

**TOWN OF ONLEY, VIRGINIA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2014**

**TOWN OF ONLEY, VIRGINIA**

**COUNCIL AND OFFICIALS**

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Jack Pierson, Mayor

Henry E. Finney, Vice Mayor

Jamye L. Salazar, Treasurer

Dawn E. Dize

Susan Rillo

Billy P. Chance

Fred Gardner

Earl D. Strautz, Jr.

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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 Onley, Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Town of Onley, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Town'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 Town'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 and the major fund of Town of Onley, Virginia, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the budgetary comparison information 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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, which 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 Town of Onley, Virginia's basic financial statements. The supporting schedules 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.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2014 on our consideration of Town of Onley, 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 Onley, Virginia's internal control over financial reporting and compliance.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia  
September 20, 2014

- Basic Financial Statements -

*Government-Wide Financial Statements*

Statement of Net Position  
June 30, 2014

	<u>Governmental Activities</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	\$ 1,326,464
Receivables (net of allowance for uncollectibles):	
Property taxes	4,591
Accounts	50,323
Prepaid items	8,883
Total current assets	<u>\$ 1,390,261</u>
Noncurrent assets:	
Capital assets:	
Land	\$ 91,151
Buildings, vehicles and equipment (net of accumulated depreciation)	56,175
Total capital assets	<u>\$ 147,326</u>
Total assets	<u><u>\$ 1,537,587</u></u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable and accrued expenses	\$ 5,728
Unearned revenue	7,000
Loan payable, current portion	3,735
Total current liabilities	<u>\$ 16,463</u>
Noncurrent liabilities:	
Compensated absences	\$ 6,313
Loan payable, noncurrent portion	6,854
Total noncurrent liabilities	<u>\$ 13,167</u>
Total liabilities	<u>\$ 29,630</u>
<b>Net Position:</b>	
Net investment in capital assets	\$ 136,737
Unrestricted	1,371,220
Total net position	<u>\$ 1,507,957</u>
Total liabilities and net position	<u><u>\$ 1,537,587</u></u>

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

Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities					
General government					
administration	\$ 161,052	\$ 760	\$ -	\$ -	\$ (160,292)
Public safety	319,831	93,798	41,522	-	(184,511)
Public works	58,279	-	1,060	-	(57,219)
Interest on long-term debt	471	-	-	-	(471)
Total governmental activities	\$ 539,633	\$ 94,558	\$ 42,582	\$ -	\$ (402,493)
Total	\$ 539,633	\$ 94,558	\$ 42,582	\$ -	\$ (402,493)
General Revenues					
General property taxes				\$	62,352
Other local taxes:					
Sales and use tax					27,138
Meals tax					317,375
Occupancy tax					15,801
Bank franchise tax					95,047
Other					11,726
Grants and contributions not restricted to specific programs					5,952
Revenue from use of money and property					4,133
Miscellaneous					16,041
Total general revenues				\$	555,565
Change in net position				\$	153,072
Net position, beginning of year					1,354,885
Net position, end of year				\$	1,507,957

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

- Basic Financial Statements -

*Fund Financial Statements*

Balance Sheet  
Governmental Fund  
June 30, 2014

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	<u>General Fund</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 1,326,464
Receivables (net of allowance for uncollectibles):	
Property taxes	4,591
Accounts	50,323
Prepaid items	<u>8,883</u>
Total assets	<u><u>\$ 1,390,261</u></u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 5,728
Unearned revenue - grants	<u>7,000</u>
Total liabilities	<u><u>\$ 12,728</u></u>
<b>Deferred Inflows of Resources:</b>	
Unavailable revenue - property taxes	<u>\$ 4,178</u>
<b>Fund Balance:</b>	
Nonspendable:	
Prepaid items	\$ 8,883
Committed:	
Rainy day/Stabilization fund	200,000
Unassigned	<u>1,164,472</u>
Total fund balance	<u><u>\$ 1,373,355</u></u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 1,390,261</u></u>

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2014

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Total fund balance for governmental funds (Exhibit 3) \$ 1,373,355

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 91,151	
Depreciable capital assets, net of accumulated depreciation	<u>56,175</u>	
Total capital assets		147,326

