

TOWN OF NARROWS, VIRGINIA
FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2013

**TOWN OF NARROWS, VIRGINIA
FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013**

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INTRODUCTORY SECTION

TOWN OF NARROWS, VIRGINIA

TOWN COUNCIL

H. Clayton Davis, Mayor
Tom Garrett, Vice Mayor
John Davis
William Lucas
Roger Martin
Judy Nusen

OTHER OFFICIALS

James "Buddy" Kast..... Assistant Town Manager
Linda McGlothlin Town Treasurer/Clerk
James E. Cornwell Town Attorney

FINANCIAL SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Honorable Members of
the Town Council
Town of Narrows, 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 Narrows, Virginia, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the Town of Narrows, Virginia's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Management has omitted 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 of Narrows, Virginia's basic financial statements. The introductory section, supporting schedules, and other statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory and other statistical information have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2013, on our consideration of the Town of Narrows, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Narrows, Virginia's internal control over financial reporting and compliance.

Robinson, Turner, Co. Associates

Blacksburg, Virginia
October 17, 2013

Basic Financial Statements

Town of Narrows, Virginia
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 210,563	\$ 599,726	\$ 810,289
Receivables (net of allowance for uncollectibles):			
Taxes receivable	95,063	-	95,063
Accounts receivable	35,586	108,969	144,555
Due from other governmental units	8,050	-	8,050
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	-	60,228	60,228
Capital assets (net of accumulated depreciation):			
Land	366,132	7,300	373,432
Buildings	534,076	-	534,076
Machinery and equipment	356,081	44,093	400,174
Infrastructure	-	2,515,837	2,515,837
Construction in progress	4,558	-	4,558
Total assets	<u>\$ 1,610,109</u>	<u>\$ 3,336,153</u>	<u>\$ 4,946,262</u>
LIABILITIES			
Accounts payable	\$ 16,022	\$ 19,050	\$ 35,072
Accrued wages	6,901	4,761	11,662
Accrued liabilities	12,017	5,116	17,133
Customers' deposits	-	9,700	9,700
Accrued interest payable	9,698	1,713	11,411
Long-term liabilities:			
Due within one year	54,584	54,853	109,437
Due in more than one year	398,909	978,202	1,377,111
Total liabilities	<u>\$ 498,131</u>	<u>\$ 1,073,395</u>	<u>\$ 1,571,526</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-prepaid taxes	<u>\$ 2,483</u>	<u>\$ -</u>	<u>\$ 2,483</u>
NET POSITION			
Net investment in capital assets	\$ 853,136	\$ 1,541,087	\$ 2,394,223
Restricted for:			
Debt service and bond covenants	-	60,228	60,228
Unrestricted (deficit)	256,359	661,443	917,802
Total net position	<u>\$ 1,109,495</u>	<u>\$ 2,262,758</u>	<u>\$ 3,372,253</u>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:							
Governmental activities:							
General government administration	\$ 399,010	\$ -	\$ -	\$ -	\$ (399,010)	\$ -	\$ (399,010)
Public safety	356,827	106,587	68,331	-	(181,909)	-	(181,909)
Public works	557,149	284	332,904	-	(223,961)	-	(223,961)
Parks, recreation, and cultural	147,899	63,248	10,877	-	(73,774)	-	(73,774)
Community development	44,370	-	-	-	(44,370)	-	(44,370)
Interest on long-term debt	17,339	-	-	-	(17,339)	-	(17,339)
Total governmental activities	\$ 1,522,594	\$ 170,119	\$ 412,112	\$ -	\$ (940,363)	\$ -	\$ (940,363)
Business-type activities:							
Water and Sewer	\$ 855,726	\$ 794,558	\$ -	\$ 7,308	\$ -	\$ (53,860)	\$ (53,860)
Total primary government	\$ 2,378,320	\$ 964,677	\$ 412,112	\$ 7,308	\$ (940,363)	\$ (53,860)	\$ (994,223)
General revenues:							
General property taxes					\$ 507,003	\$ -	\$ 507,003
Other local taxes:							
Local sales and use taxes					106,058	-	106,058
Consumers' utility taxes					34,724	-	34,724
Business license taxes					84,483	-	84,483
Restaurant food taxes					68,893	-	68,893
Other local taxes					83,721	-	83,721
Unrestricted revenues from use of money and property					5,514	98	5,612
Miscellaneous					41,165	-	41,165
Grants and contributions not restricted to specific programs					66,627	-	66,627
Gain on disposal of capital assets					38,629	-	38,629
Total general revenues					\$ 1,036,817	\$ 98	\$ 1,036,915
Change in net position					\$ 96,454	\$ (53,762)	\$ 42,692
Net position - beginning					1,013,041	2,316,520	3,329,561
Net position - ending					\$ 1,109,495	\$ 2,262,758	\$ 3,372,253

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

Town of Narrows, Virginia
Balance Sheet
Governmental Fund
June 30, 2013

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 210,563
Receivables (net of allowance for uncollectibles):	
Taxes receivable	95,063
Accounts receivable	35,586
Due from other governmental units	8,050
Total assets	<u>\$ 349,262</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 16,022
Accrued wages	6,901
Accrued liabilities	12,017
Total liabilities	<u>\$ 34,940</u>
 DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue-property taxes	\$ 92,538
Unavailable revenue-prepaid taxes	2,483
Total deferred inflows of resources	<u>\$ 95,021</u>
 Fund balance:	
Unassigned:	
General fund	\$ 219,301
Total fund balance	<u>\$ 219,301</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 349,262</u>

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

Town of Narrows, Virginia
 Reconciliation of the Balance Sheet of Governmental Funds
 To the Statement of Net Position
 June 30, 2013

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

Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds	\$	219,301
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	366,132	
Buildings		534,076	
Machinery and equipment		356,081	
Construction in progress		<u>4,558</u>	1,260,847

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.

Unavailable revenue - property taxes			92,538
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

General obligation bonds	\$	(407,711)	
Accrued interest payable		(9,698)	
Compensated absences		<u>(45,782)</u>	(463,191)

Net position of governmental activities			<u><u>\$ 1,109,495</u></u>
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The notes to the financial statements are an integral part of this statement.

