures	<u>\$ 1,462,658</u>	<u>\$ -</u>	<u>\$ 196,741</u>	<u>\$ 110,111</u>	<u>\$ 1,769,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (6,183)</u>	<u>\$ 1,200</u>	<u>\$ (156,042)</u>	<u>\$ (106,491)</u>	<u>\$ (267,516)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 63,500	\$ -	\$ 456,100	\$ 108,500	\$ 628,100
Transfers out	(271,400)	-	(103,456)	(24,493)	(399,349)
Total other financing sources (uses)	<u>\$ (207,900)</u>	<u>\$ -</u>	<u>\$ 352,644</u>	<u>\$ 84,007</u>	<u>\$ 228,751</u>
Net change in fund balances	\$ (214,083)	\$ 1,200	\$ 196,602	\$ (22,484)	\$ (38,765)
Fund balances - beginning	862,348	14,134	590,778	485,228	1,952,488
Fund balances - ending	<u>\$ 648,265</u>	<u>\$ 15,334</u>	<u>\$ 787,380</u>	<u>\$ 462,744</u>	<u>\$ 1,913,723</u>

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

Town of Mount Jackson, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2013

Exhibit 6

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

Net change in fund balances - total governmental funds	\$ (38,765)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.	138,137
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(5,870)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, transfers, and donations) is to decrease net position.	(3,995)
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 position. Also, governmental funds report the effect of 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.	38,221
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.	<u>19,801</u>
Change in net position of governmental activities	<u>\$ 147,529</u>

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

Town of Mount Jackson, Virginia
Statement of Net Position
Proprietary Funds
As of June 30, 2013

Exhibit 7

	<u>Enterprise Fund</u> <u>Water and Sewer Fund</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,143,967
Accounts receivables, net of allowances for uncollectibles	157,233
Total current assets	<u>\$ 1,301,200</u>
Noncurrent assets:	
Capital assets:	
Non-depreciable:	
Land	\$ 361,551
Construction in progress	58,719
Depreciable:	
Capital assets	19,387,286
Accumulated depreciation	<u>(4,153,712)</u>
Total capital assets, net	<u>\$ 15,653,844</u>
Total noncurrent assets	<u>\$ 15,653,844</u>
Total assets	<u>\$ 16,955,044</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 49,511
Customers' deposits	46,167
Accrued payroll and benefits	2,295
Accrued interest payable	2,486
Bonds payable - current portion	584,715
Total current liabilities	<u>\$ 685,174</u>
Noncurrent liabilities:	
Bonds payable- net of current portion	\$ 6,735,021
Compensated absences	7,078
Total noncurrent liabilities	<u>\$ 6,742,099</u>
Total liabilities	<u>\$ 7,427,273</u>
NET POSITION	
Net investment in capital assets	\$ 8,334,108
Unrestricted	1,193,663
Total net position	<u><u>\$ 9,527,771</u></u>

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

Town of Mount Jackson, Virginia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit 8

	<u>Enterprise Fund Water and Sewer Fund</u>
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 482,768
Sewer revenues	994,373
Miscellaneous	21,436
Total operating revenues	<u>\$ 1,498,577</u>
OPERATING EXPENSES	
Personal services	\$ 115,533
Fringe benefits	43,314
Contractual services	18,923
Other charges	553,643
Depreciation	484,058
Total operating expenses	<u>\$ 1,215,471</u>
Operating income (loss)	<u>\$ 283,106</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	\$ 9,294
Loss on disposal of property	(2,517)
Interest expense	(23,415)
Total nonoperating revenues (expenses)	<u>\$ (16,638)</u>
Income before capital contributions and transfers	<u>\$ 266,468</u>
Capital contributions	\$ 36,801
Transfers in	127,949
Transfers out	(356,700)
Change in net position	<u>\$ 74,518</u>
Total net position - beginning, as restated	<u>\$ 9,453,253</u>
Total net position - ending	<u><u>\$ 9,527,771</u></u>

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

Town of Mount Jackson, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit 9

	Enterprise Fund Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 1,483,707
Payments to suppliers	(579,711)
Payments to employees	(158,584)
Net cash provided by (used in) operating activities	<u>\$ 745,412</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	\$ 127,949
Transfers to other funds	(356,700)
Net cash provided by (used in) noncapital financing activities	<u>\$ (228,751)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	\$ (144,014)
Connection fees	36,801
Principal paid on bonds	(579,008)
Interest payments	(23,808)
Net cash provided by (used in) capital and related financing activities	<u>\$ (710,029)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 9,294
Net cash provided by (used in) investing activities	<u>\$ 9,294</u>
Net increase (decrease) in cash and cash equivalents	\$ (184,074)
Cash and cash equivalents - beginning	\$ 1,328,041
Cash and cash equivalents - ending	<u><u>\$ 1,143,967</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ 283,106
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	484,058
(Increase) decrease in accounts receivable	(20,465)
Increase (decrease) in customer deposits	5,595
Increase (decrease) in accounts payable	(7,145)
Increase (decrease) in accrued payroll and benefits	125
Increase (decrease) in compensated absences	138
Total adjustments	<u>\$ 462,306</u>
Net cash provided by (used in) operating activities	<u><u>\$ 745,412</u></u>

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

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. FINANCIAL REPORTING ENTITY:

The financial statements of the Town of Mount Jackson, Virginia (the Town) conform with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

The Town of Mount Jackson, Virginia was incorporated in 1826 and provides a wide range of municipal services contemplated by statute or charter.

As required by accounting principles generally accepted in the United States of America, these financial statements present the Town's financial position. In determining component units, the Town considered the financial relationship with the Industrial Development Authority (IDA) of the Town of Mount Jackson. However, it was determined that the IDA is not a component unit, an entity for which the Town is considered to be financially accountable or blended component unit, a legally separate entity which is in substance part of the Town's operations.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Town and include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed. These statements distinguish between the government and business-type activities of the Town. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

Fund Financial Statements: The fund financial statements provide information about the Town's funds and separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The Town reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the Town. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (CONTINUED).