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenue - property taxes in the governmental funds and thus are not included in the fund balance. 4,178

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Balances of long-term liabilities affecting net position are as follows:

Compensated absences	\$ (6,313)	
USDA loan	<u>(10,589)</u>	
Total long-term liabilities		<u>(16,902)</u>
Total net position of governmental activities (Exhibits 1 and 2)		\$ <u><u>1,507,957</u></u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Fund  
 For the Year Ended June 30, 2014

	<u>General Fund</u>
<b>Revenues:</b>	
General property taxes	\$ 64,637
Other local taxes	467,087
Permits, privilege fees and regulatory licenses	760
Fines and forfeitures	93,798
Revenue from use of money and property	4,133
Miscellaneous	16,041
Intergovernmental	<u>48,534</u>
Total revenues	<u>\$ 694,990</u>
<b>Expenditures:</b>	
Current:	
General government administration	\$ 158,404
Public safety	319,598
Public works	56,121
Debt service:	
Principal retirement	3,597
Interest and other fiscal charges	<u>471</u>
Total expenditures	<u>\$ 538,191</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 156,799</u>
Net changes in fund balance	\$ 156,799
Fund balance at beginning of year	<u>1,216,556</u>
Fund balance at end of year	<u><u>\$ 1,373,355</u></u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Fund to the Statement of Activities  
For the Year Ended June 30, 2014

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Net change in fund balance - total governmental funds (Exhibit 5)	\$ 156,799
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	22,351
Depreciation expense	(25,008)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Details of this adjustment consist of the change in unavailable tax revenue.	(2,285)
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Loan proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases the long-term liabilities and does not affect the statement of activities. Similarly, the repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Repayments:	
USDA loan	3,597

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:

Change in compensated absences	(2,382)
Change in net position of governmental activities (Exhibit 2)	\$ 153,072

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

## TOWN OF ONLEY, VIRGINIA

### Notes to Financial Statements At June 30, 2014

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

The financial statements of Town of Onley, Virginia (the "Town") conform to generally accepted accounting principles ("GAAP") applicable to governmental units promulgated by the Governmental Accounting Standards Board ("GASB"). The following is a summary of the more significant policies.

#### Financial Reporting Entity:

The Town was incorporated on April 5, 1950, under the provisions of the Commonwealth of Virginia. The Town operates under a Town Council form of government and provides the following services as authorized by its charter: public safety (police), streets, sanitation, public improvements, planning and zoning, and general administrative services.

The government is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The Town does not have any component units.

#### Financial Statement Presentation:

#### Management's Discussion and Analysis:

GASB Statement No. 34 requires that financial statements 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). This analysis is similar to the analysis that the private sector provides in their annual reports. The Town has not presented this information.

#### Government-Wide and Fund Financial Statements:

#### Government-Wide Financial Statements:

The reporting model includes financial statements prepared using full accrual accounting for all of the Town's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

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. 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.

## TOWN OF ONLEY, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### Statement of Net Position:

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 units. 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.

##### Statement of Activities:

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 segments are offset by program revenues. Direct expenses are those that are clearly associated 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.

##### Fund Financial Statements:

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Town has no proprietary funds.

##### Budgetary Comparison Schedules:

Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in the annual reports, including the government's original budget and a comparison of final budget and actual results.

#### A. Financial Reporting Entity:

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the Town of Onley, Virginia.

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

B. Individual Component Unit Disclosures: None

C. Other Related Organizations Included in the Town Financial Statements: None

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statement of activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, etc.).

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. 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. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In the fund financial statements, financial transactions and accounts of the Town are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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

**D. Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)**

**1. Governmental Funds:**

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

**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 local taxes, state and federal distributions, licenses, fines, permits, charges for service, and interest income. The General Fund is considered a major fund for government-wide reporting purposes.

**E. 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 and capital 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 enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the fund level. The appropriation for each fund can be revised only by the Town Council. Supplemental appropriations may be made without amending the budget.
5. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse on June 30 for all Town funds.
7. All budgetary data presented in the accompanying financial statements is the original budget as of June 30, 2014, as adopted, appropriated and legally amended.
8. The Town Council may legally amend the budget only by following procedures used in the adoption of the original budget.