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

	<u>General</u>
REVENUES	
General property taxes	\$ 479,245
Other local taxes	377,879
Permits, privilege fees, and regulatory licenses	761
Fines and forfeitures	105,849
Revenue from the use of money and property	5,514
Charges for services	63,509
Miscellaneous	41,165
Recovered costs	14,615
Intergovernmental revenues:	
Commonwealth	478,739
Total revenues	\$ 1,567,276
EXPENDITURES	
General government administration	\$ 315,680
Public safety	271,335
Public works	490,444
Parks, recreation, and cultural	180,824
Community development	7,824
Nondepartmental	163,973
Capital projects	286,567
Debt service:	
Principal retirement	20,082
Interest and other fiscal charges	17,271
Total expenditures	\$ 1,754,000
Excess (deficiency) of revenues over (under) expenditures	\$ (186,724)
OTHER FINANCING SOURCES (USES)	
Sale of capital assets	38,629
Total other financing sources (uses)	\$ 38,629
Net change in fund balances	\$ (148,095)
Fund balances - beginning	367,396
Fund balances - ending	\$ 219,301

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

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

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

Net change in fund balances - total governmental funds \$ (148,095)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 301,231	
Depreciation expenses	<u>(101,640)</u>	199,591

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The change in unavailable revenue was 27,758

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items

Principal repayments:		
General obligation bonds	<u>\$ 20,082</u>	20,082

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Decrease (increase) in compensated absences	\$ (2,814)	
Decrease (increase) in accrued interest	<u>(68)</u>	(2,882)

Change in net position of governmental activities \$ 96,454

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

Town of Narrows, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2013

	Enterprise Fund
	Water and Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 599,726
Accounts receivable, net of allowance for uncollectibles	108,969
Total current assets	\$ 708,695
Noncurrent assets:	
Restricted cash and cash equivalents:	
Debt reserve account	\$ 60,228
Capital assets:	
Land	\$ 7,300
Utility plant in service	6,947,440
Machinery and equipment	295,741
Accumulated depreciation	(4,683,251)
Total capital assets	\$ 2,567,230
Total noncurrent assets	\$ 2,627,458
Total assets	\$ 3,336,153
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 19,050
Accrued wages	4,761
Accrued liabilities	5,116
Customers' deposits	9,700
Accrued interest payable	1,713
Compensated absences - current portion	5,184
Bonds payable - current portion	49,669
Total current liabilities	\$ 95,193
Noncurrent liabilities:	
Compensated absences - net of current portion	\$ 1,728
Bonds payable - net of current portion	976,474
Total noncurrent liabilities	\$ 978,202
Total liabilities	\$ 1,073,395
NET POSITION	
Net investment in capital assets	\$ 1,541,087
Restricted for debt service and bond covenants	60,228
Unrestricted	661,443
Total net position	\$ 2,262,758

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

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

	Enterprise Fund
	Water and Sewer
OPERATING REVENUES	
Charges for services:	
Water revenues	\$ 436,635
Sewer revenues	357,923
Total operating revenues	\$ 794,558
OPERATING EXPENSES	
Salaries and fringes	\$ 239,208
Utilities	32,907
Purchase of water	163,028
Supplies, maintenance and repairs	111,890
Office expense	5,662
Professional services	1,485
Depreciation	255,592
Total operating expenses	\$ 809,772
Net operating income (loss)	\$ (15,214)
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	\$ 98
Interest expense	(45,954)
Total nonoperating revenues (expenses)	\$ (45,856)
Income before contributions	\$ (61,070)
Capital contributions	\$ 7,308
Change in net position	\$ (53,762)
Net position - beginning	\$ 2,316,520
Net position - ending	\$ 2,262,758

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

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

	Enterprise Fund
	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 793,744
Payments to suppliers	(313,378)
Payments to and for employees	(240,040)
Net cash provided by (used for) operating activities	\$ 240,326
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Additions to utility plant	\$ (12,527)
Principal payments on bonds	(47,705)
Capital contributions	7,308
Interest payments	(45,988)
Net cash provided by (used for) capital and related financing activities	\$ (98,912)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	\$ 98
Net increase (decrease) in cash and cash equivalents	\$ 141,512
Cash and cash equivalents - beginning (including restricted cash of \$60,130)	518,442
Cash and cash equivalents - ending (including restricted cash of \$60,228)	\$ 659,954
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Net operating income (loss)	\$ (15,214)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	\$ 255,592
(Increase) decrease in accounts receivable	(1,014)
Increase (decrease) in customer deposits	200
Increase (decrease) in operating accounts payable	1,594
Increase (decrease) in accrued wages	599
Increase (decrease) in accrued liabilities	603
Increase (decrease) in compensated absences	(2,034)
Total adjustments	\$ 255,540
Net cash provided by (used for) operating activities	\$ 240,326

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

TOWN OF NARROWS, VIRGINIA

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1-Summary of Significant Accounting Policies:

The financial statements of the Town conform to generally accepted accounting principles (GAAP) applicable to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant accounting policies established in GAAP and used by the Town are discussed below.

A. Reporting Entity:

The Town of Narrows, Virginia (government) is a municipal corporation governed by an elected six-member Town Council. The accompanying financial statements present the government. Related organizations, if any, are described below.

Blended Component Units - None

Discretely Presented Component Units - None

Related Organizations - None

Jointly Governed Organizations - None

B. Government-wide and fund financial statements:

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

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

The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

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

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 is the proprietary fund. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as deferred revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the Town, are recognized as revenues and receivables upon collection by the state or utility, which is generally in the month preceding receipt by the Town.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for and reports all financial resources of the general government, except those required to be accounted for and reported in other funds. All general tax revenue and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the general fund.

Note 1-Summary of Significant Accounting Policies: (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: (continued)

The government reports the following major proprietary fund:

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

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 consist of Water and Sewer Fund.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 fund are charges to customers for sales and services. The Town also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for 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.

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

1. Cash and Cash Equivalents

The Town'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.

