

**TOWN OF REMINGTON, VIRGINIA**  
**MODIFIED CASH BASIS FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

**TOWN OF REMINGTON, VIRGINIA**

June 30, 2013

**MAYOR**

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Gerald A. Billingsley

**TOWN COUNCIL**

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Stanley L. Heaney, Sr., Vice Mayor

Evan H. Ashby, III  
J. Wilson Clatterbuck  
Chad M. Ralls  
Stanley L. Heaney, Sr.  
Karen C. Frazier  
Van M. Loving

**TOWN OFFICIALS**

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Sharon G. Lee  
*Town Administrator*

Kimberly A. Bowrin  
*Clerk/ Treasurer*

Andrea G. Erard  
*Town Attorney*

T. Huntley Thorpe III  
*Town Prosecutor*

Charles T. Proffitt  
*Police Chief*

James E. Steward  
*Superintendent*

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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 REMINGTON, VIRGINIA  
REMINGTON, VIRGINIA

We have audited the accompanying modified cash basis financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Town of Remington as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the Town of Remington'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 the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 error or fraud.

### 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. 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 modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Remington, as of June 30, 2013, and the respective changes in modified cash basis financial position; and, when applicable, cash flows thereof for the year then ended in accordance with the basis of accounting described in Note 1.

## Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the Town of Remington 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 Matter

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Remington, Virginia's basic financial statements. The budgetary comparison information, the schedule of pension funding progress and supporting schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The budgetary comparison information presented on pages 18 and 19 and supporting schedule presented on pages 21 to 23 is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole on the basis of accounting described in Note 1.

The schedule of pension funding progress has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

## Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

*Robinson, Farmer, Cox Associates*

Charlottesville, Virginia  
January 9, 2014

## Financial Statements

Statement of Net Position - Modified Cash Basis  
At June 30, 2013

	Governmental Activities	Business- Type Activities	Total
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 526,061	\$ 390,850	\$ 916,911
Total assets	\$ 526,061	\$ 390,850	\$ 916,911
<b><u>Liabilities</u></b>			
Current liabilities:			
Accrued liabilities	\$ 2,299	\$ 2,224	\$ 4,523
Refundable deposits	1,275	30,260	31,535
Total liabilities	\$ 3,574	\$ 32,484	\$ 36,058
<b><u>Net Position</u></b>			
Unrestricted	\$ 522,487	\$ 358,366	\$ 880,853
Total liabilities and net position	\$ 526,061	\$ 390,850	\$ 916,911

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

TOWN OF REMINGTON, VIRGINIA

Statement of Activities - Modified Cash Basis  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Loans
Governmental activities:				
Salaries and benefits	\$ 94,072	\$ 24,493	\$ -	\$ -
Repairs and maintenance	5,460	-	-	-
Utilities	3,037	540	-	-
General and administrative	19,721	-	-	-
Professional fees	13,664	-	-	-
Other fees	22,306	-	-	-
Annexation and zoning	1,136	-	-	-
Other expenses	9,859	-	-	-
Police department	57,882	8,220	3,092	-
Street, lights and sidewalks	7,000	-	-	-
Capital outlays	8,165	-	-	-
Cemetery	16,826	14,450	-	-
DMV	62,544	-	72,858	-
Cemetery Trust	5,361	3,840	-	-
Total governmental activities	\$ 327,033	\$ 51,543	\$ 75,950	\$ -
Business-type activities:				
Water	708,807	242,230	-	603,79
Total primary government	\$ 1,035,840	\$ 293,773	\$ 75,950	\$ 603,79
General revenues:				
General property taxes				
Other local taxes				
Unrestricted revenues from use of money and property				
Miscellaneous				
Grants and contributions not restricted to specific programs				
Total general revenues				
Change in net position				
Net position - beginning				
Net position - ending				