**F. 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.

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

## TOWN OF ONLEY, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### F. Cash and Cash Equivalents: (Continued)

Investments for the government are reported at fair value. 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.

##### G. Prepaid Items:

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### H. Receivables:

All trade and property tax receivables are shown net of an allowance for uncollectibles. The Town calculates its allowance for uncollectible accounts using historical collection data.

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

Property tax revenues are recognized when they become available. Available revenues include those property tax receivables expected to be collected within 60 days after year end.

##### I. Capital Assets:

Capital assets, which include land, buildings, vehicles and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Town as land, buildings, road registered vehicles, and equipment with an initial individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40 to 50
Vehicles and equipment	5 to 20

TOWN OF ONLEY, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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

**J. 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. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the statement of activities and a long-term obligation in the statement of net position. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting 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. At June 30, 2014, the Town had a liability for compensated absences of \$6,313. The following is a summary of changes in compensated absences for 2014:

<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>
\$ 3,931	\$ 2,382	\$ -	\$ 6,313

**K. Fund Balances:**

Financial Policies

The Town Council meets on a monthly basis to manage and review cash financial activities and to ensure compliance with established policies. It is the Town's policy to fund current expenditures with current revenues and the Town's mission is to strive to maintain a diversified and stable revenue stream to protect the government from problematic fluctuations in any single revenue source and provide stability to ongoing services. The Town's unassigned General Fund balance will be maintained to provide the Town with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing.

The Town reports fund balance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted fund balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions or enabling legislation).

Committed fund balance - Amounts that can only be used for specific purposes because of a formal action (resolution or ordinance) by the government's highest level of decision-making authority.

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

**K. Fund Balances: (Continued)**

Assigned fund balance - Amounts that are constrained by the Town's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned fund balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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.

**L. Use of Estimates:**

The preparation of financial statements in conformity with 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.

**M. Net Position:**

Net position is the difference between (a) assets and deferred outflows of resources and (b) 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.

**N. 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 government-wide and proprietary fund 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.

**O. 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. The Town does not have any deferred outflows of resources as of June 30, 2014.

## TOWN OF ONLEY, VIRGINIA

### Notes to Financial Statements At June 30, 2014 (Continued)

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

##### O. Deferred Outflows/Inflows of Resources: (Continued)

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 only in the governmental fund balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available.

##### P. Upcoming Pronouncements:

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 (fiscal year ended June 30, 2015). The Town has not determined the impact of this pronouncement on its financial statements.

#### NOTE 2 - 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).

At June 30, 2014, the Town had no investments.

TOWN OF ONLEY, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

**NOTE 3 - CAPITAL ASSETS:**

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 91,151	\$ -	\$ -	\$ 91,151
Capital assets, being depreciated:				
Buildings	\$ 35,268	\$ -	\$ -	\$ 35,268
Vehicles and equipment	273,790	22,351	21,011	275,130
Total capital assets being depreciated	\$ 309,058	\$ 22,351	\$ 21,011	\$ 310,398
Less accumulated depreciation for:				
Buildings	\$ (31,707)	\$ (193)	\$ -	\$ (31,900)
Vehicles and equipment	(218,519)	(24,815)	(21,011)	(222,323)
Total accumulated depreciation	\$ (250,226)	\$ (25,008)	\$ (21,011)	\$ (254,223)
Net capital assets being depreciated	\$ 58,832	\$ (2,657)	\$ -	\$ 56,175
Net capital assets governmental activities	\$ 149,983	\$ (2,657)	\$ -	\$ 147,326

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

**Governmental Activities:**

General government administration	\$ 1,779
Public safety	21,071
Public works	2,158
Total	\$ 25,008

**NOTE 4 - LOAN PAYABLE:**

On March 26, 2012, the Town obtained an \$18,500 loan from Rural Development. The loan is payable in monthly principal and interest payments of \$339. Interest on the loan is 3.75%. The balance outstanding at June 30, 2014 is \$10,589.

