

TOWN OF SHENANDOAH, VIRGINIA

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORTS

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INDEPENDENT AUDITOR'S REPORT

TO THE TOWN COUNCIL
TOWN OF SHENANDOAH, VIRGINIA

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respect, the respective financial position of the governmental activity, the business-type activities, and each major fund of the Town of Shenandoah, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require the budgetary comparison schedule on page 27 and the schedule of funding progress for defined benefit pension plan on page 28 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying information listed as Other Supplementary Information in the Table of Contents is presented for purposes of additional analysis is not a required part of the basic financial statements.

The Other Supplementary Information is the responsibility of management and was 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2014, on our consideration of the Town'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Anderson, White & Company, P.C.

Staunton, Virginia
February 7, 2014

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

TO THE TOWN COUNCIL
TOWN OF SHENANDOAH, VIRGINIA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Shenandoah, 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 and have issued our report thereon dated February 7, 2014

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 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 that we consider to be significant deficiencies. The Town is a small municipality with a limited number of staff and therefore, as with many small Town's, has inadequate internal control over the preparation of the annual financial report with full note disclosures required to be in conformity with the U.S. Generally Accepted Accounting Principles. The Town has determined the costs to eliminate this deficiency exceed the benefits, and thus have engaged the auditing firm to assist in this process.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

Town's Response to Findings

The Town's response to the findings identified in our audit is described previously. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, White & Company, P.C.

Staunton, Virginia
February 7, 2014

BASIC FINANCIAL STATEMENTS

TOWN OF SHENANDOAH, VIRGINIA

Statement 1

STATEMENT OF NET POSITION

As of June 30, 2013

	Governmental Activities	Business- Type Activities	Total Primary Government
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 451 676	\$ 863 592	\$ 1 315 268
Restricted cash and cash equivalents	24 687	-	24 687
Receivables (Net of allowances for uncollectibles of \$57,699)			
Taxes, including interest and penalties	58 848	-	58 848
Other local revenues	38 056	-	38 056
Accounts, billed	-	30 822	30 822
Accounts, unbilled	-	42 129	42 129
Other	-	10 366	10 366
Due from other governments	12 279	-	12 279
Total Current Assets	\$ 585 546	\$ 946 909	\$ 1 532 455
Noncurrent Assets:			
Capital assets, net	\$ 868 789	\$ 3 861 630	\$ 4 730 419
Bond issue costs	2 760	3 632	6 392
Total Noncurrent Assets	\$ 871 549	\$ 3 865 262	\$ 4 736 811
Total Assets	\$ 1 457 095	\$ 4 812 171	\$ 6 269 266
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 11 143	\$ 6 887	\$ 18 030
Accrued payroll and payroll liabilities	18 200	7 001	25 201
Accrued interest payable	259	5 314	5 573
Notes and bonds payable, current portion	56 109	135 256	191 365
Customer deposits	-	16 289	16 289
Total Current Liabilities	\$ 85 711	\$ 170 747	\$ 256 458
Noncurrent Liabilities:			
Notes and bonds payable	\$ 220 012	\$ 1 887 508	\$ 2 107 520
Compensated absences	28 516	45 790	74 306
Total Noncurrent Liabilities	\$ 248 528	\$ 1 933 298	\$ 2 181 826
DEFERRED INFLOWS OF RESOURCES			
Prepaid property taxes	\$ 12 621	-	\$ 12 621
Total Liabilities and Deferred Inflows of Resources	\$ 346 860	\$ 2 104 045	\$ 2 450 905
NET POSITION			
Net investment in capital assets	\$ 592 668	\$ 1 838 866	\$ 2 431 534
Restricted:			
Revolving loan fund	10 734	-	10 734
Various unspent restricted donations	13 953	-	13 953
Unrestricted	492 880	869 260	1 362 140
Total Net Position	\$ 1 110 235	\$ 2 708 126	\$ 3 818 361

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

TOWN OF SHENANDOAH, 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
Governmental Activities:				
General government administration	\$ 388 000	\$ 103 141	\$ 1 777	\$ -
Public safety	362 724	6 171	57 221	-
Public works	352 879	126 284	9 691	-
Economic development	52 098	16 641	-	23 593
Interest on long-term debt	8 343	-	-	-
Total Governmental Activities	\$ 1 164 044	\$ 252 237	\$ 68 689	\$ 23 593
Business-type Activities:				
Utility Fund	\$ 673 111	\$ 563 954	\$ -	\$ 20 000
Total Business-Type Activities	\$ 673 111	\$ 563 954	\$ -	\$ 20 000
Total Primary Government	\$ 1 837 155	\$ 816 191	\$ 68 689	\$ 43 593

General Revenues:

General property taxes
 Local sales and use taxes
 Restaurant food taxes
 Utility taxes
 Electric surtax
 Communications tax
 Cigarette tax
 Electric franchise
 Bank stock taxes
 Transient occupancy tax
 Railroad rolling stock taxes
 Interest income
 Miscellaneous