Restricted cash consists of reserve accounts established as required by Rural Development bond covenants.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

2. Investments

Investments for the Town are reported at fair value. The State Treasurer's 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.

3. Property Taxes

Property is assessed at its value on January 1. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes and personal property taxes are due and collectible annually on December 5th. The Town bills and collects its own property taxes.

4. Allowance for Uncollectible Accounts

The Town calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately \$6,652 for property taxes and \$18,066 for water and sewer receivables at June 30, 2013.

5. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

6. 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. No interest was capitalized during the current or previous year.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20-40
Structures, lines, and accessories	20-40
Machinery and equipment	4-30

7. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In accordance with the provisions of Government Accounting Standards Board Statements No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that it is estimated will be taken as "terminal leave" prior to retirement. The Town accrues salary-related payments associated with the payment of compensated absences. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

8. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

9. Net Position

Net position is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets—consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted —consist of assets that are restricted by the Town's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted—all other net position is reported in this category.

10. Fund Equity

The Town of Narrows, Virginia reports fund balance in accordance with provisions of 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 purpose 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; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

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

Note 1-Summary of Significant Accounting Policies: (continued)

D. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: (continued)

10. Fund Equity (continued)

The Town of Narrows, Virginia establishes (and modifies or rescinds) fund balance commitments by passage of a 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). Assigned fund balance is established by the Town Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

11. Deferred Outflows/Inflows of Resources

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

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

12. Net Position Flow Assumption

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

Note 2-Stewardship, Compliance, and Accountability:

A. Budgetary information

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

1. Prior to May 1, the Town Manager submits to the Town Council a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them. The General fund has a legally adopted budget.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. Only the Town Council can revise the appropriation for the general fund. The Town Manager is authorized to transfer budgeted amounts within general government departments.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Appropriations lapse on June 30, for all Town units. Several supplemental appropriations were necessary during this fiscal year.
8. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriations, is not part of the Town's accounting system.

B. Deficit fund equity

At June 30, 2013, there were no funds with deficit fund equity.

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Note 3-Deposits and Investments:

Deposits:

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

Investments:

Statutes authorize 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).

Credit Risk of Debt Securities

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

Rated Debt Investments' Values		
Rated Debt Investments	\$	Fair Quality Ratings
		AAAm
Local Government Investment Pool	\$	60,228

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.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4-Long-Term Obligations:

Primary Government - Governmental Activities Indebtedness:

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

Year Ending <u>June 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 20,247	\$ 17,116
2015	21,101	16,262
2016	21,991	15,371
2017	22,920	14,443
2018	23,888	13,474
2019-2023	115,998	52,931
2024-2028	127,225	26,052
2029-2033	54,341	4,469
Total	<u>\$ 407,711</u>	<u>\$ 160,118</u>

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

	<u>Balance July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2013</u>
General obligation bonds	\$ 427,793	\$ -	\$ (20,082)	\$ 407,711
Compensated absences	42,968	35,040	(32,226)	45,782
Total	<u>\$ 470,761</u>	<u>\$ 35,040</u>	<u>\$ (52,308)</u>	<u>\$ 453,493</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4-Long-Term Obligations: (Continued)

Primary Government - Governmental Activities Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
 \$564,200 issued March 24, 2004 maturing quarterly June 24, 2004 through December 24, 2019. The first eight quarterly payments of principal and interest of \$20,312 were payable through March 24, 2006. The next two quarterly payments of principal and interest of \$14,028 were payable through September 24, 2006. The remaining sixty-five quarterly payments of principal and interest of \$10,667 are due through December 24, 2019. Interest is payable quarterly at a rate of 3.86% per annum. This bond is split between the general fund and the water and sewer fund as the proceeds were used in each fund. The general fund received benefit of 9% of the issue, while the water and sewer fund received benefit of 91% of the issue. Proceeds, payments, and outstanding balances are split according to those percentages. The amount outstanding for the general fund is:	\$ 18,455	\$ 3,172
 \$266,610 issued December 30, 2010, bearing interest at 3.75%. Annual payments of \$19,188 (principal and interest) are due annually on December 28th through December 28, 2030.	246,270	9,718
 \$150,000 issued December 22, 2011, bearing interest at 4.88%. Annual payments of \$14,334 (principal and interest) are due annually on December 1st through December 1, 2026.	<u>142,986</u>	<u>7,357</u>
 Total General Obligation Bonds	<u>\$ 407,711</u>	<u>\$ 20,247</u>
<u>Other Obligations:</u>		
Compensated absences	<u>\$ 45,782</u>	<u>\$ 34,337</u>
 Total Long-Term Obligations	<u>\$ 453,493</u>	<u>\$ 54,584</u>

TOWN OF NARROWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4-Long-Term Obligations: (continued)

Primary Government-Business-Type Activities Indebtedness:

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

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 32,077	\$ 6,751	\$ 17,592	\$ 37,272
2015	33,334	5,495	18,398	36,466
2016	34,639	4,190	19,226	35,638
2017	35,996	2,833	20,121	34,743
2018	37,405	1,424	21,043	33,821
2019-2023	13,310	166	120,569	153,751
2024-2028	-	-	150,819	123,501
2029-2033	-	-	188,686	85,634
2034-2038	-	-	226,813	38,301
2039-2043	-	-	51,025	6,682
2044	-	-	5,090	89
Totals	\$ 186,761	\$ 20,859	\$ 839,382	\$ 585,898

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

	Balance July 1, 2012	Issuances	Retirements	Balance June 30, 2013
Revenue bonds	\$ 856,219	\$ -	\$ (16,837)	\$ 839,382
General obligation bonds	217,629	-	(30,868)	186,761
Compensated absences	8,946	4,676	(6,710)	6,912
Total	\$ 1,082,794	\$ 4,676	\$ (54,415)	\$ 1,033,055

TOWN OF NARROWS, VIRGINIA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 4-Long-Term Obligations: (continued)

Primary Government-Business-Type Activities Indebtedness: (continued)

Details of long-term indebtedness:

	<u>Total Amount</u>	<u>Amount Due Within One Year</u>
<u>General Obligation Bonds:</u>		
<p>\$564,200 issued March 24, 2004 maturing quarterly June 24, 2004 through December 24, 2019. The first eight quarterly payments of principal and interest of \$20,312 were payable through March 24, 2006. The next two quarterly payments of principal and interest of \$14,028 were payable through September 24, 2006. The remaining sixty-five quarterly payments of principal and interest are \$10,667 due through December 24, 2019. Interest is payable quarterly at a rate of 3.86% per annum. This bond is split between the general fund and the water and sewer fund as the proceeds were used in each fund. The general fund received benefit of 9% of the issue, while the water and sewer fund received benefit of 91% of the issue. Proceeds, payments, and outstanding balances are split according to those percentages. The amount outstanding for the water and sewer fund is:</p>	\$ 186,761	\$ 32,077
<u>Revenue Bonds:</u>		
<p>\$89,200 Rural Development Bond issued October 4, 2002. Monthly principal and interest payments of \$409 began on November 4, 2004 and continue until October 2042, interest accrues at 4.5%.</p>	\$ 79,615	\$ 1,362
<p>\$139,740 Rural Development Bond issued April 6, 2004. An interest only payment was due on April 6, 2006. Combined principal and interest payments of \$631 began on May 6, 2006 and are due monthly through April 2044. Interest on the bond accrues at 4.375%.</p>	127,497	2,019
<p>\$769,100 Rural Development Bond issued June 16, 1998, due in monthly principal and interest installments of \$3,531 through February 2038, the final installment is due March 16, 2038 in the amount of \$4,875, interest accrues at 4.5%.</p>	632,270	14,211
Total Revenue Bonds Payable	\$ 839,382	\$ 17,592
<u>Other Obligations:</u>		
Compensated absences	\$ 6,912	\$ 5,184
Total Other Obligations	\$ 6,912	\$ 5,184
Total Long-Term Obligations	\$ 1,033,055	\$ 54,853

Note 5-Employee Retirement System and Pension Plans:

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 contributes to the Virginia Retirement System (VRS), an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for political subdivisions in the Commonwealth of Virginia.

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 at age 50 with at least 30 years of service credit. They may retire with a reduced benefit as early as age 55 with at least five years of service credit or at 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 five 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.

Note 5-Employee Retirement System and Pension Plans: (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 obtained 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 Authority 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 2013 was 14.25% of annual covered payroll.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 5-Employee Retirement System and Pension Plans: (Continued)

C. Annual Pension Cost

For fiscal year 2013, the Town of Narrows, Virginia's annual pension cost of \$116,871 (including employee share of \$36,341) was equal to the Town of Narrows, Virginia's required and actual contributions.

Three-Year Trend Information			
Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2013	\$ 116,871	100%	\$ -
June 30, 2012	95,584	100%	-
June 30, 2011	91,242	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% per year for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year 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 76.56% funded. The actuarial accrued liability for benefits was \$2,850,386, and the actuarial value of assets was \$2,182,156, resulting in an unfunded actuarial accrued liability (UAAL) of \$668,230. The covered payroll (annual payroll of active employees covered by the plan) was \$663,526, and ratio of the UAAL to the covered payroll was 100.71%.

The schedule of funding progress, presented as required supplementary information (RSI) 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 6-Unavailable Revenue:

Unavailable revenue 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. Unearned/deferred revenue totaling \$95,021 is comprised of:

Unavailable Property Tax Revenue – Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled \$92,538 at June 30, 2013.

Prepaid Property Taxes - Property taxes totaling \$2,483 not due until December 5, 2013, but paid prior to June 30, 2013.

Note 7-Capital Assets:

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

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 273,464	\$ 92,668	\$ -	\$ 366,132
Construction in progress	142,978	226,258	(364,678)	4,558
Total capital assets not being depreciated	<u>\$ 416,442</u>	<u>\$ 318,926</u>	<u>\$ (364,678)</u>	<u>\$ 370,690</u>
Capital assets, being depreciated:				
Buildings	\$ 516,227	\$ 272,010	\$ -	\$ 788,237
Machinery and equipment	866,438	74,973	(59,000)	882,411
Total capital assets being depreciated	<u>\$ 1,382,665</u>	<u>\$ 346,983</u>	<u>\$ (59,000)</u>	<u>\$ 1,670,648</u>
Accumulated depreciation:				
Buildings	\$ (224,419)	\$ (29,742)	\$ -	\$ (254,161)
Machinery and equipment	(513,432)	(71,898)	59,000	(526,330)
Total accumulated depreciation	<u>\$ (737,851)</u>	<u>\$ (101,640)</u>	<u>\$ 59,000</u>	<u>\$ (780,491)</u>
Total capital assets being depreciated, net	<u>\$ 644,814</u>	<u>\$ 245,343</u>	<u>\$ -</u>	<u>\$ 890,157</u>
Governmental activities capital assets, net	<u>\$ 1,061,256</u>	<u>\$ 564,269</u>	<u>\$ (364,678)</u>	<u>\$ 1,260,847</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 7-Capital Assets: (continued)

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,300	\$ -	\$ -	\$ 7,300
Capital assets, being depreciated:				
Utility plant and equipment	\$ 6,947,440	\$ -	\$ -	\$ 6,947,440
Machinery and equipment	283,214	12,527	-	295,741
Total capital assets being depreciated	<u>\$ 7,230,654</u>	<u>\$ 12,527</u>	<u>\$ -</u>	<u>\$ 7,243,181</u>
Accumulated depreciation:				
Utility plant and equipment	\$ (4,191,804)	\$ (239,799)	\$ -	\$ (4,431,603)
Machinery and equipment	(235,855)	(15,793)	-	(251,648)
Total accumulated depreciation	<u>\$ (4,427,659)</u>	<u>\$ (255,592)</u>	<u>\$ -</u>	<u>\$ (4,683,251)</u>
Total capital assets being depreciated, net	<u>\$ 2,802,995</u>	<u>\$ (243,065)</u>	<u>\$ -</u>	<u>\$ 2,559,930</u>
Business-type Activities capital assets, net	<u>\$ 2,810,295</u>	<u>\$ (243,065)</u>	<u>\$ -</u>	<u>\$ 2,567,230</u>