The following is a summary of changes in loan payable for the year:

	Beginning Balance	Increase	Decrease	Ending Balance
Loan Payable	\$ 14,186	\$ -	\$ 3,597	\$ 10,589

TOWN OF ONLEY, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

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**NOTE 4 - LOAN PAYABLE: (CONTINUED)**

Annual requirements to amortize the loan payable are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,735	333
2016	3,877	191
2017	<u>2,977</u>	<u>49</u>
Total	<u>\$ 10,589</u>	<u>\$ 573</u>

**NOTE 5 - 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 carries commercial insurance for all of these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 6 - GRANT FUNDS:**

In the normal course of operations, the Town receives grant funds from various state and federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement, which may arise as a result of these audits, is not believed to be material.

**NOTE 7 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgets and Budgetary Accounting*

Formal budgetary integration is employed as a management control device during the year for the General Fund. Annual operating budgets are adopted by ordinances and resolutions passed by the Town Council for those funds. The Town does not integrate the use of encumbrance accounting.

TOWN OF ONLEY, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

NOTE 8 - UNAVAILABLE/UNEARNED REVENUE:

	Government-Wide Statements	Balance Sheet
	Governmental Activities	Governmental Funds
Unavailable revenue representing uncollected property tax billings for which asset recognition criteria has not been met. The uncollected tax billings are not available for the funding of current expenditures.	\$ -	\$ 4,178
Unearned revenue from unspent grant funds for ditch clean up.	7,000	7,000
Total governmental activities	\$ 7,000	\$ 11,178

NOTE 9-PENSION PLAN:

A. Plan Description:

Name of Plan: Virginia Retirement System (VRS)  
 Identification of Plan: Agent and Cost-Sharing Multiple-Employer Pension Plan  
 Administering Entity: Virginia Retirement System (System)

All full-time, salaried permanent (professional) employees of public school divisions and employees of participating employers are automatically covered by VRS upon employment. Members earn one month of service credit for each month they are employed and they and their employer are paying contributions to 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.

Within the VRS Plan, the System administers three different benefit plans for local government employees - Plan 1, Plan 2, and, Hybrid. Each plan has different eligibility and benefit structures as set out below:

**VRS - PLAN 1**

- Plan Overview** - VRS Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.
- Eligible Members** - Employees are in VRS Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.

NOTE 9-PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)
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3. **Hybrid Opt-In Election** - VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and had prior service under VRS Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 1 or ORP.

4. **Retirement Contributions** - Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some school divisions and political subdivisions elected to phase in the required 5% member contribution; all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.
5. **Creditable Service** - Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.
6. **Vesting** - Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.

Members are always 100% vested in the contributions that they make.

7. **Calculating the Benefit** - The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.

An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.

NOTE 9—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)
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8. **Average Final Compensation** - A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.7%. The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.7% or 1.85% as elected by the employer.
10. **Normal Retirement Age** - Age 65.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit at age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.  
  
Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.
12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.
14. **Eligibility** - For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.

For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.

NOTE 9—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

VRS – PLAN 1 (CONTINUED)
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15. **Exceptions to COLA Effective Dates** - The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:

- The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013.
- The member retires on disability.
- The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP).
- The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program.
- The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.

16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.

Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service** - Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.

NOTE 9-PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

VRS – PLAN 2
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1. **Plan Overview** - VRS Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
2. **Eligible Members** - Employees are in VRS Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.
3. **Hybrid Opt-In Election** - VRS Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.

The Hybrid Retirement Plan's effective date for eligible VRS Plan 2 members who opted in was July 1, 2014.

If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.

Members who were eligible for an optional retirement plan (ORP) and have prior service under VRS Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as VRS Plan 2 or ORP.

4. **Retirement Contributions** - Same as VRS Plan 1-Refer to Section 4.
5. **Creditable Service** - Same as VRS Plan 1- Refer to Section 5.
6. **Vesting** - Same as VRS Plan 1-Refer to Section 6.
7. **Calculating the Benefit** - Same as VRS Plan 1-Refer to Section 7.
8. **Average Final Compensation** - A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.
9. **Service Retirement Multiplier** - Same as Plan1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.
10. **Normal Retirement Age** - Normal Social Security retirement age.
11. **Earliest Unreduced Retirement Eligibility** - Members who are not in hazardous duty positions are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Hazardous duty members are eligible for an unreduced retirement benefit at age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.