Capital Projects Fund

This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for the acquisition or construction of major capital projects.

Community Development Block Grant Fund

This fund is used to account for and report funds received from the United States Department of Housing and Urban Development for the purpose of revitalizing the Town's downtown housing area.

The Town reports the following major enterprise fund:

Water and Sewer Fund

The Water and Sewer Fund accounts for services to the general public are financed primarily by charges to users of those services.

Additionally, the Town reports the following non-major governmental funds:

Equipment Replacement Fund

This fund accounts for and reports financial resources that are restricted, committed or assigned to expenditure for the acquisition of capital assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide and Proprietary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION: (CONTINUED)

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (government and business-type activities). Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The Net Position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for business-type activities of the Town for each function of the Town's governmental activities. *Direct expenses* are those that are specifically associated with a program of function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. *Program revenues* include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days of year-end, except property taxes which are recognized as revenue if they have been collected within 45 days of year-end. All taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from nonexchange transactions.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1) Cash and Cash Equivalents

For purposes of reporting cash flows, the Town considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

2) Property Taxes Receivable

Property taxes are recognized as a receivable when levied as of November 5 and are due on or before January 31. That portion of the taxes receivable which is not collected within 45 days is shown as unavailable revenue. All unpaid taxes are subject to penalty of 10% on February 1, and on July 1 the Town can attach an enforceable lien for real property tax and add interest of 10%.

3) Capital Assets

Capital assets, which include property, equipment and infrastructure assets, are reported in the applicable governmental, or business-type activities, or proprietary fund columns in the financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$2,500, and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Maintenance, repairs and minor renewals are charged to operations when incurred. Expenditures/expenses which materially increase values or extend useful lives are capitalized.

As allowed by GASB standards, the Town elected not to capitalize infrastructure already in place as of June 30, 2003. Beginning July 1, 2003, the Town began capitalizing all infrastructure additions that met the aforementioned capitalization requirements.

Capital asset lives are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20-40 years
Distribution and collection systems	20-40 years
Equipment	3-25 years
Vehicles	5 years
Infrastructure	20-30 years

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

4) Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees can earn up to 192 hours of vacation annually depending on their years of service and can accumulate up to 30 days of vacation. Employees retiring from Town service under the provisions set forth in the Virginia Retirement System or under social security and having 10 years of accumulated Town service, are eligible to retire early by utilizing all sick leave accrued, but not used, at the rate of one day for every three accrued and unused sick leave up to a maximum of 60 days. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements.

5) Long-Term Obligations

In the government-wide financial statements, and proprietary fund type 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 statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

6) Fund Equity

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

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

6) Fund Equity (continued)

- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

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

7) Net Position

Net position represents the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net investment in capital assets excludes unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

8) Net Position Flow Assumption

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

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

9) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

10) Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data, and in certain cases, specific account analysis. At June 30, 2013 the allowance amounted to \$10,747 for property taxes and \$3,000 for the water and sewer accounts receivable.

11) Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. The Town reported deferred inflows of resources of \$16,561 in the governmental funds balance sheet. Under the accrual basis, amounts prepaid on subsequent tax assessments are reported as deferred inflows of resources. The Town did not have any prepaid amounts to report under the accrual basis.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

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

C. ASSETS, LIABILITIES, DEFERRED INFLOWS/OUTFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE: (CONTINUED)

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

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

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

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

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

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

The governmental fund balance sheet includes reconciliation between the *fund balances—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The detail of this (\$797,946) difference for the primary government is as follows:

		Primary Government
		<hr/>
Bonds and notes payable	\$	(768,475)
Compensated absences		<hr/> (29,471)
Net adjustment to reduce <i>fund balance—total governmental funds</i> to arrive at <i>net position—governmental activities</i>	\$	<hr/> <hr/> (797,946)

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:
(CONTINUED)

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position 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 detail of this \$138,137 difference for the primary government is as follows:

	<u>Primary Government</u>
Capital outlay	\$ 306,754
Depreciation expense	<u>(168,617)</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>138,137</u></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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The detail of this \$38,221 difference in the primary government is as follows:

Principal repayments:	
Bonds payable	\$ 22,953
Notes payable	<u>15,268</u>
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>38,221</u></u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (CONTINUED)

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

Another element of that reconciliation states that “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 detail of this \$19,801 difference for the primary government is as follows:

	Primary Government
Compensated absences	\$ 19,801
Net adjustment to increase (decrease) <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ 19,801

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

A. Budgetary Information

The following procedures are used by the Town in establishing the budgetary data reflected in the financial statements:

1. Prior to March 30, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. All funds have legally adopted budgets.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Ordinance.
4. The Appropriations Ordinance places legal restrictions on expenditures at the function level. The appropriation for each department or category can be revised only by the Town Council. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 3—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: (CONTINUED)

A. Budgetary Information (continued)

8. All budgetary data presented in the accompanying financial statements is the revised budget as of June 30.

NOTE 4—RECEIVABLES:

Receivables at June 30, 2013, including applicable allowances for uncollectible amounts are as follows:

	General Fund	Water and Sewer Fund	Totals
Property taxes	\$ 28,495	\$ -	\$ 28,495
Trade and other accounts	48,844	160,233	209,077
Gross Receivables	\$ 77,339	\$ 160,233	\$ 237,572
Less allowance for uncollectible accounts	(10,747)	(3,000)	(13,747)
Net Receivables	<u>\$ 66,592</u>	<u>\$ 157,233</u>	<u>\$ 223,825</u>

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$10,747 and \$3,000 at June 30, 2013 for the General Fund and Water and Sewer Fund, respectively.