The accompanying notes to 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
\$ (69,579)	\$ -	\$ (69,579)
(5,460)	-	(5,460)
(2,497)	-	(2,497)
(19,721)	-	(19,721)
(13,664)	-	(13,664)
(22,306)	-	(22,306)
(1,136)	-	(1,136)
(9,859)	-	(9,859)
(46,570)	-	(46,570)
(7,000)	-	(7,000)
(8,165)	-	(8,165)
(2,376)	-	(2,376)
10,314	-	10,314
(1,521)	-	(1,521)
\$ (199,540)	\$ -	\$ (199,540)
-	137,213	137,213
\$ (199,540)	\$ 137,213	\$ (62,327)
\$ 86,811	\$ -	\$ 86,811
63,023	-	63,023
32,706	3,227	35,933
797	1,370	2,167
24,371	-	24,371
\$ 207,708	\$ 4,597	\$ 212,305
\$ 8,168	\$ 141,810	\$ 149,978
514,319	216,556	730,875
\$ 522,487	\$ 358,366	\$ 880,853

## Balance Sheet - Governmental Funds - Modified Cash Basis

At June 30, 2013

	Governmental Funds				Totals
	General Fund	Cemetery Fund	DMV Fund	Cemetery Trust Fund	
<b><u>Assets</u></b>					
Cash and cash equivalents	\$ 216,905	\$ 4,548	\$ 51,862	\$ 252,746	\$ 526,061
Total assets	<u>\$ 216,905</u>	<u>\$ 4,548</u>	<u>\$ 51,862</u>	<u>\$ 252,746</u>	<u>\$ 526,061</u>
<b><u>Liabilities</u></b>					
Accrued liabilities	\$ 1,581	\$ -	\$ 718	\$ -	\$ 2,299
Refundable deposits	<u>1,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,275</u>
Total liabilities	<u>\$ 2,856</u>	<u>\$ -</u>	<u>\$ 718</u>	<u>\$ -</u>	<u>\$ 3,574</u>
<b><u>Fund Balance</u></b>					
Nonspendable:					
Permanent fund principal	\$ -	\$ -	\$ -	\$ 214,975	\$ 214,975
Committed to:					
Cemetery	-	4,548	-	37,771	42,319
DMV	-	-	51,144	-	51,144
Unassigned:					
General	<u>214,049</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,049</u>
Total fund balances	<u>\$ 214,049</u>	<u>\$ 4,548</u>	<u>\$ 51,144</u>	<u>\$ 252,746</u>	<u>\$ 522,487</u>
Total liabilities and fund balances	<u>\$ 216,905</u>	<u>\$ 4,548</u>	<u>\$ 51,862</u>	<u>\$ 252,746</u>	<u>\$ 526,061</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds - Modified Cash Basis  
 Year Ended June 30, 2013

	Governmental Funds				Totals
	General Fund	Cemetery Fund	DMV Fund	Cemetery Trust Fund	
Revenues:					
General property taxes	\$ 86,811	\$ -	\$ -	\$ -	\$ 86,811
Other local taxes	63,023	-	-	-	63,023
Permits, privilege fees and regulatory licenses	25,033	-	-	-	25,033
Fines and forfeitures	8,220	-	-	-	8,220
Revenue from use of money and property	20,150	4,348	-	8,208	32,706
Charges for services	-	14,450	-	3,840	18,290
Miscellaneous	797	-	-	-	797
Intergovernmental:					
Commonwealth	24,371	-	72,858	-	97,229
Federal	3,092	-	-	-	3,092
Total revenues	<u>\$ 231,497</u>	<u>\$ 18,798</u>	<u>\$ 72,858</u>	<u>\$ 12,048</u>	<u>\$ 335,201</u>
Expenditures:					
Salaries and benefits	\$ 94,072	\$ -	\$ -	\$ -	\$ 94,072
Repairs and maintenance	5,460	-	-	-	5,460
Utilities	3,037	-	-	-	3,037
General and administrative	19,721	-	-	-	19,721
Professional fees	13,664	-	-	-	13,664
Other fees	22,306	-	-	-	22,306
Annexation and zoning	1,136	-	-	-	1,136
Other expenses	9,859	-	-	-	9,859
Police department	57,882	-	-	-	57,882
Street, lights and sidewalks	7,000	-	-	-	7,000
Capital outlays	8,165	-	-	-	8,165
Cemetery	-	16,826	-	-	16,826
DMV	-	-	62,544	-	62,544
Cemetery Trust	-	-	-	5,361	5,361
Total expenditures	<u>\$ 242,302</u>	<u>\$ 16,826</u>	<u>\$ 62,544</u>	<u>\$ 5,361</u>	<u>\$ 327,033</u>
Excess (deficiency) of revenues over expenditures	\$ (10,805)	\$ 1,972	\$ 10,314	\$ 6,687	\$ 8,168
Fund balances at beginning of year	<u>224,854</u>	<u>2,576</u>	<u>40,830</u>	<u>246,059</u>	<u>514,319</u>
Fund balances at end of year	<u><u>\$ 214,049</u></u>	<u><u>\$ 4,548</u></u>	<u><u>\$ 51,144</u></u>	<u><u>\$ 252,746</u></u>	<u><u>\$ 522,487</u></u>