Total General Revenues

Gain (Loss) on Disposal of Assets

Transfers

Change in Net Position

Net Position at Beginning of Year

Net Position at End of Year

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

<u>Net (Expenses) Revenue and Changes in Net Position</u>		
<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total Primary Government</u>
\$ (283 082)	\$ -	\$ (283 082)
(299 332)	-	(299 332)
(216 904)	-	(216 904)
(11 864)	-	(11 864)
(8 343)	-	(8 343)
<u>\$ (819 525)</u>	<u>\$ -</u>	<u>\$ (819 525)</u>
\$ -	\$ (89 157)	\$ (89 157)
\$ -	\$ (89 157)	\$ (89 157)
\$ (819 525)	\$ (89 157)	\$ (908 682)
\$ 532 930	\$ -	\$ 532 930
93 023	-	93 023
149 210	-	149 210
23 956	-	23 956
34 879	-	34 879
28 674	-	28 674
31 680	-	31 680
9 465	-	9 465
23 961	-	23 961
5 959	-	5 959
13 488	-	13 488
779	12 142	12 921
4 127	487	4 614
<u>\$ 952 131</u>	<u>\$ 12 629</u>	<u>\$ 964 760</u>
\$ 10 400	\$ -	\$ 10 400
\$ (81 883)	\$ 81 883	\$ -
\$ 61 123	\$ 5 355	\$ 66 478
<u>1 049 112</u>	<u>2 702 771</u>	<u>3 751 883</u>
<u>\$ 1 110 235</u>	<u>\$ 2 708 126</u>	<u>\$ 3 818 361</u>

BALANCE SHEET - GOVERNMENTAL FUNDS
As of June 30, 2013

	General Fund
ASSETS	
Cash and cash equivalents	\$ 451 676
Receivables (Net of allowances for uncollectibles of \$57,699):	
Taxes, including interest and penalties	58 848
Other local revenues	38 056
Due from other governments	12 279
Restricted cash and cash equivalents	<u>24 687</u>
Total Assets	\$ <u>585 546</u>
LIABILITIES	
Accounts payable	\$ 11 143
Accrued payroll and payroll liabilities	<u>18 200</u>
Total Liabilities	\$ <u>29 343</u>
DEFERRED INFLOWS OF RESOURCES	
Prepaid property taxes	\$ 12 621
Unavailable revenue-property taxes	<u>47 612</u>
Total Deferred Inflows of Resources	\$ <u>60 233</u>
FUND BALANCES	
Restricted:	
Revolving loan fund	\$ 10 734
Various unspent restricted donations	13 953
Assigned to capital improvements	64 815
Unassigned	<u>406 468</u>
Total Fund Balances	\$ <u>495 970</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>585 546</u>

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

TOWN OF SHENANDOAH, VIRGINIA

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Statement 3
(Continued)

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of June 30, 2013**

**Amounts reported for governmental activities in the Statement of
Net Position are different because of the following:**

Fund balances of governmental funds	\$ 495 970
Capital assets, net of depreciation, are not current financial resources and are not included in the governmental funds.	868 789
Bond issue costs, net of amortization, are not current financial resources and are not included in the governmental funds.	2 760
Long-term liabilities, including notes and bonds payable and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(304 637)
Property taxes receivable not received within forty-five days after year end are not available to fund current-period expenditures and, therefore, are deferred in the funds.	47 612
Interest payable on long-term debt does not require current financial resources, and therefore, is not reported as a liability in the funds.	<u>(259)</u>
Net position of governmental activities	\$ <u><u>1 110 235</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General Fund
Revenues:	
General property taxes	\$ 525 453
Other local taxes	503 948
Fines and forfeitures	6 171
Revenues from use of money and property	1 914
Charges for services	141 790
Miscellaneous	27 720
Intergovernmental:	
Revenue from the Commonwealth	70 851
Revenue from the Federal Government	11 326
Total Revenues	\$ 1 289 173
Expenditures:	
Current:	
General government administration	\$ 388 922
Public safety	342 332
Public works	349 307
Economic development	39 027
Capital expenditures	24 064
Debt Service:	
Debt service payments	64 145
Total Expenditures	\$ 1 207 797
Excess (Deficiency) of Revenues Over Expenditures	\$ 81 376
Other Financing Sources (Uses):	
Proceeds from leases and loans	\$ -
Proceeds from disposal of assets	10 400
Net operating transfers	(81 883)
Total Other Financing Sources (Uses)	\$ (71 483)
Net Change in Fund Balances	\$ 9 893
Fund Balance at Beginning of Year	486 077
Fund Balance at End of Year	\$ 495 970

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
(Continued)
For the Year Ended June 30, 2013