NOTE 5—DUE FROM OTHER GOVERNMENTS:

The following amounts were due from other governments at June 30, 2013:

General Fund:

Commonwealth of Virginia:

Sales tax	\$ 20,154
Total General Fund	<u>\$ 20,154</u>

Capital Projects Fund:

Federal government:

Tea grant	\$ 40,699
Total Capital Projects Fund	<u>\$ 40,699</u>
Total Primary Government	<u>\$ 60,853</u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 6—CAPITAL ASSETS:

Governmental Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 413,135	\$ -	\$ -	\$ 413,135
Construction in progress	211,313	132,363	(230,316)	113,360
Total capital assets not being depreciated	<u>\$ 624,448</u>	<u>\$ 132,363</u>	<u>\$ (230,316)</u>	<u>\$ 526,495</u>
Other capital assets:				
Buildings and improvements	\$ 4,669,160	\$ 220,880	\$ -	\$ 4,890,040
Equipment	254,538	24,398	-	278,936
Infrastructure	209,463	73,714	-	283,177
Vehicles	310,728	85,713	(34,927)	361,514
Total other capital assets	<u>\$ 5,443,889</u>	<u>\$ 404,705</u>	<u>\$ (34,927)</u>	<u>\$ 5,813,667</u>
Accumulated depreciation:				
Buildings and improvements	\$ (901,886)	\$ (105,223)	\$ -	\$ (1,007,109)
Equipment	(168,994)	(19,619)	-	(188,613)
Infrastructure	(42,789)	(13,137)	-	(55,926)
Vehicles	(179,500)	(30,638)	30,932	(179,206)
Total accumulated depreciation	<u>\$ (1,293,169)</u>	<u>\$ (168,617)</u>	<u>\$ 30,932</u>	<u>\$ (1,430,854)</u>
Other capital assets, net	<u>\$ 4,150,720</u>	<u>\$ 236,088</u>	<u>\$ (3,995)</u>	<u>\$ 4,382,813</u>
Net capital assets	<u><u>\$ 4,775,168</u></u>	<u><u>\$ 368,451</u></u>	<u><u>\$ (234,311)</u></u>	<u><u>\$ 4,909,308</u></u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Business-type Activities:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
<i>Water and Sewer Fund</i>				
Capital assets not being depreciated:				
Land	\$ 361,551	\$ -	\$ -	\$ 361,551
Construction in progress	2,330	56,389	-	58,719
Total capital assets not being depreciated	\$ 363,881	\$ 56,389	\$ -	\$ 420,270
Other capital assets:				
Buildings and improvements	\$ 544,310	\$ 20,699	\$ -	\$ 565,009
Distribution and collection systems	18,415,459	22,634	-	18,438,093
Equipment	214,367	19,799	(5,178)	228,988
Vehicles	130,703	24,493	-	155,196
Total other capital assets	\$ 19,304,839	\$ 87,625	\$ (5,178)	\$ 19,387,286
Accumulated depreciation:				
Buildings and improvements	\$ (303,767)	\$ (17,677)	\$ -	\$ (321,444)
Distribution and collection systems	(3,144,388)	(434,187)	-	(3,578,575)
Equipment	(152,262)	(10,815)	2,661	(160,416)
Vehicles	(71,898)	(21,379)	-	(93,277)
Total accumulated depreciation	\$ (3,672,315)	\$ (484,058)	\$ 2,661	\$ (4,153,712)
Other capital assets, net	\$ 15,632,524	\$ (396,433)	\$ (2,517)	\$ 15,233,574
Net capital assets	\$ 15,996,405	\$ (340,044)	\$ (2,517)	\$ 15,653,844

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 99,174
Public safety	33,547
Public works	22,630
Parks, recreation, and cultural	13,266
Total depreciation expense-governmental activities	\$ 168,617
Business-type activities:	
Water and sewer	\$ 484,058
Total depreciation expense-business type activities	\$ 484,058

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS:

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

	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 756,401	\$ -	\$ 22,953	\$ 733,448	\$ 24,040
Note payable	50,295	-	15,268	35,027	15,814
Subtotal	\$ 806,696	\$ -	\$ 38,221	\$ 768,475	\$ 39,854
Compensated absences	\$ 49,272	\$ -	\$ 19,801	\$ 29,471	\$ -
Governmental activities long-term liabilities	\$ 855,968	\$ -	\$ 58,022	\$ 797,946	\$ 39,854

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

Year Ended June 30,	General Fund			
	General Obligation Bonds		Note Payable	
	Principal	Interest	Principal	Interest
2014	\$ 24,040	\$ 33,416	\$ 15,814	\$ 1,072
2015	25,176	32,280	16,434	452
2016	26,365	31,091	2,779	13
2017	27,611	29,845	-	-
2018	28,915	28,541	-	-
2019	30,282	27,174	-	-
2020	31,712	25,744	-	-
2021	33,210	24,246	-	-
2022	34,779	22,677	-	-
2023	36,422	21,034	-	-
2024	38,143	19,313	-	-
2025	39,945	17,511	-	-
2026	41,832	15,624	-	-
2027	43,808	13,648	-	-
2028	45,879	11,578	-	-
2029	48,046	9,410	-	-
2030	50,315	7,141	-	-
2031	52,692	4,764	-	-
2032	55,182	2,274	-	-
2033	19,094	1,883	-	-
Totals	\$ 733,448	\$ 379,194	\$ 35,027	\$ 1,537

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Note Payable

\$140,000 note payable, due in monthly installments of \$1,407 through August 2015, including interest at 3.85% \$ 35,027

General Obligation Bond

\$900,000 general obligation bond, series 2002, issued May 2002, due in monthly installments of \$4,788 through November 2032, plus interest payable semi-annually at 4.75% \$ 733,448