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

Governmental activities:	
General government	\$ 25,370
Public safety	56,732
Public works	11,031
Parks, recreation, and culture	446
Community development	8,061
	<u>8,061</u>
Total depreciation expense-governmental activities	<u>\$ 101,640</u>
Business-type activities:	
Water and Sewer	<u>\$ 255,592</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2013

Note 8-Risk Management:

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates with other localities in a public entity risk pool for their coverage of general liability, property, crime, machinery and auto insurance with the Virginia Municipal Liability Pool. Each member of this risk pool jointly and severally agrees to assume, pay and discharge any liability. The Town pays the Virginia Municipal Group contributions and assessments which are deposited into a designated cash reserve fund out of which expenses of the pool, claims and awards are to be paid. In the event of a loss, deficit, or depletion of all available resources, the pool may assess all members in the proportion to which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9-Due from Other Governmental Units:

The following amounts represent receivables from other governments at year-end:

<u>Commonwealth of Virginia:</u>	
Communication sales tax	\$ 7,191
Categorical aid	859
	<hr/>
Totals	\$ 8,050
	<hr/>

Note 10-Adoption of Accounting Principles:

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2013

Note 10-Adoption of Accounting Principles: (continued)

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

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

Note 11-Subsequent Event:

Subsequent to year end, the Town purchased the following capital assets:

2013 Ford Focus	\$	15,700
2013 F550 4x4 Dump Truck		67,400
Backhoe Loader		<u>89,900</u>
Total	\$	<u>173,000</u>

Note 12-Upcoming Pronouncements:

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

Required Supplementary Information

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$ 469,576	\$ 469,576	\$ 479,245	\$ 9,669
Other local taxes	362,700	362,700	377,879	15,179
Permits, privilege fees, and regulatory licenses	500	500	761	261
Fines and forfeitures	65,030	65,030	105,849	40,819
Revenue from the use of money and property	4,800	4,800	5,514	714
Charges for services	93,034	93,034	63,509	(29,525)
Miscellaneous	17,241	17,241	41,165	23,924
Recovered costs	19,814	19,814	14,615	(5,199)
Intergovernmental revenues:				
Commonwealth	467,645	467,645	478,739	11,094
Total revenues	\$ 1,500,340	\$ 1,500,340	\$ 1,567,276	\$ 66,936
EXPENDITURES				
Current:				
General government administration	\$ 320,664	\$ 320,664	\$ 315,680	\$ 4,984
Public safety	289,154	289,154	271,335	17,819
Public works	517,753	517,753	490,444	27,309
Parks, recreation, and cultural	232,891	232,891	180,824	52,067
Community development	5,500	5,500	7,824	(2,324)
Nondepartmental	152,321	152,321	163,973	(11,652)
Capital projects	277,841	277,841	286,567	(8,726)
Debt service:				
Principal retirement	14,307	14,307	20,082	(5,775)
Interest and other fiscal charges	-	-	17,271	(17,271)
Total expenditures	\$ 1,810,431	\$ 1,810,431	\$ 1,754,000	\$ 56,431
Excess (deficiency) of revenues over (under) expenditures	\$ (310,091)	\$ (310,091)	\$ (186,724)	\$ 123,367
OTHER FINANCING SOURCES (USES)				
Transfer in	\$ 93,362	\$ 93,362	\$ -	\$ (93,362)
Sale of capital assets	36,729	36,729	38,629	1,900
Total other financing sources and uses	\$ 130,091	\$ 130,091	\$ 38,629	\$ (91,462)
Net change in fund balances	\$ (180,000)	\$ (180,000)	\$ (148,095)	\$ 31,905
Fund balances - beginning	180,000	180,000	367,396	187,396
Fund balances - ending	\$ -	\$ -	\$ 219,301	\$ 219,301

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

Primary Government:

Town Retirement Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL) (3) - (2)	Funded Ratio Assets as % of AAL (2) / (3)	Annual Covered Payroll	UAAL as a % of Covered Payroll (4) / (6)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
6/30/2012	\$ 2,182,156	\$ 2,850,386	\$ 668,230	76.56%	\$ 663,526	100.71%
6/30/2011	2,162,802	2,655,463	492,661	81.45%	721,397	68.29%
6/30/2010	2,098,895	2,457,668	358,773	85.40%	729,890	49.15%

OTHER SUPPLEMENTARY INFORMATION SECTION

Supporting Schedules

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property tax	\$ 368,600	\$ 368,600	\$ 350,912	\$ (17,688)
Real and personal PSC tax	15,000	15,000	15,610	610
Personal property tax	75,976	75,976	98,780	22,804
Penalties	6,000	6,000	6,862	862
Interest	4,000	4,000	7,081	3,081
Total general property taxes	<u>\$ 469,576</u>	<u>\$ 469,576</u>	<u>\$ 479,245</u>	<u>\$ 9,669</u>
Other local taxes:				
Local sales and use tax	\$ 110,000	\$ 110,000	\$ 106,058	\$ (3,942)
Consumers' utility tax	35,000	35,000	34,724	(276)
Consumption taxes	5,700	5,700	5,719	19
Business license tax	80,000	80,000	84,483	4,483
Communications Tax	45,000	45,000	45,482	482
Motor vehicle licenses	31,000	31,000	26,657	(4,343)
Hotel and motel room tax	1,000	1,000	5,863	4,863
Restaurant food taxes	55,000	55,000	68,893	13,893
Total other local taxes	<u>\$ 362,700</u>	<u>\$ 362,700</u>	<u>\$ 377,879</u>	<u>\$ 15,179</u>
Permits, privilege fees, and regulatory licenses:				
Building permits	\$ 500	\$ 500	\$ 761	\$ 261
Fines and forfeitures:				
Court fines and forfeitures	\$ 65,000	\$ 65,000	\$ 105,826	\$ 40,826
Library fines and fees	30	30	23	(7)
Total fines and forfeitures	<u>\$ 65,030</u>	<u>\$ 65,030</u>	<u>\$ 105,849</u>	<u>\$ 40,819</u>
Revenue from use of money and property:				
Revenue from use of money	\$ -	\$ -	\$ 714	\$ 714
Revenue from use of property	4,800	4,800	4,800	-
Total revenue from use of money and property	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 5,514</u>	<u>\$ 714</u>
Charges for services:				
Chipping service	\$ 250	\$ 250	\$ 284	\$ 34
Policing service	3,264	3,264	-	(3,264)
Charges for parks and recreation	89,445	89,445	63,225	(26,220)
Library book sales	75	75	-	(75)
Total charges for services	<u>\$ 93,034</u>	<u>\$ 93,034</u>	<u>\$ 63,509</u>	<u>\$ (29,525)</u>
Miscellaneous revenue:				
Library donations	\$ 100	\$ 100	\$ 64	\$ (36)
Recreation donations	900	900	942	42
Recreation fundraiser	1,741	1,741	1,753	12
Virginia Municipal League Grant	1,000	1,000	-	(1,000)
DMV stops	500	500	70	(430)
Student volunteer program	3,000	3,000	3,262	262
Miscellaneous	10,000	10,000	35,074	25,074
Total miscellaneous revenue	<u>\$ 17,241</u>	<u>\$ 17,241</u>	<u>\$ 41,165</u>	<u>\$ 23,924</u>