**Amounts reported for governmental activities in the Statement of
Activities are different because of the following:**

Net change in fund balance - total governmental funds	\$	9 893
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$55,502) exceeded capital outlay (\$46,779) in the current period.		(8 723)
Bond issue costs use current financial resources to governmental funds. However, in the Statement of Activities these costs are allocated over the life of the related debt and reported as amortization expense. This is the amount of amortization for the current period.		(480)
Repayment of long-term debt is an expenditure in the governmental funds, but reduces long-term debt in the Statement of Activities.		55 759
The change in compensated absences liability reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported in the governmental funds.		(2 846)
General property tax revenues in the Statement of Activities that do not provide current financial resources are not reported in the governmental funds.		7 477
In the governmental funds, interest on long-term debt is reported as interest expense when due, whereas in the Statement of Activities it is accrued.		<u>43</u>
Change in net position of governmental funds	\$	<u><u>61 123</u></u>

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

As of June 30, 2013

ASSETS	Utility Fund
Current Assets:	
Cash and cash equivalents	\$ 863 592
Receivables:	
Accounts, billed	30 822
Accounts, unbilled	42 129
Other	10 366
Total Current Assets	\$ 946 909
Noncurrent Assets:	
Capital assets, net	\$ 3 861 630
Bond issue costs	3 632
Total Noncurrent Assets	\$ 3 865 262
Total Assets	\$ 4 812 171
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 6 887
Accrued payroll and payroll liabilities	7 001
Accrued interest payable	5 314
Notes and bonds payable, current portion	135 256
Customer deposits	16 289
Total Current Liabilities	\$ 170 747
Noncurrent Liabilities:	
Notes and bonds payable	\$ 1 887 508
Compensated absences	45 790
Total Noncurrent Liabilities	\$ 1 933 298
Total Liabilities	\$ 2 104 045
NET POSITION	
Net investment in capital assets	\$ 1 838 866
Unrestricted	
Undesignated	22 220
Designated for capital improvements	847 040
Total Net Position	\$ 2 708 126

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	<u>Utility Fund</u>
Operating Revenues:	
Charges for services	\$ 548 343
Total Operating Revenues	\$ 548 343
Operating Expenses:	
Personal services	\$ 211 500
Fringe benefits	73 682
Supplies, materials, and maintenance	65 779
Power and fuel	46 262
Depreciation and amortization	151 785
Other	41 224
Total Operating Expenses	\$ 590 232
Operating Income (Loss)	\$ (41 889)
Nonoperating Revenues (Expenses):	
Interest	\$ 12 142
Penalties	12 943
Cut-on fees	2 668
Miscellaneous income	487
Interest and fiscal charges	(82 879)
Total Nonoperating Revenues (Expenses)	\$ (54 639)
Net Income (Loss) Before Contributions and Transfers	\$ (96 528)
Contributions - connection fees	\$ 20 000
Operating transfers in / (out)	81 883
Total Contributions and Transfers	\$ 101 883
Change in Net Position	\$ 5 355
Net Position at Beginning of Year	2 702 771
Net Position at End of Year	\$ 2 708 126

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

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Utility Fund
Cash Flows from Operating Activities:	
Cash received from customers	\$ 549 701
Cash payments to suppliers	(156 363)
Cash payments to employees	(280 815)
Net Cash Provided (Used) by Operating Activities	\$ 112 523
Cash Flows from Noncapital Financing Activities:	
Net transfers	\$ 81 883
Other noncapital financing received	16 098
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 97 981
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	\$ (116 582)
Proceeds from connection fees and capital grants	20 000
Repayment of long-term debt	(131 128)
Interest paid on long-term debt	(83 058)
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ (310 768)
Cash Flows from Investing Activities:	
Interest earned	\$ 12 142
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (88 122)
Cash and Cash Equivalents at Beginning of Year	951 714
Cash and Cash Equivalents at End of Year	\$ 863 592

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

TOWN OF SHENANDOAH, VIRGINIA**STATEMENT OF CASH FLOWS - Continued**
PROPRIETARY FUNDS
For the Year Ended June 30, 2013**Reconciliation of Operating Income to Net Cash
Provided (Used) by Operating Activities:**

	<u>Utility Fund</u>
Operating income (loss)	\$ (41 889)
Adjustment to reconcile net operating income to net cash provided by operating activities:	
Depreciation and amortization	151 785
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Receivables	2 253
Increase (decrease) in:	
Accounts payable	(3 098)
Accrued payroll	2 549
Customer deposits	(895)
Compensated absences	<u>1 818</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>112 523</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements
For the Year Ended June 30, 2013

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Town of Shenandoah, Virginia (the "Town") have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the Town are described below.

A. Reporting Entity

The Town is a municipal government that is governed by an elected seven-member council, including a mayor. Generally accepted accounting principles requires these financial statements to present the Town (the primary government) and its component units, entities for which the government is considered to be financially accountable. Currently there are no component units that meet the criteria to be included in this report.

B. Government-wide and Fund Financial Statements

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

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function or business-type activity) is normally covered by general revenue (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds and proprietary funds. Individual governmental funds and individual enterprise funds are reported as separate columns in the fund financial statements.