The following is a summary of long-term obligation activity for the Town's business-type activity:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013	Due Within One Year
Business-type activity:					
Compensated absences	\$ 6,940	\$ 138	\$ -	\$ 7,078	\$ -
General obligation bonds	2,122,102	-	201,397	1,920,705	204,602
VRA loan payable	5,470,906	-	321,818	5,149,088	321,818
Note Payable	<u>305,736</u>	<u>-</u>	<u>55,793</u>	<u>249,943</u>	<u>58,295</u>
Business-type activity long-term liabilities	<u>\$ 7,905,684</u>	<u>\$ 138</u>	<u>\$ 579,008</u>	<u>\$ 7,326,814</u>	<u>\$ 584,715</u>

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

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

Year Ended June 30,	Enterprise Fund					
	General Obligation Bonds		Loan Payable		Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 204,602	\$ 7,728	\$ 321,818	\$ -	\$ 58,295	\$ 10,373
2015	207,778	4,550	321,818	-	60,984	7,684
2016	194,697	1,283	321,818	-	63,797	4,871
2017	114,193	-	321,818	-	66,867	1,505
2018	114,193	-	321,818	-	-	-
2019	114,193	-	321,818	-	-	-
2020	114,193	-	321,818	-	-	-
2021	114,193	-	321,818	-	-	-
2022	114,193	-	321,818	-	-	-
2023	114,193	-	321,818	-	-	-
2024	114,193	-	321,818	-	-	-
2025	114,193	-	321,818	-	-	-
2026	114,193	-	321,818	-	-	-
2027	114,193	-	321,818	-	-	-
2028	57,505	-	321,818	-	-	-
2029	-	-	321,818	-	-	-
Totals	\$ 1,920,705	\$ 13,561	\$ 5,149,088	\$ -	\$ 249,943	\$ 24,433

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

General Obligation Bonds and Notes

\$550,000 refunding note, series 2007, issued May 2007, with quarterly payments of \$17,167 including interest at 4.52%. Remaining principal due April 20, 2017.	\$ 249,943
\$6,478,763 waste water facilities revolving loan, initial draw received on June 28, 2007. Annual installments of \$323,938 at 0% interest are due on this loan.	5,149,088
\$2,854,435 water system bond, series 2000, issued September 2001, due in semi-annual installments of \$57,097 through July 2027 at 0% interest.	1,655,805
\$350,000 sewer system improvement general obligation bonds series 2011, issued April 1, 2011, due in monthly installments of \$6,406 through April 1, 2016 with an interest rate of 3.75%.	206,685
\$100,000 water system improvement tax exempt bonds series 2011, issued April 1, 2011, due in monthly installments of \$1,772 through April 1, 2016 with an interest rate of 2.43%.	<u>58,215</u>
Total General Obligation Bonds and Notes	<u>\$ 7,319,736</u>

The Town is limited by the Commonwealth of Virginia as to the amount of debt it can issue. The legal debt margin mandated is computed based upon 10% of the assessed value on real estate subject to taxation, less any outstanding bonded debt.

NOTE 8—DEFINED BENEFIT PENSION PLAN:

A. 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 school divisions and employees of participating employers are automatically covered by VRS upon employment. Benefits vest after five years service credit. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as credit in their plan.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

A. Plan Description (Continued)

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

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

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

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

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

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

B. Funding Policy

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2013 was 8.17% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$56,042 was equal to the Town's required and actual contributions.

Three-Year Trend Information for Town of Mount Jackson, Virginia

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 56,042	100%	\$ -
June 30, 2012	50,868	100%	-
June 30, 2011	45,199	100%	-

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

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 8—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the Town's plan was 73.67% funded. The actuarial accrued liability for benefits was \$2,071,605, and the actuarial value of assets was \$1,526,124, resulting in an unfunded actuarial accrued liability (UAAL) of \$545,481. The covered payroll (annual payroll of active employees covered by the plan) was \$607,167, and ratio of the UAAL to the covered payroll was 89.84%.

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

NOTE 9—INTERFUND TRANSACTIONS AND BALANCES:

Operating Transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 63,500	\$ 271,400
Capital Project Fund	456,100	103,456
Equipment Replacement Fund	108,500	24,493
Total Governmental Funds	<u>\$ 628,100</u>	<u>\$ 399,349</u>
Water and Sewer Fund	\$ 127,949	\$ 356,700
Total Proprietary Fund	<u>\$ 127,949</u>	<u>\$ 356,700</u>
Grand Total	<u><u>\$ 756,049</u></u>	<u><u>\$ 756,049</u></u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Internal Balances:

There were no internal balances at June 30, 2013.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 10—RISK MANAGEMENT:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the Town has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The Town is not self-insured.

The Town has Workers Compensation coverage with the Virginia Municipal Group Self Insurance Association (Association) for workers compensation insurable risks identified by the Town. The Town has General Liability coverage with the Virginia Municipal Liability Pool (Pool) for all general liability risks. Each Association and Pool member jointly and severally agrees to assume, pay, and discharge any liability. The Town pays the Association and Pool contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and Pool, and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association or Pool may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

NOTE 11—CONTINGENT LIABILITIES:

The Town has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant monies.

NOTE 12—DEPOSITS AND INVESTMENTS:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investments

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

The Town held no investments at June 30, 2013.

TOWN OF MOUNT JACKSON, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 (CONTINUED)

NOTE 13—RELATED PARTY TRANSACTION:

The Mount Jackson Industrial Development Authority has issued a loan to Cornerstone Technology Services, LLC which is owned and operated by David C. Moore, the son of an official to the Authority. The note was issued in the amount of \$25,000, with an interest rate of 4%. Payments in the amount of \$460 are due monthly for the term of the note which is 5 years. As of the year end, the balance of this note was \$15,942. An additional note was issued in December 2007 to David C. Moore in the amount of \$15,975. The note carries a term of five years, at 0% interest and is payable in monthly installments of \$266. The balance on this note at June 30, 2013 was \$12,780. During fiscal year 2013 Cornerstone Technology paid \$452 in principal and \$648 in interest on the two notes.