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

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Recovered costs:				
Giles County recreation donation	\$ 12,794	\$ 12,794	\$ 8,294	\$ (4,500)
Giles County Library donation	7,020	7,020	6,321	(699)
Total recovered costs	<u>\$ 19,814</u>	<u>\$ 19,814</u>	<u>\$ 14,615</u>	<u>\$ (5,199)</u>
Total revenue from local sources	<u>\$ 1,032,695</u>	<u>\$ 1,032,695</u>	<u>\$ 1,088,537</u>	<u>\$ 55,842</u>
Revenue from the Commonwealth:				
Noncategorical aid:				
Motor vehicles carriers' tax	\$ 2,350	\$ 2,350	\$ 2,603	\$ 253
Personal property tax relief act funds	64,024	64,024	64,024	-
Total noncategorical aid	<u>\$ 66,374</u>	<u>\$ 66,374</u>	<u>\$ 66,627</u>	<u>\$ 253</u>
Categorical aid:				
Other categorical aid:				
Library grant	\$ 10,724	\$ 10,724	\$ 10,877	\$ 153
Local law enforcement grants	62,933	62,933	60,331	(2,602)
Commission of the arts grant	5,000	5,000	-	(5,000)
Fire program funds	8,000	8,000	8,000	-
Litter grant	1,003	1,003	1,447	444
Street maintenance funds	313,611	313,611	331,457	17,846
Total other categorical aid	<u>\$ 401,271</u>	<u>\$ 401,271</u>	<u>\$ 412,112</u>	<u>\$ 10,841</u>
Total revenue from the Commonwealth	<u>\$ 467,645</u>	<u>\$ 467,645</u>	<u>\$ 478,739</u>	<u>\$ 11,094</u>
Total General Fund	<u><u>\$ 1,500,340</u></u>	<u><u>\$ 1,500,340</u></u>	<u><u>\$ 1,567,276</u></u>	<u><u>\$ 66,936</u></u>

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

<u>Fund, Function, Sub-Function and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund:				
General government administration:				
Legislative:				
Town Council	\$ 21,915	\$ 21,915	\$ 20,237	\$ 1,678
General and financial administration:				
Executive	\$ 161,276	\$ 161,276	\$ 139,257	\$ 22,019
Town Attorney	18,000	18,000	49,065	(31,065)
Finance	103,973	103,973	93,356	10,617
Audit services	15,500	15,500	13,765	1,735
Total general and financial administration	<u>\$ 298,749</u>	<u>\$ 298,749</u>	<u>\$ 295,443</u>	<u>\$ 3,306</u>
Total general government administration	<u>\$ 320,664</u>	<u>\$ 320,664</u>	<u>\$ 315,680</u>	<u>\$ 4,984</u>
Public safety:				
Law enforcement and traffic control:				
Police Department	\$ 256,640	\$ 256,640	\$ 256,806	\$ (166)
Fire and rescue services:				
Volunteer Fire Department	\$ 32,514	\$ 32,514	\$ 14,529	\$ 17,985
Total public safety	<u>\$ 289,154</u>	<u>\$ 289,154</u>	<u>\$ 271,335</u>	<u>\$ 17,819</u>
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Street Maintenance	\$ 346,894	\$ 346,894	\$ 339,096	\$ 7,798
Street Lighting	33,000	33,000	32,829	171
Total maintenance of highways, streets, bridges & sidewalks	<u>\$ 379,894</u>	<u>\$ 379,894</u>	<u>\$ 371,925</u>	<u>\$ 7,969</u>
Maintenance of general buildings and grounds:				
Buildings and grounds	\$ 137,859	\$ 137,859	\$ 118,519	\$ 19,340
Total public works	<u>\$ 517,753</u>	<u>\$ 517,753</u>	<u>\$ 490,444</u>	<u>\$ 27,309</u>
Parks, recreation, and cultural:				
Parks and recreation:				
Parks and Recreation	\$ 175,892	\$ 175,892	\$ 129,228	\$ 46,664
Library:				
Library	\$ 56,999	\$ 56,999	\$ 51,596	\$ 5,403
Total parks, recreation, and cultural	<u>\$ 232,891</u>	<u>\$ 232,891</u>	<u>\$ 180,824</u>	<u>\$ 52,067</u>
Community development:				
Planning and community development:				
Community and Economic Development	\$ 5,500	\$ 5,500	\$ 7,824	\$ (2,324)
Nondepartmental:				
Non-departmental	\$ 152,321	\$ 152,321	\$ 163,973	\$ (11,652)
Capital projects/capital outlays:				
New vehicles	\$ 48,841	\$ 48,841	\$ 30,726	\$ 18,115
Purchase of BB&T Building	180,000	180,000	172,160	7,840
Community Center Renovations/Shelter Roof	4,000	4,000	49,540	(45,540)
Code Update	17,000	17,000	13,456	3,544
New equipment	13,500	13,500	11,732	1,768
Progress in Narrows Now (PINN) Arts grant match	10,000	10,000	500	9,500
Other capital projects/capital outlays	4,500	4,500	8,453	(3,953)
Total capital projects	<u>\$ 277,841</u>	<u>\$ 277,841</u>	<u>\$ 286,567</u>	<u>\$ (8,726)</u>