The government-wide focus is more on the sustainability of the Town as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 45 days of the end of the current fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the Town; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for sales and services. Operating expenses for the Town's enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

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

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Town has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

The following funds are used by the Town:

1. Governmental Funds:

The following is a description of the Governmental Funds of the Town:

The General Fund accounts for the Town's primary services (General Government Administration, Public Safety, Public Works, Economic Development, etc.) and is the primary operating unit of the Town.

2. Proprietary Funds:

The following is a description of the Proprietary Funds of the Town:

The Utility Fund accounts for the operation of the Town's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

D. Cash, Cash Equivalents and Investments

For purposes of the Statement of Cash Flows, cash and cash equivalents include business interest checking and savings accounts, certificates of deposit, and money market accounts maintained during the year.

E. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems will be recorded at historical cost on a prospective basis as the Town has elected out of recording such assets retrospectively as allowed for Phase 3 Governments.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

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

E. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the Town is depreciated using the straight line method over estimated useful lives ranging from three to fifty years.

F. Fund Equity

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the Town through approval of resolutions. Assigned fund balances is a limitation imposed by the Town Council or a designee of the Town. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes. Proprietary fund equity is classified the same as in the government-wide statements.

When both restricted and unrestricted fund balances are available for use, it is the Town's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

G. Property Taxes

Property taxes attached as an enforceable lien on property as of January 1 of each year. Taxes are payable in June and December. The Town bills and collects its own property taxes based on assessment values obtained from the Page County, Virginia, Commissioner of Revenue.

NOTE 2—CASH DEPOSITS:

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.

Restricted cash consists of the following:

\$	10 734	Revolving loan fund
	<u>13 953</u>	Various unspent restricted donations
\$	<u>24 687</u>	Total restricted cash

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 3—DUE FROM OTHER GOVERNMENTS:

Governmental Activities:

Page County:

Local sales tax	\$ 8 111
Various federal and state grants	<u>4 168</u>

Total – Governmental Activities	<u>\$ 12 279</u>
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NOTE 4—CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 271 490	\$ -	\$ -	\$ -	\$ 271 490
Construction in progress	<u>3 200</u>	<u>-</u>	<u>-</u>	<u>(3 200)</u>	<u>-</u>
Subtotal	<u>\$ 274 690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3 200)</u>	<u>\$ 271 490</u>
Capital assets being depreciated:					
Buildings	\$ 218 067	\$ -	\$ -	\$ -	\$ 218 067
Other improvements	239 619	16 423	-	3 200	259 242
Police department	345 295	1 705	-	-	347 000
Street department	279 916	21 723	(2 939)	-	298 700
Office furniture and equipment	51 252	6 928	-	-	58 180
Computer center assets	<u>562 068</u>	<u>-</u>	<u>(8 426)</u>	<u>-</u>	<u>553 642</u>
Subtotal	<u>\$ 1 696 217</u>	<u>\$ 46 779</u>	<u>\$ (11 365)</u>	<u>\$ 3 200</u>	<u>\$ 1 734 831</u>
Less accumulated depreciation:					
Buildings	\$ (134 501)	\$ (3 601)	\$ -	\$ -	\$ (138 102)
Other improvements	(68 057)	(11 449)	-	-	(79 506)
Police department	(211 334)	(18 737)	-	-	(230 071)
Street department	(211 391)	(7 871)	2 939	-	(216 323)
Office furniture and equipment	(50 227)	(773)	-	-	(51 000)
Computer center assets	<u>(417 885)</u>	<u>(13 071)</u>	<u>8 426</u>	<u>-</u>	<u>(422 530)</u>
Subtotal	<u>\$ (1 093 395)</u>	<u>\$ (55 502)</u>	<u>\$ 11 365</u>	<u>\$ -</u>	<u>\$ (1 137 532)</u>
Total capital assets being depreciated, net	<u>\$ 602 822</u>	<u>\$ (8 723)</u>	<u>\$ -</u>	<u>\$ 3 200</u>	<u>\$ 597 299</u>
Governmental Activities capital assets, net	<u>\$ 877 512</u>	<u>\$ (8 723)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 868 789</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 4—CAPITAL ASSETS: (Continued)