During fiscal year 2013 the Town paid Cornerstone Technologies \$29,126 for goods and services rendered.

NOTE 14—RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS:

Beginning net position has been restated in the financial statements as detailed below:

	Business-type Activities
Net position June 30, 2012, as previously reported	\$ 9,483,800
To record a liability for EDA loan payments received by the Town but not remitted to the EDA prior to June 30, 2012	(30,547)
Net position, June 30, 2012, as restated	<u>\$ 9,453,253</u>

NOTE 15—LITIGATION:

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

NOTE 16—UPCOMING PRONOUNCEMENTS:

The GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27." This Statement replaces the requirements of Statements No. 27 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not administered as trusts or equivalent arrangements. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The Town has not determined the impact of this pronouncement on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Town of Mount Jackson, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2013

Exhibit 10

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
General property taxes	\$ 448,000	\$ 448,000	\$ 408,758	\$ (39,242)
Other local taxes	935,500	876,500	868,946	(7,554)
Permits, privilege fees, and regulatory licenses	5,000	5,000	2,060	(2,940)
Fines and forfeitures	17,100	17,100	16,686	(414)
Revenue from the use of money and property	20,900	21,100	15,373	(5,727)
Charges for services	8,600	9,000	13,896	4,896
Miscellaneous	35,600	47,600	40,871	(6,729)
Intergovernmental revenues:				
Commonwealth	52,200	55,800	88,594	32,794
Federal	-	1,000	1,291	291
Total revenues	<u>\$ 1,522,900</u>	<u>\$ 1,481,100</u>	<u>\$ 1,456,475</u>	<u>\$ (24,625)</u>
EXPENDITURES				
Current:				
General government administration	\$ 742,000	\$ 677,200	\$ 639,473	\$ 37,727
Public safety	356,200	377,700	349,047	28,653
Public works	315,700	355,900	352,963	2,937
Parks, recreation, and cultural	48,000	45,700	43,041	2,659
Community development	20,000	10,000	3,792	6,208
Debt service:				
Principal retirement	38,379	38,379	38,221	158
Interest and other fiscal charges	36,121	36,121	36,121	-
Total expenditures	<u>\$ 1,556,400</u>	<u>\$ 1,541,000</u>	<u>\$ 1,462,658</u>	<u>\$ 78,342</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (33,500)</u>	<u>\$ (59,900)</u>	<u>\$ (6,183)</u>	<u>\$ 53,717</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 63,500	\$ 63,500	\$ 63,500	\$ -
Transfers out	(30,000)	(3,600)	(271,400)	(267,800)
Total other financing sources (uses)	<u>\$ 33,500</u>	<u>\$ 59,900</u>	<u>\$ (207,900)</u>	<u>\$ (267,800)</u>
Net change in fund balances	\$ -	\$ -	\$ (214,083)	\$ (214,083)
Fund balances - beginning	-	-	862,348	862,348
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 648,265</u>	<u>\$ 648,265</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals

Special Revenue Fund - Community Development Block Grant

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 1,200	\$ 1,200
Total revenues	\$ -	\$ -	\$ 1,200	\$ 1,200
EXPENDITURES				
Total expenditures	\$ -	\$ -	\$ -	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ -	\$ -	\$ 1,200	\$ 1,200
Net change in fund balances	\$ -	\$ -	\$ 1,200	\$ 1,200
Fund balances - beginning	-	-	14,134	14,134
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,334</u>	<u>\$ 15,334</u>

Town of Mount Jackson, Virginia
Schedule of Pension Funding Progress
As of June 30, 2013

Exhibit 12

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((b-a)/c)
06/30/12 \$	1,526,124	\$ 2,071,605	\$ 545,481	73.67%	\$ 607,167	89.84%
06/30/11	1,471,822	1,633,409	161,587	90.11%	482,263	33.51%
06/30/10	1,364,838	1,679,533	314,695	81.26%	518,592	60.68%
06/30/09	1,301,231	1,461,738	160,507	89.02%	509,849	31.48%
06/30/08	1,211,456	1,293,846	82,390	93.63%	447,397	18.42%

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Town of Mount Jackson, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
For the Year Ended June 30, 2013

Exhibit 13

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenues:				
Federal	\$ 400,000	\$ -	\$ 40,699	\$ 40,699
Total revenues	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 40,699</u>	<u>\$ 40,699</u>
EXPENDITURES				
Capital projects	<u>\$ 890,200</u>	<u>\$ 501,600</u>	<u>\$ 196,741</u>	<u>\$ 304,859</u>
Total expenditures	<u>\$ 890,200</u>	<u>\$ 501,600</u>	<u>\$ 196,741</u>	<u>\$ 304,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (490,200)</u>	<u>\$ (501,600)</u>	<u>\$ (156,042)</u>	<u>\$ 345,558</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 490,200	\$ 501,600	\$ 456,100	\$ (45,500)
Transfers out	<u>-</u>	<u>-</u>	<u>(103,456)</u>	<u>(103,456)</u>
Total other financing sources (uses)	<u>\$ 490,200</u>	<u>\$ 501,600</u>	<u>\$ 352,644</u>	<u>\$ (148,956)</u>
Net change in fund balances	\$ -	\$ -	\$ 196,602	\$ 196,602
Fund balances - beginning	-	-	590,778	590,778
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 787,380</u>	<u>\$ 787,380</u>