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

Statement of Revenues, Expenses and Changes in Fund Net Position -  
 Water Fund - Modified Cash Basis  
 Year Ended June 30, 2013

	Proprietary Funds
	Enterprise
Revenues:	
Water fees	\$ 231,236
Service fees	10,994
Interest	3,227
Miscellaneous	1,370
	<u>          </u>
Total revenues	\$ 246,827
	<u>          </u>
Expenses:	
Salaries and benefits	\$ 113,320
Water	10,283
Repairs and maintenance	26,209
Utilities	6,832
General and administrative	14,422
Professional fees	12,764
Capital outlays	524,977
	<u>          </u>
Total expenses	\$ 708,807
	<u>          </u>
Excess of revenues over expenses	\$ (461,980)
Other sources:	
Loan proceeds	603,790
	<u>          </u>
Change in net position	\$ 141,810
Net position at beginning of year	216,556
	<u>          </u>
Net position at end of year	\$ 358,366
	<u>          </u>

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

## TOWN OF REMINGTON, VIRGINIA

### Notes to Financial Statements As of June 30, 2013

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#### NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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The accounts and records of the Town are maintained on a modified cash basis of accounting which reflects only certain receivables and payables; inventories, accrued income and expenses, capital assets, and depreciation, which are estimated to be material in amount, are not reflected, and these statements do not present the overall financial position or results of operations. Minor additions and replacements of furniture and equipment intended to be paid for out of normally recurring income are included in expenditures in lieu of depreciation in the financial statements. Consequently, certain revenues and expenditures are recognized in the determination of income in different reporting periods than they would be if the financial statements were prepared in conformity with generally accepted accounting principles.

##### A. Financial Reporting Entity:

The government is a municipal corporation governed by a mayor and six—member council. These financial statements present the government and its component units, entities for which the government is considered to be financially accountable. There are no component units for the Town of Remington.

##### B. Financial Statement Presentation:

GASB Statement No. 34 requires the financial statements to be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). Management has elected not to prepare its financial statements in accordance with GASB Statement No. 34 reporting requirements, which is a departure from accounting principles generally accepted in the United States of America.

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

##### 1. Governmental Funds:

Governmental Funds are those through which most governmental functions typically are financed. The government reports the following major governmental funds.

##### a. General Fund:

The General Fund is the primary 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. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for services, and interest income.

##### b. Special Revenue Funds:

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposed other than debt service or capital projects. Special Revenue Funds consist of the Cemetery Fund and DMV Fund.

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

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**B. Financial Statement Presentation: (Continued)**

**1. Governmental Funds: (Continued)**

**c. Permanent Funds:**

Permanent Funds account for and report resources that are restricted to the extent that only earnings (and not principal) may be used for the purposes that support the government's programs (i.e. for the benefit of the government or its citizenry). Permanent Funds consist of the Cemetery Trust Fund.

**2. Proprietary Funds:**

Proprietary Funds account for operations that are financed in a manner similar to those found in private business enterprises. The measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of the Enterprise Fund.

**Enterprise Fund:**

Enterprise Funds account for the financing of services to the general public where all or most of the operating expenses involved are recorded in the form of charges to users of such services. Enterprise 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. Enterprise Funds consist of the Water Fund, which accounts for the operations of the Town's water system.

**C. Budgets and Budgetary Accounting:**

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

1. Prior to year-end, the Town Council prepares a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally adopted by Town Council.
4. All budgets are adopted on a cash basis of accounting.
5. All budgetary data presented in the accompanying financial statements is the original budget as adopted.
6. The Town Council may legally amend the budget only by following procedures used in the adoption of the original budget.

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

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D. Cash and Cash Equivalents:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the Local Government Investment Pool.