NOTE 9—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

**VRS – PLAN 2 (CONTINUED)**

12. **Earliest Reduced Retirement Eligibility** - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.
13. **Cost-of-Living Adjustment (COLA) in Retirement** - The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.
14. **Eligibility** - Same as VRS Plan 1—Refer to Section 14.
15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1—Refer to Section 15.
16. **Disability Coverage** - Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.  
  
Most state employees are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.  
  
VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.
17. **Purchase of Prior Service** - Same as VRS Plan 1—Refer to Section 17.

**HYBRID RETIREMENT PLAN**

1. **Plan Overview** - The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as VRS Plan 1 and VRS Plan 2 members who were eligible and opted into the plan during a special election window. (See “Eligible Members”)
  - The defined benefit is based on a member’s age, creditable service and average final compensation at retirement using a formula.
  - The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.
  - In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.

NOTE 9-PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)
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2. **Eligible Members** - Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:
- State employees\*
  - School division employees
  - Political subdivision employees\*
  - Judges appointed or elected to an original term on or after January 1, 2014
  - Members in VRS Plan 1 or VRS Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014
3. **\*Non-Eligible Members** - Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:
- Members of the State Police Officers' Retirement System (SPORS)
  - Members of the Virginia Law Officers' Retirement System (VaLORS)
  - Political subdivision employees who are covered by enhanced benefits for hazardous duty employees

Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under VRS Plan 1 or VRS Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select VRS Plan 1 or VRS Plan 2 (as applicable) or ORP.

4. **Retirement Contributions** - A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

NOTE 9—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (CONTINUED)

5. Creditable Service:

Defined Benefit Component - Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.

Defined Contribution Component - Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

6. Vesting:

Defined Benefit Component - Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. VRS Plan 1 or VRS Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.

Defined Contribution Component - Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.

Members are always 100% vested in the contributions that they make.

Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.

- After two years, a member is 50% vested and may withdraw 50% of employer contributions.
- After three years, a member is 75% vested and may withdraw 75% of employer contributions.
- After four or more years, a member is 100% vested and may withdraw 100% of employer contributions.

Distribution is not required by law until age 70½.

7. Calculating the Benefit:

Defined Benefit Component - Same as VRS Plan 1—Refer to Section 7.

NOTE 9—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (Continued)
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7. **Calculating the Benefit: (Continued)**

Defined Contribution Component - The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.

8. **Average Final Compensation** - Same as VRS Plan 2—Refer to Section 8. It is used in the retirement formula for the defined benefit component of the plan.

9. **Service Retirement Multiplier** - The retirement multiplier is 1.0%.

For members that opted into the Hybrid Retirement Plan from VRS Plan 1 or VRS Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

10. **Normal Retirement Age:**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 10.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

11. **Earliest Unreduced Retirement Eligibility:**

Defined Benefit Component - Members are eligible for an unreduced retirement benefit when they reach normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

12. **Earliest Reduced Retirement Eligibility:**

Defined Benefit Component - Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Defined Contribution Component - Members are eligible to receive distributions upon leaving employment, subject to restrictions.

13. **Cost-of-Living Adjustment (COLA) in Retirement:**

Defined Benefit Component - Same as VRS Plan 2—Refer to Section 13.

Defined Contribution Component - Not Applicable.

NOTE 9—PENSION PLAN: (CONTINUED)

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A. Plan Description: (Continued)

HYBRID RETIREMENT PLAN (Continued)
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14. **Eligibility** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 14.

15. **Exceptions to COLA Effective Dates** - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 15.

16. **Disability Coverage** - Eligible political subdivision and school division members (including VRS Plan 1 and VRS Plan 2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members.

State employees (including VRS Plan 1 and VRS Plan 2 opt-ins) participating in the Hybrid Retirement Plan are covered under the Virginia Sickness and Disability Program (VSDP), and are not eligible for disability retirement.

Hybrid members (including VRS Plan 1 and VRS Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.