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

<u>Fund, Function, Sub-Function and Department</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
General Fund: (Continued)				
Debt service:				
Principal Retirement	\$ 14,307	\$ 14,307	\$ 20,082	\$ (5,775)
Interest and other Fiscal Charges	-	-	17,271	(17,271)
Total debt service	<u>\$ 14,307.00</u>	<u>\$ 14,307.00</u>	<u>\$ 37,353</u>	<u>\$ (23,046)</u>
 Total General Fund	 <u>\$ 1,810,431</u>	 <u>\$ 1,810,431</u>	 <u>\$ 1,754,000</u>	 <u>\$ 56,431</u>

Other Statistical Information

Table 1

Town of Narrows, Virginia
Government-Wide Expenses by Function
Last Ten Fiscal Years

Fiscal Year	General Government Administration		Public Safety	Public Works	Parks, Recreation, and Cultural		Community Development	Interest on Long-Term Debt	Water and Sewer		Total
	\$				\$				\$		
2003-04	\$ 217,478	\$	254,305	\$ 360,788	\$ 158,468	\$	37,909	\$ 12,244	\$ 796,229	\$	1,837,421
2004-05	216,500		253,193	424,724	169,130		56,006	8,962	825,653		1,954,168
2005-06	272,657		270,028	411,279	212,504		5,422	8,779	845,383		2,026,052
2006-07	224,641		285,546	553,010	205,298		1,362	2,038	824,445		2,096,340
2007-08	314,480		290,126	447,373	199,342		1,850	945	832,934		2,087,050
2008-09	334,124		303,516	518,512	219,515		5,048	1,221	835,288		2,217,224
2009-10	312,463		305,956	483,281	257,426		980	2,351	810,428		2,172,885
2010-11	333,734		354,778	607,699	157,490		846	5,117	855,310		2,314,974
2011-12	343,957		359,973	470,909	37,915		192,049	15,273	838,177		2,258,253
2012-13	399,010		356,827	557,149	147,899		44,370	17,339	855,726		2,378,320

Table 2

Town of Narrows, Virginia
Government-Wide Revenues
Last Ten Fiscal Years

Fiscal Year	PROGRAM REVENUES				GENERAL REVENUES						Total	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		General Property Taxes	Other Local Taxes	Unrestricted Investment Earnings	Miscellaneous	Grants and Contributions Not Restricted to Specific Programs	Gain on Disposal of Capital Assets		
2003-04	\$ 855,303	\$ 342,124	\$ 15,000	\$	\$ 295,804	\$ 307,256	\$ 2,075	\$ 175,221	\$ 60,100	\$ -	\$ -	2,052,883
2004-05	843,239	340,628	470,270		303,696	310,061	4,185	86,949	69,808	-	-	2,428,836
2005-06	838,433	353,747	356,632		335,964	317,391	6,405	74,669	65,513	-	-	2,348,754
2006-07	814,759	366,934	34,912		329,027	337,449	21,288	54,721	73,841	-	-	2,032,931
2007-08	890,354	372,862	25,393		332,242	320,368	15,142	26,259	69,780	-	-	2,052,400
2008-09	906,993	394,734	9,638		322,156	324,432	6,787	23,142	66,134	-	13,280	2,067,296
2009-10	900,533	382,881	10,072		343,209	322,138	8,520	46,869	66,334	-	9,241	2,089,797
2010-11	907,978	501,003	24,140		380,748	343,272	7,160	20,213	66,355	-	5,605	2,256,474
2011-12	948,214	411,879	8,770		418,724	320,671	7,099	21,252	68,246	-	21,877	2,226,732
2012-13	964,677	412,112	7,308		507,003	377,879	5,612	41,165	66,627	-	38,629	2,421,012

Table 3

Town of Narrows, Virginia
General Governmental Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	Legislative	General and Financial Administration	Public Safety	Public Works	Parks, Recreation, and Cultural	Community Development	Non-departmental	Debt Service	Total
2003-04	\$ 34,615	\$ 175,228	\$ 239,762	\$ 391,479	\$ 183,955	\$ 72,909	\$ 10,941	\$ 184,525	\$ 1,293,414
2004-05	41,475	150,610	206,608	437,663	176,678	56,006	81,595	69,301	1,219,936
2005-06	30,934	207,810	232,642	351,009	202,050	5,052	75,473	27,362	1,132,332
2006-07	29,368	169,476	243,876	477,509	187,320	1,278	92,538	37,529	1,238,894
2007-08	31,216	224,404	255,423	386,234	205,665	1,699	98,368	6,840	1,209,849
2008-09	32,152	250,692	293,295	461,501	227,537	4,780	86,743	6,840	1,363,540
2009-10	29,823	246,333	261,813	424,515	240,006	920	79,107	5,073	1,287,590
2010-11	27,268	258,247	283,351	442,956	190,295	792	81,912	3,840	1,288,661
2011-12	19,781	286,378	288,199	437,546	186,739	181,041	85,105	23,028	1,507,817
2012-13	20,237	295,443	271,335	490,444	180,824	7,824	163,973	37,353	1,467,433

Amounts do not include capital project expenditures.