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actuals

Nonmajor Capital Projects Fund

For the Year Ended June 30, 2013

	Equipment Replacement Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES				
Revenue from the use of money and property	\$ -	\$ -	\$ 3,620	\$ 3,620
Total revenues	\$ -	\$ -	\$ 3,620	\$ 3,620
EXPENDITURES				
Capital projects	\$ 108,500	\$ 108,500	\$ 110,111	\$ (1,611)
Total expenditures	\$ 108,500	\$ 108,500	\$ 110,111	\$ (1,611)
Excess (deficiency) of revenues over (under) expenditures	\$ (108,500)	\$ (108,500)	\$ (106,491)	\$ 2,009
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 126,100	\$ 126,100	\$ 108,500	\$ (17,600)
Transfers out	-	-	(24,493)	(24,493)
Total other financing sources (uses)	\$ 126,100	\$ 126,100	\$ 84,007	\$ (42,093)
Net change in fund balances	\$ 17,600	\$ 17,600	\$ (22,484)	\$ (40,084)
Fund balances - beginning	-	-	485,228	485,228
Fund balances - ending	\$ 17,600	\$ 17,600	\$ 462,744	\$ 445,144

**Town of Mount Jackson, Virginia
Balance Sheet
Nonmajor Governmental Funds
As of June 30, 2013**

Exhibit 15

	<u>Capital Projects</u>
	<u>Equipment Replacement</u>
ASSETS	
Cash and cash equivalents	\$ 462,744
Total assets	<u>\$ 462,744</u>
LIABILITIES AND FUND BALANCES	
Fund balances:	
Assigned:	
Capital projects	\$ 462,744
Total fund balances	<u>\$ 462,744</u>
Total liabilities and fund balances	<u>\$ 462,744</u>

Town of Mount Jackson, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Capital Projects
	<u>Equipment Replacement</u>
REVENUES	
Revenue from the use of money and property	\$ 3,620
Total revenues	<u>\$ 3,620</u>
EXPENDITURES	
Capital projects	\$ 110,111
Total expenditures	<u>\$ 110,111</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (106,491)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	\$ 108,500
Transfers out	<u>(24,493)</u>
Total other financing sources (uses)	<u>\$ 84,007</u>
Net change in fund balances	\$ (22,484)
Fund balances - beginning	485,228
Fund balances - ending	<u><u>\$ 462,744</u></u>

SUPPORTING SCHEDULES

Town of Mount Jackson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 1
Page 1 of 2

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 225,000	\$ 225,000	\$ 225,231	\$ 231
Personal property taxes	220,000	220,000	181,324	(38,676)
Penalties and interest on delinquent taxes	3,000	3,000	2,203	(797)
Total general property taxes	<u>\$ 448,000</u>	<u>\$ 448,000</u>	<u>\$ 408,758</u>	<u>\$ (39,242)</u>
Other local taxes:				
Local sales and use taxes	\$ 118,000	\$ 125,000	\$ 122,712	\$ (2,288)
Consumer utility taxes	57,000	57,000	55,026	(1,974)
Consumption taxes	6,500	6,500	6,349	(151)
Transient occupancy taxes	37,000	37,000	34,060	(2,940)
Business license taxes	90,000	94,000	96,511	2,511
Motor vehicle taxes	42,000	42,000	40,468	(1,532)
Bank stock taxes	35,000	35,000	24,510	(10,490)
Meals taxes	320,000	295,000	292,255	(2,745)
Cigarette taxes	230,000	185,000	197,055	12,055
Total other local taxes	<u>\$ 935,500</u>	<u>\$ 876,500</u>	<u>\$ 868,946</u>	<u>\$ (7,554)</u>
Permits, privilege fees, and regulatory licenses:				
Zoning	\$ 5,000	\$ 5,000	\$ 2,060	\$ (2,940)
Total permits, privilege fees, and regulatory licenses	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 2,060</u>	<u>\$ (2,940)</u>
Fines and forfeitures	<u>\$ 17,100</u>	<u>\$ 17,100</u>	<u>\$ 16,686</u>	<u>\$ (414)</u>
Use of money and property:				
Revenue from use of money	\$ 12,000	\$ 12,000	\$ 6,648	\$ (5,352)
Revenue from use of property	8,900	9,100	8,725	(375)
Total use of money and property	<u>\$ 20,900</u>	<u>\$ 21,100</u>	<u>\$ 15,373</u>	<u>\$ (5,727)</u>
Charges for services:				
Pool admissions	\$ 7,500	\$ 7,500	\$ 10,475	\$ 2,975
Pool concessions	-	300	1,814	1,514
Other	1,100	1,200	1,607	407
Total charges for services	<u>\$ 8,600</u>	<u>\$ 9,000</u>	<u>\$ 13,896</u>	<u>\$ 4,896</u>
Miscellaneous revenue:				
Miscellaneous	\$ 30,600	\$ 42,600	\$ 34,021	\$ (8,579)
Sale of equipment	5,000	5,000	6,850	1,850
Total miscellaneous revenue	<u>\$ 35,600</u>	<u>\$ 47,600</u>	<u>\$ 40,871</u>	<u>\$ (6,729)</u>
Total revenue from local sources	<u>\$ 1,470,700</u>	<u>\$ 1,424,300</u>	<u>\$ 1,366,590</u>	<u>\$ (57,710)</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
ABC profits	\$ -	\$ -	\$ 62	\$ 62
Rolling stock tax	8,000	8,600	8,666	66
Personal property tax relief funds	-	-	33,571	33,571
Total noncategorical aid	<u>\$ 8,000</u>	<u>\$ 8,600</u>	<u>\$ 42,299</u>	<u>\$ 33,699</u>

Town of Mount Jackson, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Schedule 1
Page 2 of 2