17. **Purchase of Prior Service**

Defined Benefit Component - Same as VRS Plan 1 and VRS Plan 2—Refer to Section 17.

Defined Contribution Component - Not Applicable.

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/2013-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

B. Funding Policy:

Plan members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5.00% of their compensation toward their retirement. All or part of the 5.00% member contribution may be assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5% member contribution. This could be phased in over a period up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution. In addition, the Town is required to contribute the remaining amounts necessary to fund its participation in the VRS using the actuarial basis specified by the Code of Virginia and approved by the VRS Board of Trustees. The Town's contribution rate for the fiscal year ended 2014 was 4.95% of annual covered payroll.

TOWN OF ONLEY, VIRGINIA

Notes to Financial Statements  
At June 30, 2014 (Continued)

NOTE 9—PENSION PLAN: (CONTINUED)

C. Annual Pension Cost:

For fiscal year 2014, Town's annual pension cost of \$7,945 was equal to the Town's required and actual contributions.

Three Year Trend Information - Town				
Fiscal Year Ending	Annual Pension Cost (APC)(1)	Percentage of APC Contributed	Net Pension Obligation	
June 30, 2014	\$ 7,945	100%	\$	-
June 30, 2013	6,875	100%		-
June 30, 2012	5,559	100%		-

(1) Employer portion only

The FY 2014 required contribution was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at June 30, 2011 included (a) an investment rate of return (net of administrative expenses) of 7.00%, (b) projected salary increases ranging from 3.75% to 5.60% per year for general government employees, 3.75% to 6.20% per year for teachers, and 3.50% to 4.75% for employees eligible for enhanced benefits available to law enforcement officers, firefighters, and sheriffs, and (c) a cost-of-living adjustment of 2.50% per year for Plan1 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.

D. Funding Status and Progress:

As of June 30, 2013, the most recent actuarial valuation date, the Town's plan was 164.12% funded. The actuarial accrued liability for benefits was \$94,031, and the actuarial value of assets was \$154,328, resulting in an unfunded actuarial accrued liability (UAAL) of (\$60,297). The covered payroll (annual payroll of active employees covered by the plan) was \$138,293 and ratio of the UAAL to the covered payroll was (43.60%).

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.

- Required Supplementary Information -

## Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
General property taxes	\$ 60,000	\$ 60,000	\$ 64,637	\$ 4,637
Other local taxes	363,400	363,400	467,087	103,687
Permits, privilege fees and regulatory licenses	650	650	760	110
Fines and forfeitures	90,000	90,000	93,798	3,798
Revenue from use of money and property	2,200	2,200	4,133	1,933
Miscellaneous	7,300	7,300	16,041	8,741
Intergovernmental:				
Revenue from the Commonwealth	12,475	12,475	25,012	12,537
Revenue from the Federal Government	25,858	25,858	23,522	(2,336)
Total revenues	\$ 561,883	\$ 561,883	\$ 694,990	\$ 133,107
<b>Expenditures</b>				
Current:				
General Government Administration	\$ 168,504	\$ 168,504	\$ 158,404	\$ 10,100
Public Safety	342,998	342,998	319,598	23,400
Public Works	65,623	65,623	56,121	9,502
Debt service:				
Principal retirement	3,597	3,597	3,597	-
Interest and other fiscal charges	471	471	471	-
Total expenditures	\$ 581,193	\$ 581,193	\$ 538,191	\$ 43,002
Excess (deficiency) of revenues over expenditures	\$ (19,310)	\$ (19,310)	\$ 156,799	\$ 176,109
Net change in fund balance	\$ (19,310)	\$ (19,310)	\$ 156,799	\$ 176,109
Fund balance, beginning of year	19,310	19,310	1,216,556	1,197,246
Fund balance, end of year	\$ -	\$ -	\$ 1,373,355	\$ 1,373,355

The budgetary data presented above is on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

Schedule of Funding Progress for Pension Plan  
Last Three Fiscal Years

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
June 30, 2013	\$ 154,328	\$ 94,031	\$ (60,297)	164.12%	\$ 138,293	-43.60%
June 30, 2012	134,390	76,170	(58,220)	176.43%	133,065	-43.75%
June 30, 2011	120,883	61,729	(59,154)	195.83%	127,433	-46.42%