Investments for the government are reported at cost. The Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

E. Retirement Plan:

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service costs over a 30-year period. The Town's policy is to fund pension cost as it accrues.

F. Property Taxes:

The Town levies real estate and personal property taxes on property within its boundaries, except those specifically exempted by statute. These levies are assessed each year as of January 1 on the estimated market value of the property.

G. Fund Equity:

The Town reports fund balances 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.

Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (Town Council); 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.

## TOWN OF REMINGTON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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

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#### G. Fund Equity: (Continued)

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.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. 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).

#### H. Net Position:

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

#### I. 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/expenditure) until then.

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.

Under the modified cash basis of accounting, deferred outflows and deferred inflows that do not arise from a cash transaction or event are not reported. Therefore, the Town does not have items to report in these categories for the year ended June 30, 2013.

#### J. Net Position Flow Assumption:

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or 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.



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

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**K. Adoption of Accounting Principles:**

The Town has evaluated the financial statement impact and adopted several new accounting principles for the year ended June 30, 2013.

GASB issued GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB No. 63"), which provides guidance for reporting deferred outflows of resources and deferred inflows of resources within the financial statements of governmental entities. These elements were previously identified and defined in GASB Concepts Statement No. 4, *Elements of Financial Statements*. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. They are required to be reported in the statement of net position in a separate section following assets. Similarly, deferred inflows of resources are defined as an acquisition of net position by a government that is applicable to a future reporting period. They should be reported in the statement of net position in a separate section following liabilities. Additionally, GASB No. 63 renames the statement of net assets as the statement of net position. The statement of net position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. There was no material impact to the Town's financial statements from the adoption of this standard in the fiscal year ended June 30, 2013.

GASB issued Statement No 65, *Items Previously Reported as Assets and Liabilities* ("GASB No. 65"), to provide accounting guidance to 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. GASB No. 65 is required to be implemented for periods beginning after December 15, 2012. As encouraged in the standard, the Town has elected to implement this standard effective for the year ended June 30, 2013. 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—DEPOSITS AND INVESTMENTS:**

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**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.

## TOWN OF REMINGTON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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### NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

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#### Investments:

Statutes authorize local governments and other public bodies 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).

During the course of our audit we have noted the Town has several unrated investments which are illegal in accordance with investment laws of the Code of Virginia. These unrated investments are disclosed below.

#### Credit Risk of Debt Securities:

The Town's rated debt investments as of June 30, 2013 were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale.

Rated Debt Investments' Values		
<u>Rated Debt Investments Value</u>	<u>Fair Quality Ratings</u>	
<u>Rated Debt Investments</u>	<u>AAAm</u>	<u>Unrated</u>
Local Government Investment Pool	\$ 5,495	\$ -
Equities	-	100,872
Fixed income and other	-	122,572
Total	\$ 5,495	\$ 223,444

#### External Investment Pools:

The fair value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As this pool is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury.

## TOWN OF REMINGTON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

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### NOTE 3—DEFINED BENEFIT PENSION PLAN:

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#### A. Plan Description:

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

The Town participates in the Virginia Retirement 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 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 multipliers. At retirement, members can elect the Basic Benefit, the Survivor Option, a Partial Lump-Sum Option Payment (PLOP) or the Advance Pension Option.

## TOWN OF REMINGTON, VIRGINIA

Notes to Financial Statements  
As of June 30, 2013 (Continued)

### NOTE 3—DEFINED BENEFIT PENSION PLAN: (CONTINUED)

#### A. Plan Description: (Continued)

A retirement reduction factor is applied to the Basic Benefit amount for members electing the Survivor Option, PLOP or Advance Pension Option or those retiring with a reduced benefit.

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

The system issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for 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 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 10.09% of annual covered payroll.

#### C. Annual Pension Cost:

For fiscal year 2013, the Town's annual pension cost was \$14,840 (does not include the employee share which was assumed by the Town) was equal to the Town's required and actual contributions.

#### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC) (1)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
Town:			
June 30, 2013	\$ 14,840	100%	\$ -
June 30, 2012	14,115	100%	-
June 30, 2011	14,829	100%	-

(1) Employer portion only

**NOTE 3—DEFINED BENEFIT PENSION PLAN: (CONTINUED)**

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**C. Annual Pension Cost: (Continued)**

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 and 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% 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 liabilities are 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 83.69% funded. The actuarial accrued liability for benefits was \$411,880 and the actuarial value of assets was \$344,685, resulting in an unfunded actuarial accrued liability (UAAL) of \$67,195. The covered payroll (annual payroll of active employees covered by the plan) was \$135,666, and ratio of the UAAL to the covered payroll was 49.53%.

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

### Other Supplementary Information

## TOWN OF REMINGTON, VIRGINIA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual  
 General Fund and Special Revenue Funds - Modified Cash Basis  
 Year Ended June 30, 2013

	General Fund		
	Budget	Actual	Variance Positive Negative
Revenues:			
General property taxes	\$ 82,750	\$ 86,811	\$ 4,061
Other local taxes	66,079	63,023	(3,056)
Permits, privilege fees and regulatory licenses	23,040	25,033	1,993
Fines and forfeitures	8,200	8,220	20
Revenue from use of money and property	19,800	20,150	350
Charges for services	-	-	-
Miscellaneous	1,286	797	(489)
Intergovernmental:			
Commonwealth	24,309	24,371	62
Federal	3,000	3,092	92
Total revenues	\$ 228,464	\$ 231,497	\$ 3,033
Expenditures:			
Salaries and benefits	\$ 90,306	\$ 94,072	\$ (3,766)
Repairs and maintenance	3,750	5,460	(1,710)
Utilities	3,500	3,037	463
General and administrative	17,197	19,721	(2,524)
Professional fees	14,250	13,664	586
Other fees	22,300	22,306	(6)
Annexation / zoning	1,580	1,136	444
Other expenses	9,100	9,859	(759)
Police department	60,135	57,882	2,253
Street, lights and sidewalks	9,765	7,000	2,765
Capital outlays	-	8,165	(8,165)
Cemetery	-	-	-
DMV	-	-	-
Total expenditures	\$ 231,883	\$ 242,302	\$ (10,419)
Excess (deficiency) of revenues over expenditures	\$ (3,419)	\$ (10,805)	\$ (7,386)
Fund balance at beginning of year	3,419	224,854	221,435
Fund balance at end of year	\$ -	\$ 214,049	\$ 214,049

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

Cemetery Fund			DMV Fund		
Budget	Actual	Variance Positive Negative	Budget	Actual	Variance Positive Negative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,000	4,348	(652)	-	-	-
7,350	14,450	7,100	-	-	-
-	-	-	-	-	-
-	-	-	57,165	72,858	15,693
-	-	-	-	-	-
<u>\$ 12,350</u>	<u>\$ 18,798</u>	<u>\$ 6,448</u>	<u>\$ 57,165</u>	<u>\$ 72,858</u>	<u>\$ 15,693</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,350	16,826	(4,476)	-	-	-
-	-	-	58,498	62,544	(4,046)
<u>\$ 12,350</u>	<u>\$ 16,826</u>	<u>\$ (4,476)</u>	<u>\$ 58,498</u>	<u>\$ 62,544</u>	<u>\$ (4,046)</u>
\$ -	\$ 1,972	\$ 1,972	\$ (1,333)	\$ 10,314	\$ 11,647
-	2,576	2,576	1,333	40,830	39,497
<u>\$ -</u>	<u>\$ 4,548</u>	<u>\$ 4,548</u>	<u>\$ -</u>	<u>\$ 51,144</u>	<u>\$ 51,144</u>



Schedule of Pension Funding Progress  
Last Three Fiscal Years

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Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio (2) / (3)	Annual Covered Payroll	UAAL as % of Payroll (4) / (6)
1	2	3	4	5	6	7
6/30/2012	\$ 344,685	\$ 411,880	\$ 67,195	83.69%	\$ 135,666	49.53%
6/30/2011	334,955	380,493	45,538	88.03%	153,505	29.67%
6/30/2010	314,364	359,832	45,468	87.36%	153,505	29.62%

## Supporting Schedule

Schedule of Revenues - Budget and Actual - Governmental Funds - Modified Cash Basis  
 Year Ended June 30, 2013