Table 4

Town of Narrows, Virginia
General Governmental Revenues by Source
Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees, Regulatory Licenses	Fines and Forfeitures	Revenue from the Use of Money and Property	Charges for Services	Miscellaneous	Recovered Costs	Inter-governmental	Total
2003-04	\$ 301,808	\$ 307,256	\$ 542	\$ 42,493	\$ 1,746	\$ 60,770	\$ 16,208	\$ 65,633	\$ 417,224	\$ 1,213,680
2004-05	301,918	310,061	401	31,857	4,185	59,251	86,949	24,000	703,622	1,522,244
2005-06	322,018	317,391	346	33,916	4,366	58,297	74,669	16,000	515,488	1,342,491
2006-07	319,603	337,449	541	24,384	18,400	53,104	54,721	24,554	440,775	1,273,531
2007-08	321,289	320,368	515	27,910	12,720	68,490	26,259	22,025	442,642	1,242,218
2008-09	325,246	324,432	471	51,940	5,778	101,774	23,142	24,545	460,868	1,318,196
2009-10	336,674	322,138	521	49,309	8,340	88,482	46,869	16,221	449,215	1,317,769
2010-11	376,563	343,272	326	47,395	7,036	70,860	20,213	47,260	582,728	1,495,653
2011-12	410,387	320,671	766	90,706	7,008	77,245	21,252	19,363	480,125	1,427,523
2012-13	479,245	377,879	761	105,849	5,514	63,509	41,165	14,615	478,739	1,567,276

Includes General fund of the Primary Government

Table 5

Town of Narrows, Virginia
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1)	Current Tax Collections (1)	Percent of Levy Collected	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (2,3)	Percent of Delinquent Taxes to Tax Levy
2003-04	\$ 357,070	\$ 337,751	94.59%	\$ 10,825	\$ 348,576	97.62%	\$ 42,530	11.91%
2004-05	347,664	341,766	98.30%	6,797	348,563	100.26%	41,611	11.97%
2005-06	385,642	363,803	94.34%	11,807	375,610	97.40%	45,023	11.67%
2006-07	386,772	372,050	96.19%	4,559	376,609	97.37%	46,000	11.89%
2007-08	394,359	369,430	93.68%	7,698	377,128	95.63%	61,673	15.64%
2008-09	393,601	363,813	92.43%	17,207	381,020	96.80%	71,349	18.13%
2009-10	392,562	381,074	97.07%	11,533	392,607	100.01%	77,794	19.82%
2010-11	433,765	401,337	92.52%	27,462	428,799	98.86%	74,326	17.14%
2011-12	480,672	438,795	91.29%	26,658	465,453	96.83%	80,912	16.83%
2012-13	548,814	503,156	91.68%	26,170	529,326	96.45%	101,715	18.53%

(1) Exclusive of penalties and interest. Includes amounts remitted under the State's personal property tax relief program.

(2) Delinquent taxes are exclusive of penalties and interest and do not include amounts due under the State's personal property tax relief program.

(3) Delinquent balance estimated for the 2006-07 fiscal year.

Table 6

Town of Narrows, Virginia
Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year	Real Estate (1)	Personal Property and Mobile Homes (3)	Machinery and Tools (3)	Public Utility (2) Real Estate	Total
2003-04	\$ 54,789,400	\$ 12,814,188	\$ 825,326	\$ 3,082,077	\$ 71,510,991
2004-05	55,005,100	11,930,956	900,000	2,395,006	70,231,062
2005-06	74,629,400	13,093,075	1,000,000	3,467,776	92,190,251
2006-07	74,822,600	13,928,213	1,250,000	2,990,963	92,991,776
2007-08	75,388,100	13,254,300	1,808,948	3,032,924	93,484,272
2008-09	75,707,000	13,825,465	782,583	2,870,636	93,185,684
2009-10	87,167,150	12,278,476	807,211	3,677,135	103,929,972
2010-11	87,607,200	13,566,098	1,600,434	3,701,097	106,474,829
2011-12	87,573,400	14,247,101	1,304,639	3,411,939	106,537,079
2012-13	87,978,300	15,299,215	1,148,949	3,630,277	108,056,741

(1) Real estate is assessed at 100% of fair market value.

(2) Assessed values are established by the State Corporation Commission.

(3) Personal property and machinery and tools are assessed at 100% of fair market value.

Table 7

Town of Narrows, Virginia
Property Tax Rates (1)
Last Ten Fiscal Years

Fiscal Year	Real Estate	Mobile Homes	Personal Property	Machinery and Tools
2003-04	0.420	0.420	0.938	0.938
2004-05	0.420	0.420	0.938	0.938
2005-06	0.340	0.340	0.938	0.469
2006-07	0.340	0.340	0.938	0.469
2007-08	0.340	0.340	0.938	0.469
2008-09	0.340	0.340	0.938	0.469
2009-10	0.310	0.310	0.938	0.469
2010-11	0.340	0.340	1.013	0.469
2011-12	0.380	0.380	1.113	0.469
2012-13	0.430	0.430	1.113	0.469

(1) Per \$100 of assessed value.

Table 8

Town of Narrows, Virginia
Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years

Fiscal Year	Population (1)	Assessed Value (in thousands) (2)	Net Bonded Debt (3)	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2002-03	2,111	54,273	\$ 60,417	0.11%	29
2003-04	2,111	54,789	549,333	1.00%	260
2004-05	2,111	55,005	488,414	0.89%	231
2005-06	2,111	74,629	440,394	0.59%	209
2006-07	2,111	74,823	396,581	0.53%	188
2007-08	2,111	75,388	365,575	0.48%	173
2008-09	2,111	75,707	333,475	0.44%	158
2009-10	2,111	87,167	303,235	0.35%	144
2010-11	2,029	87,607	538,427	0.61%	265
2011-12	2,029	87,573	645,422	0.74%	318
2012-13	2,029	87,978	594,472	0.68%	293

(1) 2000 and 2010 Census

(2) Real property assessed at 100% of fair market value.

(3) Includes all long-term general obligation bonded debt and bonded anticipation notes.
 Excludes capital leases and compensated absences.

Town of Narrows, Virginia
Computation of Legal Debt Margin
June 30, 2013

Assessed valuations:	
Assessed value of real estate	<u>\$ 87,978,300</u>
Legal debt margin	
Debt limitation - 10 percent of total assessed value	\$ 8,797,830
Total debt applicable to limitation	<u>(594,472)</u>
Legal debt margin	<u>\$ 8,203,358</u>

COMPLIANCE SECTION

ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Town Council
Town of Narrows, Virginia
Narrows, 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 Narrows, Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Narrows, Virginia's basic financial statements, and have issued our report thereon dated October 17, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Robinson, Faucher, Co. Associates

Blacksburg, Virginia
October 17, 2013