	Balance at Beginning Of Year	Additions	Retirements	Transfers	Balance at End Of Year
Business-type Activities:					
Capital assets not being depreciated:					
Land and land rights	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Subtotal	\$ 36 946	\$ -	\$ -	\$ -	\$ 36 946
Capital assets being depreciated:					
Structures and improvements:					
Source of supply	\$ 1 185 759	\$ -	\$ -	\$ -	\$ 1 185 759
Pumping plant	1 358	-	-	-	1 358
Water treatment plant	152 127	-	-	-	152 127
Sewage treatment plant	2 487 188	70 270	-	-	2 557 458
Transmission and distribution	3 006 304	2 952	-	-	3 009 256
Water treatment plant equipment	223 451	41 478	-	-	264 929
Vehicles	83 431	1 883	(5 000)	-	80 314
Office furniture and equipment	31 370	-	-	-	31 370
Shop equipment	38 806	-	(1 954)	-	36 852
Subtotal	\$ 7 209 794	\$ 116 583	\$ (6 954)	\$ -	\$ 7 319 423
Less accumulated depreciation:					
Structures and improvements:					
Source of supply	\$ (791 044)	\$ (23 715)	\$ -	\$ -	\$ (814 759)
Pumping plant	(904)	(27)	-	-	(931)
Water treatment plant	(89 844)	(3 042)	-	-	(92 886)
Sewage treatment plant	(932 003)	(50 955)	-	-	(982 958)
Transmission and distribution	(1 321 121)	(60 230)	-	-	(1 381 351)
Water treatment plant equipment	(63 371)	(12 438)	-	-	(75 809)
Vehicles	(83 431)	(157)	5 000	-	(78 588)
Office furniture and equipment	(30 326)	(279)	-	-	(30 605)
Shop equipment	(38 551)	(255)	1 954	-	(36 852)
Subtotal	\$ (3 350 595)	\$ (151 098)	\$ 6 954	\$ -	\$ (3 494 739)
Total capital assets being depreciated, net	\$ 3 859 199	\$ (34 515)	\$ -	\$ -	\$ 3 824 684
Business-type Activities capital assets, net	\$ 3 896 145	\$ (34 515)	\$ -	\$ -	\$ 3 861 630

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 4—CAPITAL ASSETS: (Continued)

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

Governmental Activities:	
General government administration	\$ 4 374
Public safety	18 737
Public works	19 320
Economic development	<u>13 071</u>
Total depreciation expense – governmental activities	\$ <u>55 502</u>
Business-type Activities:	
Utility Fund	\$ <u>151 098</u>
Total depreciation expense – business-type activities	\$ <u>151 098</u>

NOTE 5—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 of service credit. Members earn one month of service credit for each month they are employed and their employer is paying into the VRS. Members are eligible to purchase prior public service, active duty military service, certain periods of leave and previously refunded VRS service as service credit in their plan.

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

- Members hired before July 1, 2010, and who were vested as of January 1, 2013, are covered under Plan 1. Non-hazardous duty members are eligible for an unreduced retirement benefit beginning at age 65 with at least five years of service credit or age 50 with at least 30 years of service credit. They may retire with a reduced benefit early at age 55 with at least 5 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.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)

A. Plan Description (Continued)

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

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

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of the most recent report may be obtained from the VRS website 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.

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 its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended June 30, 2013 was 12.65% of annual covered payroll.

C. Annual Pension Cost

For fiscal year 2013, the Town's annual pension cost of \$74,168 was equal to the Town's required and actual contributions.

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 5—DEFINED BENEFIT PENSION PLAN: (Continued)C. Annual Pension Cost (Continued)

<u>Fiscal Year Ending</u>	<u>Three-year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2011	\$ 83 559	100%	\$ -
June 30, 2012	85 576	100%	-
June 30, 2013	74,168	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 the projected salary increases include an inflation component of **2.50%**. The actuarial value of the Town's assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The Town's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at June 30, 2011 for the Unfunded Actuarial Accrued Liability (UAAL) was 30 years.

D. Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 65.60% funded. The actuarial accrued liability for benefits was \$2,225,612, and the actuarial value of assets was \$1,459,968, resulting in an unfunded actuarial liability (UAAL) of \$765,644. The covered payroll (annual payroll of active employees covered by the plan) was \$538,105, and ratio of the UAAL to the covered payroll was 142.29%.

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

NOTE 6—LONG-TERM DEBT:

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

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 6—LONG-TERM DEBT: (Continued)

Governmental Activities

Year Ending June 30	General Obligation Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 46 241	\$ 6 723	\$ 9 868	\$ 134	\$ 56 109	\$ 6 857
2015	47 520	5 445	-	-	47 520	5 445
2016	48 834	4 131	-	-	48 834	4 131
2017	50 184	2 780	-	-	50 184	2 780
2018	51 602	1 392	-	-	51 602	1 392
2019-2023	<u>21 872</u>	<u>391</u>	<u>-</u>	<u>-</u>	<u>21 872</u>	<u>391</u>
Total	<u>\$ 266 253</u>	<u>\$ 20 862</u>	<u>\$ 9 868</u>	<u>\$ 134</u>	<u>\$ 276 121</u>	<u>\$ 20 996</u>

Business-type Activities

Year Ending June 30	General Obligation Bonds		Total	
	Principal	Interest	Principal	Interest
2014	\$ 135 256	\$ 78 930	\$ 135 256	\$ 78 930
2015	139 512	74 673	139 512	74 673
2016	143 911	70 274	143 911	70 274
2017	148 458	65 727	148 458	65 727
2018	152 524	61 027	152 524	61 027
2019-2023	227 222	267 786	227 222	267 786
2024-2028	269 150	213 431	269 150	213 431
2029-2033	336 920	145 660	336 920	145 660
2034-2038	421 755	60 825	421 755	60 825
2039-2043	<u>48 056</u>	<u>637</u>	<u>48 056</u>	<u>637</u>
Total	<u>\$ 2 022 764</u>	<u>\$ 1 038 970</u>	<u>\$ 2 022 764</u>	<u>\$ 1 038 970</u>

Changes In Long-Term Debt and Compensated Absences

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2013.