Fund, Major and Minor Revenue Source	Budget	Actual	Variance Positive Negative
<b>General Fund:</b>			
Revenue from local sources:			
General property taxes:			
Real property taxes	\$ 48,625	\$ 52,049	\$ 3,424
Personal property taxes	33,125	32,871	(254)
Penalties and interest	1,000	1,891	891
Total general property taxes	\$ 82,750	\$ 86,811	\$ 4,061
Other local taxes:			
Sales taxes	\$ 32,000	\$ 31,051	\$ (949)
Utility taxes	30,000	31,972	1,972
Bank stock taxes	4,079	-	(4,079)
Total other local taxes	\$ 66,079	\$ 63,023	\$ (3,056)
Permits, privilege fees and regulatory licenses:			
Business licenses	\$ 14,000	\$ 15,128	\$ 1,128
Vehicle decals	8,000	8,559	559
Refuse tipping fees	540	540	-
Zoning permits	500	806	306
Total permits, privilege fees and regulatory licenses	\$ 23,040	\$ 25,033	\$ 1,993
Fines and Forfeitures:			
Police fines	\$ 8,200	\$ 8,220	\$ 20
Total fines and forfeitures	\$ 8,200	\$ 8,220	\$ 20
Revenue from use of money and property:			
Revenue from use of property	\$ 19,800	\$ 20,150	\$ 350
Total revenue from use of money and property	\$ 19,800	\$ 20,150	\$ 350
Miscellaneous revenue:			
Copier income	\$ 36	\$ 370	\$ 334
Miscellaneous - other police funding	1,250	427	(823)
Total miscellaneous revenue	\$ 1,286	\$ 797	\$ (489)
Total revenue from local sources	\$ 201,155	\$ 204,034	\$ 2,879

Schedule of Revenues - Budget and Actual - Governmental Funds - Modified Cash Basis  
 Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Budget	Actual	Variance Positive Negative
General Fund: (continued)			
Revenue from the Commonwealth:			
Noncategorical aid:			
Law enforcement assistance	\$ 15,884	\$ 15,884	\$ -
Rolling rail tax	425	487	62
Fire and rescue assistance	8,000	8,000	-
Total revenue from the Commonwealth	\$ 24,309	\$ 24,371	\$ 62
Revenue from the Federal Government:			
Police grants	\$ 3,000	\$ 3,092	\$ 92
Total General Fund	\$ 228,464	\$ 231,497	\$ 3,033
Special Revenue Funds:			
Cemetery Fund:			
Revenue from local sources:			
Charges for services:			
Lot sales	\$ 2,800	\$ 6,000	\$ 3,200
Marker fees	300	500	200
Other fees	250	700	450
Burial fees	4,000	7,250	3,250
Total charges for services	\$ 7,350	\$ 14,450	\$ 7,100
Revenue from use of money and property:			
Income distributions	\$ 5,000	\$ 4,348	\$ (652)
Total revenue from use of money and property	\$ 5,000	\$ 4,348	\$ (652)
Total Cemetery Fund	\$ 12,350	\$ 18,798	\$ 6,448

Schedule of Revenues - Budget and Actual - Governmental Funds - Modified Cash Basis  
Year Ended June 30, 2013 (Continued)

Fund, Major and Minor Revenue Source	Budget	Actual	Variance Positive Negative
Special Revenue Funds: (continued)			
DMV Fund:			
Revenue from the Commonwealth:			
Commissions from DMV	\$ 57,000	\$ 72,355	\$ 15,355
Postage Reimburse	165	503	338
Total DMV Fund	<u>\$ 57,165</u>	<u>\$ 72,858</u>	<u>\$ 15,693</u>
Permanent Fund:			
Cemetery Trust Fund:			
Revenue from local sources:			
Revenue from use of money and property:			
Revenue from use of money	\$ 6,210	\$ 8,208	\$ 1,998
Total revenue from use of money and property	<u>\$ 6,210</u>	<u>\$ 8,208</u>	<u>\$ 1,998</u>
Charges for services:			
80% Lot sales	\$ 2,240	\$ 3,840	\$ 1,600
Total Cemetery Trust Fund	<u>\$ 8,450</u>	<u>\$ 12,048</u>	<u>\$ 3,598</u>
Total Governmental Funds	<u>\$ 306,429</u>	<u>\$ 335,201</u>	<u>\$ 28,772</u>