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (continued)				
Revenue from the Commonwealth: (continued)				
Categorical aid:				
Fire program	\$ -	\$ -	\$ 800	\$ 800
Litter control grant	1,500	3,000	1,263	(1,737)
DJCP grant for law enforcement	41,200	41,200	41,240	40
Local law enforcement block grant	1,500	3,000	842	(2,158)
Other	-	-	2,150	2,150
Total categorical aid	<u>\$ 44,200</u>	<u>\$ 47,200</u>	<u>\$ 46,295</u>	<u>\$ (905)</u>
Total revenue from the Commonwealth	<u>\$ 52,200</u>	<u>\$ 55,800</u>	<u>\$ 88,594</u>	<u>\$ 32,794</u>
Revenue from the federal government:				
Categorical aid:				
DMV - ground transportation safety grant	\$ 1,000	\$ 1,000	\$ 1,291	\$ 291
Total revenue from the federal government	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,291</u>	<u>\$ 291</u>
Total General Fund	<u>\$ 1,522,900</u>	<u>\$ 1,481,100</u>	<u>\$ 1,456,475</u>	<u>\$ (24,625)</u>
Capital Projects Funds:				
Special Revenue Funds:				
Community Development Block Grant Fund:				
Revenue from local sources:				
Miscellaneous revenue	\$ -	\$ -	\$ 1,200	\$ 1,200
Total miscellaneous revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Total Community Development Block Grant Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200</u>	<u>\$ 1,200</u>
Equipment Replacement Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	\$ -	\$ -	\$ 3,620	\$ 3,620
Total revenue from local sources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,620</u>	<u>\$ 3,620</u>
Total Equipment Replacement Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,620</u>	<u>\$ 3,620</u>
General Capital Projects Fund:				
Revenue from the federal government:				
Categorical aid:				
TEA grant	\$ 400,000	\$ -	\$ 40,699	\$ 40,699
Total categorical aid	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 40,699</u>	<u>\$ 40,699</u>
Total revenue from the federal government	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 40,699</u>	<u>\$ 40,699</u>
Total General Capital Projects Fund	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 40,699</u>	<u>\$ 40,699</u>
Total Primary Government	<u>\$ 1,922,900</u>	<u>\$ 1,481,100</u>	<u>\$ 1,501,994</u>	<u>\$ 20,894</u>

Town of Mount Jackson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013

Schedule 2
Page 1 of 3

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
Town Council:				
Personal services	\$ 4,700	\$ 4,700	\$ 4,710	\$ (10)
Fringe benefits	400	400	360	40
Other charges	<u>43,400</u>	<u>38,900</u>	<u>42,132</u>	<u>(3,232)</u>
Total town council	<u>\$ 48,500</u>	<u>\$ 44,000</u>	<u>\$ 47,202</u>	<u>\$ (3,202)</u>
Town Manager:				
Personal services	\$ 78,000	\$ 124,400	\$ 143,826	\$ (19,426)
Fringe benefits	<u>28,600</u>	<u>43,300</u>	<u>44,370</u>	<u>(1,070)</u>
Total town manager	<u>\$ 106,600</u>	<u>\$ 167,700</u>	<u>\$ 188,196</u>	<u>\$ (20,496)</u>
Assistant Town Manager:				
Personal services	\$ 39,000	\$ 4,300	\$ 4,259	\$ 41
Fringe benefits	<u>25,500</u>	<u>2,600</u>	<u>2,352</u>	<u>248</u>
Total assistant town manager	<u>\$ 64,500</u>	<u>\$ 6,900</u>	<u>\$ 6,611</u>	<u>\$ 289</u>
Treasurer's office:				
Personal services	\$ 55,000	\$ 61,000	\$ 63,153	\$ (2,153)
Fringe benefits	<u>27,500</u>	<u>27,400</u>	<u>25,669</u>	<u>1,731</u>
Total treasurer's office	<u>\$ 82,500</u>	<u>\$ 88,400</u>	<u>\$ 88,822</u>	<u>\$ (422)</u>
Total legislative	<u>\$ 302,100</u>	<u>\$ 307,000</u>	<u>\$ 330,831</u>	<u>\$ (23,831)</u>
Administration:				
Personal services	\$ 71,000	\$ 89,300	\$ 89,235	\$ 65
Fringe benefits	22,300	23,600	23,378	222
Legal and expert services	13,500	16,900	15,400	1,500
Independent auditor	26,000	28,000	22,680	5,320
Computer support	14,000	26,500	23,455	3,045
Contingency	104,500	15,000	-	15,000
Vehicle costs	10,000	11,000	7,185	3,815
Other	<u>40,400</u>	<u>35,200</u>	<u>23,893</u>	<u>11,307</u>
Total administration	<u>\$ 301,700</u>	<u>\$ 245,500</u>	<u>\$ 205,226</u>	<u>\$ 40,274</u>
Buildings and property:				
Municipal property	\$ 11,500	\$ 13,000	\$ 13,976	\$ (976)
Community center	56,500	43,000	44,371	(1,371)
Union church	1,900	1,400	195	1,205
Museum	100	100	67	33
Tourism	22,200	22,200	1,466	20,734
Town office	<u>46,000</u>	<u>45,000</u>	<u>43,341</u>	<u>1,659</u>
Total buildings and property	<u>\$ 138,200</u>	<u>\$ 124,700</u>	<u>\$ 103,416</u>	<u>\$ 21,284</u>
Total general government administration	<u>\$ 742,000</u>	<u>\$ 677,200</u>	<u>\$ 639,473</u>	<u>\$ 37,727</u>

**Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)**

**Schedule 2
Page 2 of 3**

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Public safety:				
Law enforcement and traffic control:				
Police department:				
Personal services	\$ 188,200	\$ 202,900	\$ 214,023	\$ (11,123)
Fringe benefits	89,500	93,800	91,721	2,079
Other charges	45,500	47,000	34,178	12,822
Capital outlay	8,000	9,000	9,125	(125)
Total law enforcement and traffic control	<u>\$ 331,200</u>	<u>\$ 352,700</u>	<u>\$ 349,047</u>	<u>\$ 3,653</u>
Fire and rescue services:				
Fire department	\$ 25,000	25,000	-	25,000
Total fire and rescue services	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>
Total public safety	<u>\$ 356,200</u>	<u>\$ 377,700</u>	<u>\$ 349,047</u>	<u>\$ 28,653</u>
Public works:				
Personal services	\$ 146,000	\$ 176,200	\$ 183,343	\$ (7,143)
Fringe benefits	69,200	79,100	79,442	(342)
Other charges	41,800	41,800	45,025	(3,225)
Building maintenance	11,500	10,300	7,259	3,041
Streets and sidewalks	47,200	48,500	37,894	10,606
Total public works	<u>\$ 315,700</u>	<u>\$ 355,900</u>	<u>\$ 352,963</u>	<u>\$ 2,937</u>
Parks, recreation, and cultural:				
Personal services	\$ 25,000	\$ 23,000	\$ 19,973	\$ 3,027
Fringe benefits	2,000	1,800	1,528	272
Other charges	13,500	13,000	15,812	(2,812)
Town park	7,500	7,900	5,728	2,172
Total parks, recreation, and cultural	<u>\$ 48,000</u>	<u>\$ 45,700</u>	<u>\$ 43,041</u>	<u>\$ 2,659</u>
Community development:				
Professional services	\$ 16,500	\$ 6,500	\$ 2,742	\$ 3,758
Other charges	3,500	3,500	1,050	2,450
Total community development	<u>\$ 20,000</u>	<u>\$ 10,000</u>	<u>\$ 3,792</u>	<u>\$ 6,208</u>
Debt service:				
Principal	\$ 38,379	\$ 38,379	\$ 38,221	\$ 158
Interest	36,121	36,121	36,121	-
Total debt service	<u>\$ 74,500</u>	<u>\$ 74,500</u>	<u>\$ 74,342</u>	<u>\$ 158</u>
Total General Fund	<u>\$ 1,556,400</u>	<u>\$ 1,541,000</u>	<u>\$ 1,462,658</u>	<u>\$ 78,342</u>

Town of Mount Jackson, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2013 (Continued)

Schedule 2
Page 3 of 3

Fund, Function, Activity, and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Capital Projects Funds:				
Equipment Replacement Fund:				
Capital outlay	\$ 108,500	\$ 108,500	\$ 110,111	\$ (1,611)
Total capital projects	\$ 108,500	\$ 108,500	\$ 110,111	\$ (1,611)
Total Equipment Replacement Fund	\$ 108,500	\$ 108,500	\$ 110,111	\$ (1,611)
 General Capital Projects Fund:				
Capital projects	\$ 890,200	\$ 501,600	\$ 196,741	\$ 304,859
Total General Capital Projects Fund	\$ 890,200	\$ 501,600	\$ 196,741	\$ 304,859
Total Primary Government	\$ 2,555,100	\$ 2,151,100	\$ 1,769,510	\$ 381,590

COMPLIANCE

ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO THE HONORABLE MEMBERS OF THE TOWN COUNCIL TOWN OF MOUNT JACKSON, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Mount Jackson, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Mount Jackson, Virginia's basic financial statements, and have issued our report thereon dated November 26, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

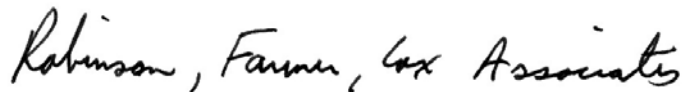
Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. (Reference Finding 2013-1).

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and 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.

A handwritten signature in cursive script that reads "Robinson, Farmer, Cox Associates".

Staunton, Virginia
November 26, 2013

**TOWN OF MOUNT JACKSON, VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013**

Section II--Financial Statement Findings

Section I--Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	<u>unmodified</u>
Internal control over financial reporting:	
- Material weakness(es) identified?	<u> </u> yes <u> x </u> no
- Significant deficiency(ies) identified?	<u> x </u> yes <u> </u> no
Non compliance material to financial statements noted?	<u> </u> yes <u> x </u> no

Finding/Noncompliance

Finding 2013-1 Significant Deficiency:

Criteria: The Town should reconcile the bank accounts to the general ledger on a monthly basis in a timely manner with any discrepancies found investigated and resolved immediately. This procedure is critical to maintaining an accurate accounting of the cash.

Condition: The Town did not successfully reconcile the bank accounts to the general ledger on a monthly basis in a timely manner. Bank reconciliations that had discrepancies were left unreconciled until an adjusting entry was made to correct the errors.

Cause: The Town did not monitor the bank reconciliation process and discrepancies were left uninvestigated.

Effect: During a detailed review of revenue, it was determined that the cash receipts from November 30, 2012 in the amount of \$2,950.10 were not posted to the Town's accounting software. As a result of the audit, adjustments were required to correct the Town's general ledger revenue accounts. Had the discrepancies discovered when reconciling the bank statements been investigated and corrected, this error would have been caught and resolved the month it occurred.

Recommendation: In order to safeguard the Town's assets, it is imperative that bank accounts be reconciled monthly to the general ledger. Difference should be investigated immediately and appropriate adjustments recorded.

Management's Response:

A. Comments on Findings and Recommendations: Town of Mount Jackson, Virginia concurs with Finding 2013-1. In an effort to improve the reconciliation process during the past year, the Town undertook a study of its accounting system as it pertains to cash and receivable accounting and identified certain transaction types that are generating reconciling items on a regular basis, but did not discover the item mentioned in the Finding above. On November 30, 2012, the detailed information had been captured by the revenue accounting system, but as noted, the summary entry created by that system did not post to the general ledger. After the accounting for that item was corrected upon audit, the total unidentified reconciling item(s) for the entire fiscal year resulted in a net adjustment of \$52.08.

B. Actions Planned or Taken: The Chairman of the Audit Committee has requested that the Town Treasurer present a plan to the Town Manager and the Audit Committee at its January 2014 meeting that will ensure the prompt completion of the bank reconciliation with timely investigation and adjustment of reconciling items and submit evidence of such reconciliations as requested by the Chairman throughout the fiscal year.

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