	Amounts payable at July 1, 2012	Increases	Decreases	Amounts payable at June 30, 2013
Governmental Activities:				
Compensated absences	\$ 25 670	\$ 2 846	\$ -	\$ 28 516
General Obligation Bonds	311 256	-	(45 003)	266 253
Notes payable	<u>20 624</u>	<u>-</u>	<u>(10 756)</u>	<u>9 868</u>
Total	<u>\$ 357 550</u>	<u>\$ 2 846</u>	<u>\$ (55 759)</u>	<u>\$ 304 637</u>
Business-type Activities:				
Compensated absences	\$ 43 972	\$ 1 818	\$ -	\$ 45 790
General Obligation Bonds	<u>2 153 891</u>	<u>-</u>	<u>(131 127)</u>	<u>2 022 764</u>
Total	<u>\$ 2 197 863</u>	<u>\$ 1 818</u>	<u>\$ (131 127)</u>	<u>\$ 2 068 554</u>

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 6—LONG-TERM DEBT: (Continued)Details of Long-Term IndebtednessGovernmental Activities:

General Obligations Bonds:

SunTrust General Obligation Bond (Capital Improvements Project) Series 2004 – payable monthly in the amount of \$1,602 commencing September 2004 for a term of 15 years, including interest at 2.86%. This bond has been allocated between the Governmental Activities (64%) and the Business-type Activities (36%). \$ 108 405

SunTrust General Obligation Revenue Bonds and Refunding Bonds Series 2003 – payable monthly in the amount of \$2,812 commencing July 2003 for a term of 15 years, including interest at 2.66%. This bond has been allocated between the Governmental Activities (24%) and the Business-Type Activities (76%). 157 848

Total General Obligation Bonds \$ 266 253

Blue Ridge Bank – payable monthly in the amount of \$412 commencing June 2011 for a term of 3 years, including interest at 2.375%, secured by vehicle purchased. \$ 4 474

Blue Ridge Bank – payable monthly in the amount of \$500 commencing June 2010 for a term of 4 years, including interest at 3%, secured by vehicle purchased. 5 394

Total Notes Payable \$ 9 868

Total Governmental Activities \$ 276 121

Business-type Activities:

General Obligations Bonds:

SunTrust General Obligation Bond (Capital Improvements Project) Series 2004 – payable monthly in the amount of \$901 commencing September 2004 for a term of 15 years, including interest at 2.86%. This bond has been allocated between the Governmental Activities (64%) and the Business-type Activities (36%). \$ 60 899

SunTrust General Obligation Revenue Bonds and Refunding Bonds Series 2003 – payable monthly in the amount of \$8,905 commencing July 2003 for a term of 15 years, including interest at 2.66%. This bond has been allocated between the Governmental Activities (24%) and the Business-Type Activities (76%). 499 212

USDA/Rural Development General Obligation Refunding Bonds Series of 1999 – payable monthly in the amount of \$8,043 commencing March 3, 2001 for a term of 38 years, including interest at 4.5%. 1 462 653

Total General Obligation Bonds \$ 2 022 764

Total Business-type Activities \$ 2 022 764

TOWN OF SHENANDOAH, VIRGINIA

Notes to Financial Statements (Continued)
For the Year Ended June 30, 2013

NOTE 7—DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources in the fund statements represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available.

Deferred inflows of resources on the governmental funds balance sheet totaling \$60,233 is comprised of the following:

- A. Prepaid Property Taxes
Property taxes due subsequent to June 30, 2013, but paid in advance by the taxpayers totaled \$12,621 at June 30, 2013. This amount also represents deferred inflows of resources on the Statement of Net Assets.
- B. Unavailable Property Tax Revenue
Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$47,612 at June 30, 2013.

NOTE 8—CONTINGENT LIABILITIES (INCLUDING FEDERALLY ASSISTED PROGRAMS - COMPLIANCE AUDITS):

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

NOTE 9—INTERFUND LOANS AND TRANSFERS:

Interfund transfers during the year took place as follows:

	<u>General Fund</u>	<u>Utility Fund</u>
Net transfers for operating expenditures	\$ <u>(81 883)</u>	\$ <u>81 883</u>
Total Transfers, Net	\$ <u>(81 883)</u>	\$ <u>81 883</u>

NOTE 10—SUBSEQUENT EVENTS:

The Town purchased a hydrojetter for approximately \$40,000 and a new vehicle for approximately \$27,000 that were financed via new bank loans. And the Town made approximately \$36,000 in improvements to its wells out of capital savings.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 533 751	\$ 533 751	\$ 525 453	\$ (8 298)
Other local taxes	487 899	487 899	503 948	16 049
Fines and forfeitures	7 500	7 500	6 171	(1 329)
Revenues from use of money and property	2 850	2 850	1 914	(936)
Charges for services	136 691	136 691	141 790	5 099
Miscellaneous	14 200	14 200	27 720	13 520
Intergovernmental:				
Revenue from the Commonwealth	67 694	67 694	70 851	3 157
Revenue from the Federal Government	5 500	5 500	11 326	5 826
Total Revenues	\$ 1 256 085	\$ 1 256 085	\$ 1 289 173	\$ 33 088
Expenditures:				
Current:				
General government administration	\$ 402 468	\$ 402 468	\$ 388 922	\$ 13 546
Public safety	298 938	338 938	342 332	(3 394)
Public works	354 094	354 094	349 307	4 787
Economic development	40 942	40 942	39 027	1 915
Capital expenditures	42 172	102 172	24 064	78 108
Debt Service:				
Debt service payments	52 965	52 965	64 145	(11 180)
Total Expenditures	\$ 1 191 579	\$ 1 291 579	\$ 1 207 797	\$ 83 782
Excess (Deficiency) of Revenues Over Expenditures	\$ 64 506	\$ (35 494)	\$ 81 376	\$ 116 870
Other Financing Sources (Uses):				
Proceeds from leases and loans	\$ -	\$ -	\$ -	\$ -
Proceeds from disposal of assets	-	-	10 400	10 400
Net operating transfers	(64 506)	(64 506)	(81 883)	(17 377)
Total Other Financing Sources (Uses)	\$ (64 506)	\$ (64 506)	\$ (71 483)	\$ (6 977)
Net Change in Fund Balances	\$ -	\$ (100 000)	\$ 9 893	\$ 109 893
Fund Balance at Beginning of Year	-	100 000	486 077	386 077
Fund Balance at End of Year	\$ -	\$ -	\$ 495 970	\$ 495 970

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

TOWN OF SHENANDOAH, VIRGINIA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR
DEFINED BENEFIT PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2008	\$ 1 436 558	\$ 1 714 249	\$ 277 691	83.80%	\$ 476 033	58.33%
June 30, 2009	1 442 820	1 858 263	415 443	77.64%	506 562	82.01%
June 30, 2010	1 427 788	2 051 079	623 291	69.61%	517 292	120.49%
June 30, 2011	1 471 684	2 162 835	691 151	68.04%	534 651	129.27%
June 30, 2012	1 459 968	2 225 612	765 644	65.60%	538 105	142.29%

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

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
Revenue from Local Sources:			
General Property Taxes:			
Real property taxes	\$ 411 251	\$ 401 976	\$ (9 275)
Personal property taxes	86 000	85 630	(370)
Delinquent taxes	29 500	25 238	(4 262)
Penalties and interest	7 000	12 609	5 609
Total General Property Taxes	\$ 533 751	\$ 525 453	\$ (8 298)
Other Local Taxes:			
Local sales and use taxes	\$ 78 500	\$ 93 023	\$ 14 523
Restaurant food taxes	147 300	149 210	1 910
Business licenses	58 000	62 812	4 812
Motor vehicle licenses	40 000	38 872	(1 128)
Utility taxes	21 283	23 956	2 673
Electric surtax	37 700	34 879	(2 821)
Communications tax	27 000	28 674	1 674
Cigarette tax	37 000	31 680	(5 320)
Electric franchise	9 465	9 465	-
Bank stock taxes	25 500	23 961	(1 539)
Transient occupancy tax	5 151	5 959	808
Permits and administration	1 000	1 457	457
Total Other Local Taxes	\$ 487 899	\$ 503 948	\$ 16 049
Fines and Forfeitures:			
Fines and forfeitures	\$ 7 500	\$ 6 171	\$ (1 329)
Revenues from Use of Money and Property:			
Revenue from use of money	\$ 850	\$ 779	\$ (71)
Revenue from use of property	2 000	1 135	(865)
Total Revenues from Use of Money and Property	\$ 2 850	\$ 1 914	\$ (936)
Charges for Services:			
Charges for maintenance of highways, streets, bridges and sidewalks	\$ 14 000	\$ 14 698	\$ 698
Charges for sanitation and waste removal	108 959	109 668	709
Computer center revenue	3 200	6 909	3 709
Broadband revenue	9 732	9 732	-
Sale of services and supplies	800	783	(17)
Total Charges for Services	\$ 136 691	\$ 141 790	\$ 5 099

TOWN OF SHENANDOAH, VIRGINIA

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Schedule 1
(Continued)

SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

<u>Fund, Major and Minor Revenue Source</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND: (Continued)			
Miscellaneous:			
Donations	\$ 11 100	\$ 23 593	\$ 12 493
Refunds/claims	2 000	3 538	1 538
Miscellaneous revenue	<u>1 100</u>	<u>589</u>	<u>(511)</u>
Total Miscellaneous	<u>\$ 14 200</u>	<u>\$ 27 720</u>	<u>\$ 13 520</u>
Total Revenue from Local Sources	<u>\$ 1 182 891</u>	<u>\$ 1 206 996</u>	<u>\$ 24 105</u>
Revenue from the Commonwealth:			
Noncategorical Aid:			
Railroad rolling stock taxes	\$ 12 000	\$ 13 488	\$ 1 488
Aid to localities with police departments	<u>44 694</u>	<u>44 692</u>	<u>(2)</u>
Total Noncategorical Aid	<u>\$ 56 694</u>	<u>\$ 58 180</u>	<u>\$ 1 486</u>
Categorical Aid:			
Litter control grant	\$ 1 000	\$ 1 263	\$ 263
FEMA-State match	-	1 631	1 631
VML safety grant	2 000	1 777	(223)
Fire fund	<u>8 000</u>	<u>8 000</u>	<u>-</u>
Total Categorical Aid	<u>\$ 11 000</u>	<u>\$ 12 671</u>	<u>\$ 1 671</u>
Total Revenue from the Commonwealth	<u>\$ 67 694</u>	<u>\$ 70 851</u>	<u>\$ 3 157</u>
Revenue from the Federal Government:			
Categorical Aid:			
Division of Motor Vehicles Minigrants	\$ 2 600	\$ 2 620	\$ 20
Local Law Enforcement Block Grant	1 900	1 909	9
FEMA	-	6 797	6 797
Other grants	<u>1 000</u>	<u>-</u>	<u>(1 000)</u>
Total Categorical Aid	<u>\$ 5 500</u>	<u>\$ 11 326</u>	<u>\$ 5 826</u>
Total Revenue from the Federal Government	<u>\$ 5 500</u>	<u>\$ 11 326</u>	<u>\$ 5 826</u>
Total General Fund	<u><u>\$ 1 256 085</u></u>	<u><u>\$ 1 289 173</u></u>	<u><u>\$ 33 088</u></u>

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND:			
General Government Administration:			
Legislative:			
Ordinance codification	\$ 1 500	\$ -	\$ 1 500
General and Financial Administration:			
General administration	\$ 150 749	\$ 141 226	\$ 9 523
Professional services	11 500	11 847	(347)
Risk management	82 500	78 514	3 986
Employee benefits, including payroll taxes	156 219	157 335	(1 116)
Total General and Financial Administration	\$ 400 968	\$ 388 922	\$ 12 046
Total General Government Administration	\$ 402 468	\$ 388 922	\$ 13 546
Public Safety:			
Law enforcement and traffic control	\$ 330 938	\$ 335 837	\$ (4 899)
Fire and rescue services	8 000	6 495	1 505
Total Public Safety	\$ 338 938	\$ 342 332	\$ (3 394)
Public works:			
Maintenance of Highways, Streets, Bridges and Sidewalks:			
Highways, streets, bridges and sidewalks	\$ 147 912	\$ 143 967	\$ 3 945
Street lights	45 828	41 642	4 186
Total Maintenance of Highways, Streets, Bridges and Sidewalks	\$ 193 740	\$ 185 609	\$ 8 131
Sanitation and Waste Removal:			
Refuse collection	\$ 84 034	\$ 84 167	\$ (133)
Maintenance of General Buildings and Grounds:			
General properties	\$ 14 560	\$ 13 392	\$ 1 168
Parks, Recreation and Cultural:			
Recreational and cultural activities	\$ 61 760	\$ 66 139	\$ (4 379)
Total Parks, Recreation and Cultural	\$ 61 760	\$ 66 139	\$ (4 379)
Total Public Works	\$ 354 094	\$ 349 307	\$ 4 787

TOWN OF SHENANDOAH, VIRGINIA

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Schedule 2
(Continued)

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

<u>Fund, Function, Activity and Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL FUND: (Continued)			
Economic Development:			
Economic development administration	\$ 14 850	\$ 11 297	\$ 3 553
Computer Center	<u>26 092</u>	<u>27 730</u>	<u>(1 638)</u>
Total Economic Development	<u>\$ 40 942</u>	<u>\$ 39 027</u>	<u>\$ 1 915</u>
Capital Expenditures:			
Street improvements	\$ 10 000	\$ -	\$ 10 000
Police equipment	10 950	-	10 950
Street equipment	6 000	2 145	3 855
Town office equipment	2 000	-	2 000
Miscellaneous	1 500	-	1 500
Contingencies	<u>71 722</u>	<u>21 919</u>	<u>49 803</u>
Total Capital Expenditures	<u>\$ 102 172</u>	<u>\$ 24 064</u>	<u>\$ 78 108</u>
Debt Service:			
Debt service payments	<u>\$ 52 965</u>	<u>\$ 64 145</u>	<u>\$ (11 180)</u>
Total General Fund	<u><u>\$ 1 291 579</u></u>	<u><u>\$ 1 207 797</u></u>	<u><u>\$ 83 782</u></u>