- Supporting Schedules -

General Fund  
Schedule of Revenues - Budget and Actual  
For the Year Ended June 30, 2014

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Fund:</b>				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 48,000	\$ 48,000	\$ 51,388	\$ 3,388
Personal property taxes	12,000	12,000	12,928	928
Penalties	-	-	223	223
Interest	-	-	98	98
Total general property taxes	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 64,637</u>	<u>\$ 4,637</u>
Other local taxes:				
Local sales and use taxes	\$ 30,000	\$ 30,000	\$ 27,138	\$ (2,862)
Meals tax	225,000	225,000	317,375	92,375
Occupancy tax	18,000	18,000	15,801	(2,199)
BPOL tax	2,400	2,400	2,703	303
Motor vehicle licenses	8,000	8,000	9,023	1,023
Bank franchise taxes	80,000	80,000	95,047	15,047
Total other local taxes	<u>\$ 363,400</u>	<u>\$ 363,400</u>	<u>\$ 467,087</u>	<u>\$ 103,687</u>
Permits, privilege fees and regulatory licenses:				
Zoning fees	<u>\$ 650</u>	<u>\$ 650</u>	<u>\$ 760</u>	<u>\$ 110</u>
Fines and forfeitures:				
Court fines and forfeitures	<u>\$ 90,000</u>	<u>\$ 90,000</u>	<u>\$ 93,798</u>	<u>\$ 3,798</u>
Revenue from use of money and property:				
Revenue from the use of money	<u>\$ 2,200</u>	<u>\$ 2,200</u>	<u>\$ 4,133</u>	<u>\$ 1,933</u>
Miscellaneous revenue:				
Ditch cleanup	\$ 7,000	\$ 7,000	\$ -	\$ (7,000)
Miscellaneous	300	300	16,041	15,741
Total miscellaneous	<u>\$ 7,300</u>	<u>\$ 7,300</u>	<u>\$ 16,041</u>	<u>\$ 8,741</u>
Total revenue from local sources	<u>\$ 523,550</u>	<u>\$ 523,550</u>	<u>\$ 646,456</u>	<u>\$ 122,906</u>

## General Fund

## Schedule of Revenues - Budget and Actual

For the Year Ended June 30, 2014 (Continued)

<u>Fund, Major and Minor Revenue Source</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Fund: (Continued)</b>				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	\$ 25	\$ 25	\$ 30	\$ 5
Communications tax	3,500	3,500	3,860	360
Personal property tax reimbursement	-	-	2,062	2,062
Total non-categorical aid	<u>\$ 3,525</u>	<u>\$ 3,525</u>	<u>\$ 5,952</u>	<u>\$ 2,427</u>
Categorical aid:				
Other categorical aid:				
Fire programs grant	\$ 8,000	\$ 8,000	\$ 18,000	\$ 10,000
Litter grant	950	950	1,060	110
Total categorical aid	<u>\$ 8,950</u>	<u>\$ 8,950</u>	<u>\$ 19,060</u>	<u>\$ 10,110</u>
Total revenue from the Commonwealth	<u>\$ 12,475</u>	<u>\$ 12,475</u>	<u>\$ 25,012</u>	<u>\$ 12,537</u>
Revenue from the Federal Government:				
Categorical aid:				
Law enforcement grant	\$ 11,858	\$ 11,858	\$ 14,816	\$ 2,958
Highway Safety O/T grant	9,000	9,000	8,706	(294)
DCJS Byrne grant	5,000	5,000	-	(5,000)
Total revenue from the Federal Government	<u>\$ 25,858</u>	<u>\$ 25,858</u>	<u>\$ 23,522</u>	<u>\$ (2,336)</u>
Total General Fund revenues	<u><u>\$ 561,883</u></u>	<u><u>\$ 561,883</u></u>	<u><u>\$ 694,990</u></u>	<u><u>\$ 133,107</u></u>

## General Fund

## Schedule of Expenditures - Budget and Actual

For the Year Ended June 30, 2014

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Fund:</b>				
General administration:				
Salaries	\$ 71,908	\$ 71,908	\$ 68,898	\$ 3,010
Payroll taxes and benefits	15,636	15,636	15,005	631
Attorney and legal fees	14,000	14,000	12,479	1,521
Insurance and bonds	6,750	6,750	6,757	(7)
Telephone, electric and office expense	25,850	25,850	23,651	2,199
Repairs and maintenance	1,400	1,400	1,369	31
Cleaning	1,200	1,200	1,170	30
Advertising	1,000	1,000	1,010	(10)
Dues and subscriptions	600	600	638	(38)
Motor vehicle license	500	500	572	(72)
Planning commission	2,610	2,610	1,437	1,173
Electoral expenses	1,800	1,800	1,132	668
Audit and accounting	7,500	7,500	7,500	-
Education and travel	5,000	5,000	724	4,276
Litter grant	950	950	1,075	(125)
Donations	10,000	10,000	10,000	-
Other	1,800	1,800	4,987	(3,187)
Total general administration	\$ 168,504	\$ 168,504	\$ 158,404	\$ 10,100
Public safety:				
Police department:				
Salaries	\$ 189,032	\$ 189,032	\$ 167,834	\$ 21,198
Payroll taxes and benefits	52,558	52,558	48,405	4,153
Insurance	5,000	5,000	5,000	-
Maintenance and gasoline	30,700	30,700	24,129	6,571
Telephone, office expense and supplies	7,650	7,650	7,997	(347)
Legal fees	500	500	241	259
Education and travel	1,500	1,500	463	1,037
Grant expenses	26,058	26,058	12,299	13,759
Capital expenditures	10,000	10,000	24,230	(14,230)
Total police department	\$ 322,998	\$ 322,998	\$ 290,598	\$ 32,400

## General Fund

## Schedule of Expenditures - Budget and Actual

For the Year Ended June 30, 2014 (Continued)

<u>Fund, Function, Activity, and Elements</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b><u>General Fund: (Continued)</u></b>				
Fire and rescue:				
Grant expenses	\$ 8,000	\$ 8,000	\$ 17,000	\$ (9,000)
Contributions to fire department	12,000	12,000	12,000	-
Total fire and rescue	\$ 20,000	\$ 20,000	\$ 29,000	\$ (9,000)
Total public safety	\$ 342,998	\$ 342,998	\$ 319,598	\$ 23,400
Public Works:				
Mosquito control:				
Salaries	\$ 2,350	\$ 2,350	\$ 2,407	\$ (57)
Payroll taxes and benefits	173	173	184	(11)
Repairs and supplies	5,000	5,000	2,284	2,716
Total mosquito control	\$ 7,523	\$ 7,523	\$ 4,875	\$ 2,648
Street department:				
Salaries	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Payroll taxes and benefits	-	-	12	(12)
Electricity	250	250	244	6
Holiday events and decorations	2,100	2,100	1,324	776
Repairs and supplies	3,500	3,500	12,128	(8,628)
Insurance	250	250	1,250	(1,000)
Ditch cleanup expense	7,000	7,000	-	7,000
Total street department	\$ 28,100	\$ 28,100	\$ 14,958	\$ 13,142
Sanitation department:				
Refuse removal	\$ 30,000	\$ 30,000	\$ 36,288	\$ (6,288)
Total public works	\$ 65,623	\$ 65,623	\$ 56,121	\$ 9,502
Debt service:				
Principal retirement	\$ 3,597	\$ 3,597	\$ 3,597	\$ -
Interest and fiscal charges	471	471	471	-
Total debt service	\$ 4,068	\$ 4,068	\$ 4,068	\$ -
Total General Fund	\$ 581,193	\$ 581,193	\$ 538,191	\$ 43,002

- Compliance -

# ROBINSON, FARMER, COX ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

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

To the Honorable Members of the Town Council  
Town of Onley, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Town of Onley, Virginia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Onley, Virginia's basic financial statements, and have issued our report thereon dated September 20, 2014.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Onley, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Onley, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Onley, 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 Town'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 Town of Onley, 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 Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Robinson, Farnell, Cox Associates*

Charlottesville, Virginia

September 20, 2014